Organto Foods Inc.

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Canada

Management's Discussion and Analysis
(Unaudited)

For the year Ended
December 31, 2018

(Stated in Canadian Dollars)

Dated May 29, 2019

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BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides an overview of the business and operations of Organto Foods Inc. for the three months and year ended December 31, 2018. This report should be read in conjunction with the Company's December 31, 2018 audited consolidated financial statements and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Except where the context otherwise requires, all references in this MD&A to the "Company", "we", "us", "our" and "Organto" or similar words and phrases relate to Organto Foods Inc. and its subsidiaries, taken together.

All currency amounts are expressed in Canadian dollars unless noted otherwise. In addition, "this quarter" or "current quarter" refers to the three-month period ended December 31, 2018 and "this year" or "current year" refers to the year ended December 31, 2018.

This MD&A is dated May 29, 2019.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to as "forward-looking statements"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "planned," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "predicts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any of our future results, performance or achievements expressed or implied by the forward-looking statements; consequently, undue reliance should not be placed on forward-looking statements.

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about our ability to carry out our plans and objectives; our ability to open up and sell through retail chains and other channels in Europe, North America and other markets; our ability to procure required volumes of organic produce from either our own operations and/or strategic third party suppliers; our ability to meet import and export requirements; the availability of equity and other financing on reasonable terms; our ability to successfully build out our medicinal cannabis platform; our ability to attract and retain skilled labour and staff; our ability to operate and/or partner with suppliers in The Netherlands, Europe, North America, Latin America, Africa and elsewhere; the impact of changes in foreign exchange rates on costs and results; transportation and logistics costs; market competition; ongoing relations with our employees and with our business partners; and general business and economic conditions.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- we have a limited operating history and may incur further losses until our operating platform achieves scale;
- there is risk in our ability to continue as a going concern due to losses incurred as we build our operating platform, risk in our negative working capital position and our accumulated deficit, all of which could impact our ability to continue operations;
- we may not be able to secure financing required to meet future capital needs to continue operations;
- additional financing may dilute common shareholders or place restrictions on our operations;
- we operate in a competitive global industry and the actions of competitors could impact revenues and profitability;
- we must attract and retain key personnel and professionals to achieve our business objectives;
- our customers are generally not obligated to continue to purchase products from us;

- if we do not manage our supply chain effectively, our operating results may be adversely affected;
- our international operations expose us to risks inherent with the countries where we are doing business;
- our business is subject to numerous environmental and food safety regulations and policies;
- our planned entry into the medicinal cannabis business exposes us to risks associated with laws and regulations governing medicinal cannabis, which are still developing in many parts of the world, and could have an impact on our plans to expand this part of our business;
- our planned medicinal cannabis operations in Colombia are dependent upon final receipt of licenses to cultivate, process and sell plus successful build-out of growing and processing operations;
- our stock price may be volatile, which may impact returns to our shareholders;
- our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all;
- we do not anticipate paying any cash dividends to our common shareholders and as a result, shareholders may only realize a return when their shares are sold; and
- our business is subject to changing regulations related to corporate governance and public disclosure that may increase both our costs and risk of non-compliance.

Consequently, all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and the detailed risks and uncertainties that are included in this report.

STRATEGY

Organto is a vertically integrated provider of organic produce focused on serving a growing socially responsible and health conscious consumer around the globe. Our mission is “to be a leading vertically integrated provider of organic value-added vegetables, fruits and other products, serving a growing socially responsible and health conscious consumer around the globe”.

As our strategy has evolved, we have recently expanded our organic foods go-to-market channels beyond organic vegetables to include a variety of branded and private label organic soft fruit, exotic fruit and tropical fruit, and also a variety of organic produce to be sold on a bulk basis. This channel expansion increases our revenue streams and our presence in key markets, while at the same time significantly deepening our relationships with strategic third-party supply partners. In addition, our product offering is being expanded into medicinal cannabis in order to move to higher margin product offerings while leveraging our diverse sourcing, processing, logistics, import, export and organic certification expertise.

We believe that the demand for healthy and organic foods will continue to grow for many years and supply availability will be key to this growth being realized. According to the US Organic Trade Association (OTA) sales of organic products grew 6.4% in 2017 to over US$49 billion, growing at a rate that is almost 6 times that of conventional products, and now represents over 5% of total food sales. The OTA estimates that 82% of Americans buy organic food at least some of the time and fresh produce continues to be the primary gateway by which consumers enter the organic foods space. Furthermore, over half of all households in the US have purchased organic produce and the fresh produce segment is the fastest growing within the organic segment, now representing 15% of all the produce that Americans eat, and 36% of total US organic foods spend. And this is not just a US phenomenon. The organic market in Europe continues to grow. In 2015 the market increased by 13% and reached approximately Euro 30 billion and in 2016 it increased another 11.4%, reaching nearly Euro 33.5 billion in turnover. Globally European countries account for the highest share of organic food sales as a percentage of total food sales. Further, according to a research report completed by Zion Market Research, the global organic food and beverage market is expected to grow to US $323.1 billion by 2024, a CAGR of 14.56% over the period of 2017-2024.

We also believe that the global cannabis industry will grow worldwide as countries around the world move to legalize and decriminalize the use of cannabis for both medicinal and recreational use. Legal cannabis is gaining traction due to very high demand among consumers, scientific evidence supporting the medical and social benefits of cannabis and increasing legalization of recreational or medical cannabis in various countries. Additionally, significant public and private investment for research and development of safer forms of ingestible cannabis such as tinctures, oils, vapes and other edibles are expected to positively reinforce market growth. The number of conditions treated using medical cannabis is also growing rapidly and as new patients are added to

the market, the demand for medicinal cannabis is expected to increase multiple folds in the coming years. A number of countries are moving towards legalization of marijuana for recreational purposes, and this in turn is expected to create a shift from medicinal to recreational cannabis demand. Canada recently legalized cannabis consumption for both medicinal and recreational purposes, following Uruguay who have also done the same. And this trend is continuing around the world. In the USA 9 states have legalized cannabis for recreational purposes and over 30 states have legalized cannabis for medicinal purposes. With a population of over 327 million, the estimated market potential by 2025 is over US $24 billion (CDN $31 billion). And Europe, with a population of in excess of 735 million and 140 million existing cannabis users, brings market potential of over 55 billion Euro (CDN $ 85 billion). And finally, the Canadian market, which is now legalized for both medicinal and recreational purposes, brings market potential of approximately CDN $8 billion. Together these markets bring a combined population of approximately 1.1 billion and combined market potential by 2025 of approximately CDN $124 billion.

It is our belief in these growing markets and consumer trends, combined with our efforts to build an efficient year-round organic supply platform for many of our products that underlies our strategic focus and our mission to be a leading vertically integrated organic brand serving a growing socially responsible and health conscious consumer around the globe.

We employ a business model that is integrated from the "field to the table". Driven by consumer and retailer demand for healthy and organic food products, we continue to build out a platform to deliver value-added branded and private label products to meet these needs via an integrated model with diverse sourcing, logistics, processing and distribution capabilities, with the objective of providing year-round product supply for many of our products and complete traceability from the table back to the field. Our model is rooted in our commitment to sustainable business practices focused on environmental responsibility and our commitment to the communities where we operate, our people and our shareholders.

Our long-term strategic priorities are centered on three key strategic pillars: *Supply, Brand and Infrastructure*.

- *Supply* – development of year-round vertically integrated organic supply chain capabilities;
- *Brand* – building the Organto brand as a leading brand with retailers; and
- *Infrastructure* – responsibly building-out the organization to allow the business to scale as required.

In hand with our distributed product capabilities, we have developed a branded go-to-market strategy under the Organto "I am Organic" brand for our organic fruits and vegetables and are in the process of developing our marketing approach for cannabis products. We believe our ability to drive a differentiated branded products strategy for our food product offerings is based on our assessment of market demand combined with our intention to develop year-round supply capabilities for many of our value-added products. In hand with our branded products focus, we also work with retail partners to provide value-added private label offerings, with the objective of maximizing efficiencies while creating category demand for our brand. Our organic foods products are initially being rolled out to specific European customers and will be followed by introduction to other food markets. Our cannabis products are expected to be initially marketed in Colombia and expand over time to other legalized markets.

HISTORY AND OPERATIONS

In March 2014 Agricola Nuova Terra S.A. ("Agricola"), a privately-owned business, commenced operations to build out a global year-round supply platform focused on the production and distribution of value-added branded organic vegetables.

On November 30, 2015, Agricola completed a reverse takeover (the "RTO") of Columbus Exploration Corporation ("Columbus Exploration"). Columbus Exploration was incorporated on May 18, 2007 under the laws of the Province of British Columbia, Canada. Upon completion of the RTO, Columbus Exploration changed its name to Organto Foods Inc., and Agricola became a wholly-owned subsidiary of Organto Foods Inc. On March 21, 2016, Agricola changed its name to Organto Guatemala, Sociedad Anonima ("Organto Guatemala").

The name change to Organto Foods Inc. was completed to better reflect our focus on growing, processing, packaging, distribution and branding of organic foods along with our commitment to sustainable and socially conscious business practices.

Our organic foods operations operate as the Organto Foods Group. While we have operated our own growing operations in the past in both Guatemala and Argentina, our focus now is on working with strategic third-party growers and service providers in Mexico, Peru, Argentina, Thailand, Zimbabwe as well as other countries in order to grow our business and drive an asset light business model. Products are initially being commercialized in European markets.

8In November 2018 we completed the acquisition of Medicannabis, SAS, a privately held Colombian medicinal cannabis company that is a late-stage applicant to enable it to cultivate and process cannabis in Colombia. This business operates as the Organto Global Cannabis group.

Our head office is located at 1090 Hamilton Street, Vancouver, British Columbia, Canada and we have a sales, logistics and administration office in Breda, the Netherlands. Regional satellite offices are located in Mexico, Guatemala, Argentina and the USA.

OUTSTANDING SHARE DATA

Our common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the trading symbol "OGO" and are quoted on the OTC Markets under the symbol "OGOFF".

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and December 31, 2018:

	May 29, 2018	December 31, 2018
Common shares issued and outstanding	170,450,893	162,989,355
Share purchase options outstanding ($0.13-$0.20)	12,430,000	12,430,000
Warrants ($0.15-$0.20)	51,590,378	51,590,378

See "Liquidity and Capital Resources" for further information.

RECENT DEVELOPMENTS

Corporate

In April 2019 we entered into an agreement to extend short-term loans payable in the amount of $647,408. Under the terms of the extension all outstanding amounts were extended one-year from the date of the initial loan and will be payable on the expiry date. Commencing May 15, 2019 and each month thereafter, the Company will make equal monthly payments of $8,620 reflecting principal and interest and will make lump some payments based on funds raised via equity financings, warrant exercises and proceeds from potential funds raised in relation to the Company's medicinal cannabis assets. Should the Company exit cannabis operations any outstanding amounts under these short-term loans will be immediately due and payable.

In March and April 2019 the Company received $343,064 by issuing promissory notes. These notes are non-interest bearing and are due on demand any time after May 7, 2019. Proceeds from these notes are being used primarily to fund the Company's cannabis operations.

In March 2019 we entered into an agreement to sell our processing plant and related assets, including land, buildings and processing equipment, in Guatemala, to Organizacion de Marcadeo SA (Omega), a company controlled by Arturo Bickford and Jorge Guzman Efrain. Under the terms of the agreement, which is subject to final acceptance by the TSX Venture Exchange, Omega will acquire the assets in an arm's-length transaction on an as-is basis for consideration of $935,450. Consideration will be paid through the discharge of certain loans from Omega and related parties to Organto in the amount of $428,782 (US$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of $77,185 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. At December 31, 2018 the fair value of the shares to be cancelled was determined to be $440,494 and the fair value of the interest-free note payable was determined to be $66,174.

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US$500,000. Interest is payable monthly at 12% on any funds advanced. A one time fee of US$50,000 was paid to establish this facility.

In December 2018, we settled debts in the amount of $345,000 with Columbus Gold Corp., a related party, and two of our directors arising from services provided to Organto during the period December 2015, through May 2018. A total of 2,924,294 common shares were issued.

We also issued a total of 1,066,666 common shares to a former officer as full and final settlement for amounts payable of US$78,691 and 100,000 common shares to a former employee to settle $7,000 for fees owed in December 2018.

In November 2018 the Company completed a non-brokered private placement of 11,000,000 units at a price of $0.10 per unit for total proceeds of $1,100,000. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.20 for a period of 18 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSX Venture Exchange is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued.

In August 2018 the Company completed a non-brokered private placement of 20 million units at a price of $0.08 per unit. Total proceeds of $1,600,000 were received: $657,683 in June 2018 and $942,317 in July and August 2018. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.15 for a period of 12 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSX Venture Exchange is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued.

In addition to our efforts to transition from an asset heavy and single revenue stream business model to an asset light and multi revenue stream business model in our foods business, and establish our cannabis operations, we have also endeavoured to strengthen our balance sheet. We entered into agreements which resulted in the elimination of over $3 million of debt and payables through the early conversion of convertible debentures, the settlement of a convertible loan and shares for debt settlements.

In July 2018 the Company reached an agreement with the holders of the convertible debentures to convert the debentures, plus accrued interest and related conversion fees, into common shares of the Company. As part of this agreement, the conversion terms were modified such that the principal amount of the debentures would be converted at $0.185 per share instead of the original $0.35 per share and interest would be converted at $0.10 per share instead of being paid in cash. As a result of this modification, the Company recognized a loss of $308,674 being the difference between the fair value of the shares the debenture holders received on conversion and the fair value of the consideration the debenture holders would have received under the original terms. The Company issued a total of 13,330,262 common shares to the holders of the debentures, comprising 11,000,000 common shares issued to convert the face value of the debentures at a conversion price of $0.185 per common share, and 2,330,262 common shares to convert accrued interest and related conversion fees at a conversion price of $0.10 per common share.

In June 2018 we settled our US$590,000 convertible loan. The loan provided for automatic conversion at a conversion price of $0.33 per common share in the event the company completed an equity financing resulting in gross proceeds of at least $5 million. As a result of the Company's private placement in 2017 for gross proceeds greater than $5 million, the Company began the process to convert the loan. The Company incurred $22,135 in costs while converting this loan and these costs, together with accrued interest and the loan principal, were paid by issuing 2,269,230 common shares in June 2018.

We issued share purchase warrants as part of our private placement in 2017 and in August 2018 we adjusted the pricing of the following share purchase warrants:

- 12,699,634 share purchase warrants originally exercisable at a price of $0.25 per warrant share until June 20, 2019 were amended to a new exercise price of $0.17 per warrant share;
- 2,165,208 share purchase warrants originally exercisable at a price of $0.25 per warrant share until August 3, 2019 were amended to a new exercise price of $0.17 per warrant share; and
- 19,565,000 share purchase warrants originally exercisable at a price of $0.25 per warrant share until September 11, 2019 were amended to a new exercise price of $0.17 per warrant share.

Originally, if the closing price of the company's shares was $0.35 or greater for a period of 10 consecutive trading days, then the warrant holders had 30 days to exercise their warrants. This acceleration clause has been changed to a closing price of $0.21 or greater for 10 consecutive trading days, with the warrants then expiring after 30 days.

In June 2018 we announced the departure of Marcus Meurs from his position as President and Chief Operating Officer, effective June 18, 2018. Steve Bromley, Chair and Interim CEO also assumed the role of President effective immediately. There are no plans to fill the Chief Operating Officer role in the near term given the revised structure which has been implemented by the Company.

In April 2018 we announced that Mr. Arnoud Maas, Chief Executive Officer had advised that he would not be renewing his Management Services Agreement and thus would be leaving Organto as both CEO and Director. Steve Bromley, Chair of the Board of Directors assumed the role of Interim CEO at that time.

From February through April 2018, we completed bridge financings whereby certain significant insider shareholders sold part of their shareholdings in private transactions and invested a portion of the proceeds as bridge loans to Organto. We received proceeds of $818,740 from these bridge loans and an additional $107,647 in October 2018 from loans from an officer and two directors. The bridge loans are unsecured and have a term of one year, with interest rates ranging from 0% to 8%, payable in equal monthly payments of $5,000 per month. The loans from the officer and the director are non-interest bearing and without any specific term of repayment. In April 2019, $171,338 of the bridge loans were discharged with the sale of the Guatemala plant and $647,408 were extended for an additional year from the date of the initial loans.

Foods Division

We continued to expand our value-added organic vegetables and fruits product offering and we have increased our supply capabilities via the addition of new supplier relationships focused on organic soft, tropical, and exotic fresh fruits and other organic vegetables. We intend to continue to establish supply relationships with strategic growers in key supply markets in order to expand our market presence and to diversify our revenue streams beyond just high-value organic vegetables.

In late 2018, we entered into a five-year agreement with a supply partner in Zimbabwe, whereby we will have exclusive sales rights for certain organic products produced by the supply partner, initially focused on value-added year-round organic vegetables, including organic green beans, organic snow peas and organic sugar snaps. Our strategic supply partner in Zimbabwe is an established supplier of conventional and organic fruits and vegetables and in March 2019 received organic certification for lands to be devoted to exclusive production of organic vegetables for Organto. The receipt of these certificates represented the final step in the approval process and deliveries to Organto of organic green beans commenced in March 2019. The certifications from Eco-Cert SA cover two growing operations located in separate provinces offering diverse climatic features, critical as year-round supply of value-added vegetables is established. Our supply partner has also started planting organic snow peas and organic sugar snaps, and we expect to have these products available for commercial distribution in May 2019.

Sales of organic avocados began in the October 2018 after the establishment of our Mexican subsidiary. Initial shipments were from Mexico to customers in Germany and the Netherlands while future shipments are expected to include additional supply from Peru. The initial shipments were almost fully sold in advance of shipping, indicative of the strong demand for organic avocado. To date, our avocado program has not performed as well as we initially expected and sales of avocados are down substantially from originally forecast. While demand has been strong, a strike by Mexican avocado industry workers disrupted supply for 3 weeks in October and November 2018 and certain shipments in December 2018 and January 2019 experienced quality issues due to shipping problems. Insurance claims have been filed to recover our costs and lost revenue from the avocados spoiled in transit and we are taking additional steps to better secure our supply chain in order to avoid these issues and meet strong market demand.

Sales of organic blueberries to European customers began in September and were our first sales of an organic soft fruit. Initial sales of organic blueberries were on a seasonal basis from product supplied from Argentina. Our goal is to develop a year-round product offering including supply from Mexico plus additional supply from Peru which is in development. In October we began sales to a European on-line retailer, representing Organto's first commercial activities in Europe in the fast-growing on-line channel. Organic blueberries and organic asparagus are the first products available for sale, but there is the potential for us to add new products as they become available.

Sales of organic asparagus started in September with sales to customers in the Netherlands. Initial supply is from Peru and volumes are expected to increase as additional growers are expected to be contracted in Argentina and Mexico.

In September 2018 we closed our owned and operated receiving and packaging facility in Amsterdam after entering into an agreement with an established third party who provides a wide range of logistic services for fruits and vegetables, including quality management, receiving, sorting, repacking and warehousing. The closure of our facility in Amsterdam is part of our plan to move from primarily a fixed cost to a variable cost model.

In April 2018 we appointed Mr. Rients van der Wal to the position of Chief Executive Officer, Organto Europe BV. Mr. van der Wal brings extensive fresh fruits and vegetables experience to Organto, and has strong industry contacts at both customer and supply chain levels. Mr. van der Wal is based in the Netherlands and leads Organto’s vertically integrated value-added branded fresh produce business which operates from Breda.

In hand with Mr. van der Wal's appointment, we also announced our intention to expand our branded value-added organic vegetables product offering and supply capabilities via the addition of expanded supply relationships focused on organic soft, tropical and exotic fresh fruits, deepening supply relationships with strategic growers in key supply markets, expanding market presence and developing opportunities for new value-added Organto "I am Organic" branded product offerings. Since April, we have expanded our product offerings with organic blueberries, organic blackberries, organic avocado, organic passion fruit and organic ginger. These additional products have expanded our market presence and revenue streams.

In April 2018 we announced that Mr. Arnoud Maas, Chief Executive Officer had advised that he would not be renewing his Management Services Agreement and thus would be leaving Organto as both CEO and Director. Steve Bromley, Chair of the Board of Directors assumed the role of Interim CEO.

Cannabis Division

In November 2018 we completed the acquisition of 100 per cent of the outstanding shares of Medicannabis SAS, a privately held Colombian medicinal cannabis company that is a late-stage applicant for licences to enable it to cultivate and process cannabis in Colombia. Shareholder approval for this transaction has been received. We allocated the purchase price of $25,051 to the license applications.

In April 2019 we received final acceptance of the TSX Venture Exchange and issued 7,000,000 common shares ("Acquisition Shares") to the original shareholders of Medicannabis as part of the terms of the acquisition agreement which required these shares be issued upon receipt of a cannabis cultivation license that was received in January 2019. In addition, Organto issued 461,538 common shares ("Finder's Shares") as a finder's fee in accordance with the policies of the TSX Venture Exchange. The Acquisition Shares and Finder's Shares are subject to a four month hold period under applicable securities regulations which will expire on August 8, 2019 and are also subject to contractual release limitations over a three-year period. A value of $1,193,846 was attributed to these shares to be issued and this amount was added to licenses as at December 31, 2018.

As part of the Medicannabis transaction, Organto acquired 18 unique and proprietary cannabis varieties and breeding lines developed by Todd Dalotto over the past 19 years for Pacific Northwest environments. These varieties and breeding lines are being cross-bred with Colombian varieties that have been developed for tropical mountain climates by Medicannabis and other breeders, in order to develop varieties that perform well in equatorial regions around the world and exhibit qualities of aroma, flavor, and medicinal efficacy that cannabis connoisseurs expect. These proprietary breeds and strains, uniquely adapted for the region, will allow for a more successful and trouble-free crop. We recognized $100,911 in intangible assets upon the acquisition of these cannabis varieties.

In hand with the acquisition of Medicannabis, Mr. Todd Dalotto was appointed President of Organto's Global Cannabis Group. Mr. Dalotto is a horticultural scientist, public policy consultant, and court-qualified expert witness specializing in cannabis. His experience includes horticultural research, teaching, and consulting businesses on the horticultural science and public policy of cannabis. His cannabis activities during the past nineteen years include breeding of in-bred lines, morphology, sustainable practices, mutualisms, and hoop-house cannabis production. He created the curriculum for the Cannabis Horticultural Science Course, which is a certificate course on core horticultural science topics such as Soil Science, Seed Biology, Plant Pathology, Breeding & Genetics, and more.

Mr. Dalotto has a horticultural research degree with an emphasis on sustainable agriculture and plant breeding from Oregon State University. He is the former Chair of the Oregon Health Authority's Advisory Committee on Medical Marijuana (ACMM), and of the ACMM's Horticulture, Research & Safety Committee. He currently serves on Americans for Safe Access' Patient-Focused Certification Review Board, on the Cannabis Certification Council's Technical Advisory Committee, and on various legislative advisory committees for the State of Oregon. Mr. Dalotto was instrumental in the drafting of the regulations for Oregon's Medical Marijuana Dispensary Program, and he founded one of Oregon's first cannabis medical clinic.

We believe that the procurement and distribution of cannabis related products is a logical and complementary extension to our current fruits and vegetable business, given the rapid legalization of cannabis globally. While organic fruits and vegetables will continue to be the mainstay of our business, we believe the addition of a self-standing cannabis distribution division opens up a wide array of options for us to create long-term value for our shareholders. Legalization of cannabis is a global trend presenting significant opportunities, and we believe that Latin America presents a unique opportunity to establish low-cost natural growing operations.

While the standard models for cannabis production facilities in the United States and Canada are characterized as higher cost indoor growing facilities and automated greenhouses, Organto intends to demonstrate how its original ecological and sustainable hoop-

house cultivation design produces high-quality crops with lower production costs & higher profits than the standard model facility. In contrast with expensive standard-model production facilities common to competitors in North America, Organto's innovative model utilizes an inexpensive and simple hoop-house design, which maximizes light and heat from the sun, instead of from electrical lights & heaters, and cools by passive ventilation and efficient fans, instead of with chillers and air conditioners.

We believe our fully equipped hoop-houses can be constructed at under 33% of the cost of the conventional cannabis production facilities constructed in Canada and the United States. Also, by utilizing free and abundant natural resources, such as planting in native soils instead of purchasing new shipments of potting media for each crop, and utilizing captured rainwater instead of exclusively municipal sources, Organto expects to realize significant savings in operating expenses.

This group's division's greatest operating expense will be labor, which in Colombia tends to be approximately 15% of the labour cost in Canada and the United States, hence eliminating the need for expensive automation systems and equipment.

In January 2019 we were granted a licence from Colombia's Ministry of Justice to cultivate non-psychoactive cannabis ("CBD") at our cultivation and breeding facility in Colombia. The licence authorizes the cultivation of non-psychoactive cannabis in Colombia for medicinal use and further processing into cannabis products, including but not limited to, oils, tinctures, beverages, topicals and other products. It also allows for grain and seed production, and scientific purposes.

Also in January 2019, we filed registrations for a total of 144 cultivars and breeding lines as fuente semillera (translated as source seed) with the Instituto Colombiano Agropecuario (ICA), Colombia's agricultural authority. All cannabis plants grown in Colombia must be derived from registered fuente semillera in order to be permitted for use. Licensed cannabis producers had until Dec. 31, 2018, to file these registrations. Medicannabis filed technical sheets for 144 cultivars and breeding lines in advance of the deadline, thereby establishing a large and diverse genetic library for the company to crossbreed and develop numerous new cultivars with a wide variety of trait combinations (flavour, aroma, medicinal properties and phytochemistry). Organto is also in the process of registering 10 commercial cultivars with ICA, which is a requirement for growing each cultivar for eventual commercial sales. In the meantime, the company is currently authorized to grow registered fuente semillera for genetic improvement and scientific research while it goes through the cultivar registration and agronomic evaluation process, which can take several months.

Simultaneously, an application was filed for registration as a producer of certified seeds, which, subject to approval, will allow the company to manufacture, import and export cannabis seeds that have undergone agronomic and specific trait improvement, thus allowing the company to generate revenues globally from its breeding of cultivars which have been adapted for various climates.

Licensed companies that did not meet the Dec. 31, 2018, fuente semillera deadline are not authorized to use their own seeds for cultivation and are otherwise limited to buying seeds from companies with a licence for the use of seeds for planting, which Organto anticipates it will receive soon. By meeting this deadline and becoming appropriately licensed, Organto is expected to enjoy both a cost advantage and a favourable position as a supplier of seeds to third parties.

Organto has extensive European market expertise, and with the global trend to legalize cannabis rapidly modifying the global landscape, it is expected that over time the European landscape will also evolve and open-up a potential US$65 billion cannabis market of some 740 million people. When that happens Organto should be very well positioned to leverage their marketplace knowledge to take advantage of the enormous market opportunity. In the interim, Organto's Cannabis Division will focus on offering its future cannabis products locally in the Colombian medicinal market, and globally in markets where cannabis related imports and sales are fully legalized.

FINANCIAL RESULTS

For the purposes of the information presented, the "Company" is defined as the consolidated entity.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS is the responsibility of management and requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of useful lives of depreciated and amortized assets, the valuation of inventory which includes estimates with regards to the allocation of overhead and determining the net realizable value, assumptions used in determination of the fair value of share-based payments, the recoverability and measurement of deferred tax assets, and the allocation of the purchase price associated with the acquisition of a business.

The preparation of financial statements in accordance with IFRS requires us to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in preparing our financial statements include the assumption that we will continue as a going concern, classification of expenditures and the classification of financial instruments.

Changes in Accounting Policies and Standards

A number of new standards, and amendments to standards and interpretations, have been applied in preparing these consolidated financial statements while other standards will come into effect in the future. Those that may be applicable to us are as follows:

(a) IFRS 9 – *Financial Instruments* ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Embedded derivative financial liability	FVTPL	FVTPL

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are all recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(b) IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The Company applied IFRS 15 on January 1, 2018 and the adoption of this new standard did not impact any of the balances or net income for the current year.

(c) IFRS 16 – *Leases* ("IFRS 16")

IFRS 16 replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not

substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact that IFRS 16 may have on its financial statements.

(d) Other

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Selected Annual Information

The following information is for the years ended December 31, 2018, 2017 and 2016:

	2018 ($)	**2017 ($)**	**2016 ($)**
Sales	1,536,577	592,534	2,155,210
Gross profit (loss)	(584,608)	(1,682,095)	(169,055)
Net loss from continuing operations	(5,502,180)	(9,441,849)	(4,477,,046)
- per share, basic and diluted	(0.04)	(0.10)	(0.06)
Comprehensive loss	(5,416,717)	(9,275,240)	(4,578,750)
- per share, basic and diluted	(0.04)	(0.10)	(0.06)
Total assets	3,341,850	3,156,867	5,102,997
Total non-current financial liabilities	-	(1,664,112)	-
Cash dividends declared	-	-	-

Review of Financial Results – Current Quarter

We reorganized our business model under the direction of our new management team in the third quarter. We transitioned from an asset heavy and single revenue stream business model to an asset light and multi revenue stream business model. We have been diversifying our grower base and growing regions to benefit from low-cost labor, existing infrastructure, logistics economics and routes to designated markets, as well as expanding grower relationships and increasing the number and variety of products handled. We have reduced overheads throughout the organization, shifting from a fixed cost base structure to a combination of fixed and variable resources, intended to reduce the overhead burden as our business grows. Looking forward we believe that revenue, margins and product diversification will continue to increase as we take advantage of improved supply dynamics and expand into new product categories.

We incurred a net loss of $2,34,588 during the current quarter, down from $5,733,701 during the same period in the prior year.

Revenues for the three months ended December 31, 2018 were $1,068,275 as compared to $136,459 during the same period in the prior year, an almost tenfold increase and the company's highest quarterly revenues in over two years. We incurred a gross loss of $325,715 in the fourth quarter of 2018 as compared to a gross loss of $822,792 during the same period in the prior year. Our gross loss was impacted by product spoilage issues we experienced with several shipments of avocados from Mexico to Europe as well as costs associated with initial product launch costs as expanded offerings were introduced to the market and supply chains developed.

Selling, general and administration expenses of $579,337 this quarter were lower than the $862,132 from the same quarter of the prior year. The reduction in costs during the quarter was attributable to cost reductions across the organization as overheads and related costs were reduced to align with our restructured business model. Also, beginning in the second quarter of 2018, the costs of our operations in Guatemala have been allocated to general and administration expenses when production was suspended pending a review of our business objectives in that country. Legal and other costs attributable to our new medicinal cannabis operations in Colombia of $206,814 offset some of the cost savings from our restructured business model in the current quarter.

Management fees in the current quarter were $424,516 after including an adjustment of $298,703 to reclassify amounts previously shown as salaries. Excluding this adjustment management fees were $125,813 as compared to $316,420 in the same quarter of the prior year. The decrease was a result of the Company's efforts to reduce its staffing to a level better supported by the Company's operations as well as due to certain officers and advisors agreeing to waive their fees for services until such time as the Company's operations can better support the payment of such fees.

Salaries and benefits during the fourth quarter were $177,256 before the adjustment to reclassify $298,703 of salaries to management fees as compared to $553,935 in the same quarter of the prior year. Overall staffing levels were scaled back beginning late in the first quarter of 2018 and associated staffing costs are lower in the fourth quarter of 2018 versus the fourth quarter of 2017.

We recognized $105,863 for stock-based compensation in the fourth quarter of 2018 compared to $671,417 in the same quarter of 2017. Stock based compensation is calculated using the Black-Scholes option pricing model which requires the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Stock based compensation in the fourth quarter of 2018 was based on a fair value of $0.06 per share for the 600,000 options granted in June 2018 and $0.06 per share for the 5,750,000 options granted in December 2018.

Interest expense and accretion recognized during the current quarter was favorable $464,381 as compared to an expense of $162,175 for the same quarter of the prior year. Favorable Interest and accretion in the fourth quarter of 2018 was due to adjustments made to accretion costs recorded previously related to the settlement of the convertible debentures less interest and accretion on the short-term loans payable. Interest and accretion in the fourth quarter of 2017 consisted of interest and accretion on a convertible loan and the convertible debentures. The convertible loan was settled by issuing shares in the second quarter of 2018 and the convertible debentures were settled by issuing shares in the third quarter of 2018. See "Liquidity and Capital Resources" for further information.

We realized an other loss of $332,672 as compared to other income of $56,988 in the fourth quarter of the prior year. The loss in the fourth quarter of 2018 was due primarily to the write-downs of obsolete supplies inventory and advances previously made to certain suppliers. While we believe we will ultimately recover a large part of these advances, we are not sure when this will occur and, as a result, have written these advances down to a nominal amount.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We realized a foreign exchange loss of $166,300 this quarter as compared to a gain of $186,111 during the same quarter last year.

In March 2019 we entered into an agreement to sell our processing plant and related assets in Guatemala and we wrote down the December 31, 2018 carrying value of these assets by $546,237 to the fair value of the expected sale proceeds. We also reclassified these assets from property plant and equipment to assets held for sale.

Review of Financial Results – Current Year

We incurred a net loss of $5,502,180 during the current year, as compared to $9,441,849 during prior year.

Revenues for the year ended December 31, 2018 were $1,536,577 as compared to revenues of $592,534 during the prior year. Revenues for 2018 saw a large increase in the third quarter of 2018 and an even larger increase in the fourth quarter as we continued our transition from an asset heavy and single revenue stream business model to an asset light and multi revenue stream business model. Revenue was lower than expected in the fourth quarter due to product supply difficulties brought on by a number of factors including the avocado workers strike in Mexico and regional quality issues.

We incurred a gross loss of $584,608 in 2018 as compared to a gross loss of $1,682,095 during 2017. While much improved over 2017, our 2018 gross loss was impacted by losses in the first and second quarters as we exited growing operations related to our previous asset heavy business model, plus product spoilage issues we experienced with several shipments of avocados from Mexico to Europe in the fourth quarter as well as costs associated with initial product launch costs as expanded offerings were introduced to the market.

Selling, general and administration expenses were $1,627,067 for the year ended December 31, 2018 and were lower than the $2,319,132 for the prior year. The reduction in costs is attributable to cost reductions across the organization which commenced late in the first quarter of 2018 as overheads and related costs were reduced to align with our restructured business model. Also, beginning in the second quarter of 2018, the costs of our operations in Guatemala have been allocated to general and administration expenses while production was suspended pending a review of our business objectives in that country. Legal and regulatory fees are a large portion of these costs in 2018. These fees were incurred as the Company negotiated agreements to eliminate over $3 million of debt and payables through the early conversion of convertible debentures, the settlement of a

convertible loan, the shares for debt settlements, the bridge loan financing and the private placements. Also offsetting cost reductions made elsewhere are new costs beginning in the fourth quarter of 2018 for our medicinal cannabis operations in Colombia.

Management fees in the current year decreased to $881,200 as compared to $1,180,166 for the prior year. The decrease was a result of the Company's efforts to reduce its staffing to a level appropriate to the Company's operations as well as due to certain officers and advisors agreeing to waive their fees for services until such time as the Company's operations can better support the payment of such fees.

Salaries and benefits during the current year decreased to $841,441 as compared to $1,057,850 for the prior year driven by elevated costs in the third and fourth quarters of 2017 and first and second quarters of 2018. In the third quarter of 2017, the Company began the build-out of the Amsterdam office, first including sales and marketing personnel and then finance and administration personnel. Costs in the second quarter of 2018 included approximately $180,000 for severance and termination payments as staffing levels were reduced.

We recognized $123,311 for stock-based compensation in the current year and $671,417 in 2017. Stock based compensation in 2018 was based on a fair value of $0.06 per share for the 600,000 options granted in June 2018 of which 120,000 had vested, a fair value of $0.06 for the 5,750,000 options granted in December 2018 of which 1,276,250 had vested, and a fair value of $0.09 for the options that were granted in 2017 but vested in the first and second quarters of 2018.

We have, or had during 2018, a convertible loan payable, convertible debentures, and certain loans which incur interest at various rates. Total interest expense and accretion recognized during the year ended December 31, 2018 was $366,486 as compared to $379,473 for the same period of the prior year. The convertible loan payable was settled with shares in June 2018, and the convertible debentures were settled with shares in July 2018. See "Liquidity and Capital Resources" for further information.

We realized an other loss of $152,944 as compared to other income of $56,959 in the prior year. The loss in 2018 resulted from losses on the disposal of equipment, the write-off of obsolete supplies inventory and the write-down of advances previously made to certain suppliers. While we believe we will ultimately recover the advances, we are not sure when this will occur and, as a result, have written these advances down to a nominal amount.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We realized a foreign exchange loss of $157,058 in 2018 as compared to a gain of $239,946 during 2017.

We recorded gains totalling $17,949 from the revaluation of the derivative financial liability at the end of the first quarter of 2018 and then the elimination of this derivative financial liability in June 2018.

Financing costs in 2018 were $74,074 and are costs incurred as we converted the convertible loan payable and the convertible debentures into shares.

We entered into several debt settlement agreements during 2018 resulting in a gain of $142,970 for the year.

In July 2018 the Company reached an agreement with the holders of the convertible debentures to convert the debentures, plus accrued interest and related conversion fees, into common shares of the Company. As part of this agreement, the conversion terms were modified such that the principal amount of the debentures would be converted at $0.185 per share instead of the original $0.35 per share and interest would be converted at $0.10 per share instead of being paid in cash. As a result of this modification, the Company recognized a loss of $308,674 being the difference between the fair value of the shares the debenture holders received on conversion and the fair value of the consideration the debenture holders would have received under the original terms.

In March 2019 we entered into an agreement to sell our processing plant and related assets in Guatemala and we wrote down the December 31, 2018 carrying value of these assets by $546,237 to the fair value of the expected sale proceeds. We also reclassified these assets from property plant and equipment to assets held for sale.

During the year ended December 31, 2018 we realized a basic and diluted loss per share of $0.04 per share compared to a loss of $0.10 per share for the year ended December 31, 2017.

Selected Quarterly Information

	Q4 2018 ($)	Q3 2018 ($)	Q2 2018 ($)	Q1 2018 ($)	Q4 2017 ($)	Q3 2017 ($)	Q2 2017 ($)	Q1 2017 ($)
Revenues	1,068,275	444,259	10,648	13,395	136,459	135,623	284,878	35,574
Net loss for the period attributable to shareholders of the Company	(2,134,588)	(864,121)	(1,060,868)	(1,442,603)	(5,659,635)	(1,468,605)	(1,300,937)	(870,271)
Basic and diluted loss per share for the period	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.02)	(0.01)	(0.01)

	Dec 31, 2018 ($)	Sep 30, 2018 ($)	Jun 30, 2018 ($)	Mar 31, 2018 ($)	Dec 31, 2017 ($)	Sep 30, 2017 ($)	Jun 30, 2017 ($)	Mar 31, 2017 ($)
Cash	189,020	33,249	189,454	28,567	172,025	2,257,086	1,142,413	201,663
Total assets	3,341,850	2,880,218	2,804,575	2,766,969	3,156,867	7,693,330	6,646,020	5,428,130
Total non-current financial liabilities	-	-	1,649,723	1,612,806	1,572,230	1,970,554	1,919,750	-

Liquidity and Capital Resources

At December 31, 2018, we had cash of $189,020 and a working capital deficiency of $2,199,028 compared to $172,025 and $2,842,417, respectively, at December 31, 2017.

In August 2018 we completed a non-brokered private placement of 20 million units at a price of $0.08 per unit. Total proceeds of $1,600,000 were received: $657,683 in June 2018 and $942,317 in July and August 2018. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.15 for a period of 12 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSX Venture Exchange is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued.

In November 2018 we completed a non-brokered private placement of 11 million units at a price of $0.10 per unit for total proceeds of $1,100,000. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.20 for a period of 18 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSX Venture Exchange is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued.

Cash used in operating activities for the fourth quarter of 2018 was $772,678 ($1,775,669 – 2017) and $3,190,883 for the year ended December 31, 2018 ($5,890,473 – 2017). Cash used in operations consists of cash used to fund the loss for the period and the impact of non-cash items and changes in non-cash working capital.

We spent $109,797 on intangible assets in the fourth quarter and for all of 2018 related to our investment in medicinal cannabis, while investing activities in 2017 consisted of $50,844 in the fourth quarter of 2017 and $164,983 for all of 2017.

During the fourth quarter of 2018, in addition to the private placement proceeds of $1,100,000 before costs we received $110,647 in the form of unsecured loans from an officer and directors, $2,275 from the exercise of stock options and paid $15,000 in interest on the short term loans and made payments of $40,197 towards the loan due to Omega. For the year ended December 31, 2018 we received net proceeds of $2,588,873 from two private placements, proceeds of $926,387 from short term loans and $2,275 as the proceeds from the exercise of stock options. For the year ended December 31, 2018 we paid $39,326 in interest on the short term loans, made payments of $132,822 towards the loan due to Omega and made payments of $28,456 towards the convertible loan.

At December 31, 2018, we had current liabilities of $4,040,677 (December 2017 - $4,056,933) and no non-current liabilities (December 2017 - $1,664,112) as the non-current liabilities were converted into equity during the third quarter of 2018.

We are reliant upon equity and/or debt financings to fund operations until such time as revenues are sufficient to sustain operations.

Financial instruments

The fair value of our financial instruments, financial statement classification and associated risks are presented in the following table.

Financial instrument	Basis of measurement	Associated risks	Fair value at December 31, 2018 ($)
Cash	Fair value through profit or loss	Credit, currency and concentration	189,020
Receivables	Amortized cost	Credit, currency and concentration	574,790
Accounts payable	Amortized cost	Currency	(2,844,078)
Loan due to Omega S.A.	Amortized cost	Currency	(270,212)
Loans payable	Amoritzed cost	n/a	(926,387)
			(3,276,867)

The fair value of our financial instruments including cash, receivables, accounts payable, loan due to Omega and loans payable approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

IFRS 7, *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our financial instruments at December 31, 2018 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or third party failing to discharge their obligation due to the Company.

The credit risk exposure on cash is limited to their carrying amounts at the date of the statement of financial position. Cash is held as cash deposits with creditworthy banks in Canada, Europe, Guatemala, Mexico and Argentina. The risk is assessed as low.

The credit risk exposure on receivables is limited to their carrying amounts at the date of the statement of financial position. Trade receivables are mainly from three customers in Europe. The risk is assessed as high due to the limited number of customers. Other receivables are primarily comprised of VAT credits with a low risk assessment.

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. We manage liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2018, we had a working capital deficiency of $2,199,028 (December 31, 2017 – $2,842,417). Liquidity risk is assessed as high.

To date, the Company has been able to address any shortfalls in meeting our short term financial demands by turning to equity and debt markets to raise the funding necessary continue operations. We will have to continue to raise funds on these markets until the Company is able to realize consistent profitable operating results.

(c) Market risks – interest rate

We do not have debt that is subject to interest rate risks, as all our interest bearing debts have fixed rates.

Sensitivity Analysis

A 1% change in interest rates does not have a material effect on our profit or loss and equity.

As our functional currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Argentine Peso, Mexican peso and Guatemalan Quetzal are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on our profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net income by approximately $340,000.

Capital Management

When managing capital our objective is to ensure an optimal capital structure is maintained to reduce overall cost of capital and allowing flexibility to respond to changes in working capital requirements.

In the management of capital, we include the components of shareholders' equity as well as cash and receivables.

We manage the capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of our capital requirements, we monitor working capital and cash flows regularly. There have been no changes to our capital management policies and procedures since the end of the most recent fiscal year.

Related Party Transactions

We had a services agreement with Columbus Gold, whereby Columbus Gold provided administration and management services for a fixed monthly fee. The agreement was effective until May 31, 2018. Currently, two of the Company's directors are directors of Columbus Gold. In the past, Columbus Gold had additional directors and officers in common with the Company.

As part of the June 2018 employment settlement agreement between the Company and Marcus Meurs, its former President and COO, the Company forgave the $96,998 owed to it by Fresh Organics LLC, a company controlled by Mr. Meurs and Mr. Meurs forgave the $79,336 owed to himself by the Company.

Certain directors and officers subscribed for 5,337,500 of the units sold in the August 2018 private placement and 3,690,000 of the units sold in the November 2018 private placement. Certain directors, officers and companies with common directors and officers of the Company were issued 2,924,294 of the shares issued by the Company in the December 2018 shares for debt settlements.

The following related party transactions were made in the normal course of operations:

(a) Key management personnel compensation:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Salaries, consulting and management fees	800,905	1,107,922
Short-term employee benefits	19,436	18,827
Stock based compensation	93,741	348,360
	914,082	**1,475,109**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits

(b) Transactions with related parties:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Purchase of management and administrative services from companies with common directors and officers	226,873	306,600
	226,873	**306,600**

(a) Outstanding balances arising from purchases of services:

	December 31, 2018 ($)	**December 31, 2017 ($)**
Salaries, consulting and management fees	309,182	69,542
Directors' fees	-	52,000
Administration services	38,005	250,139
Expense reimbursements	58,975	83,410
Balance, end of year	**406,162**	**455,091**

(d) Loans from directors and key management personnel:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Balance, beginning of year	-	-
Loans received	107,647	-
Balance, end of year	**107,647**	**-**

Commitments

At December 31, 2018, we have the following commitments:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Lease payments for land use	17,889	33,394	55,740	107,023
Management and administration fees	142,722	-	-	142,722
Loan payable to Omega S.A.	270,212	-	-	270,212
Short term loans payable	926,387	-	-	926,387
	1,357,210	**33,394**	**55,740**	**1,446,344**

The above noted lease payments for land use will cease in April 2019 upon the sale of the Company's processing plant in Guatemala.

As part of the Medicannabis acquisition, the Company entered into a land lease for monthly payments of 9,000,000 Colombian pesos ($3,600) per month beginning in January 2019.

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 2018 and up to the date of this report, the Company had no off-balance sheet transactions.

PROPOSED TRANSACTIONS

While the Company is continually reviewing potential opportunities that could enhance shareholder value, there are no proposed transactions that would affect the financial condition, results of operations and cash flows of the Company to report at this time.

RISKS AND UNCERTAINTIES

Risk factors

Our business, operations and financial condition are subject to various risks and uncertainties. Prior to making an investment decision, investors should consider the risks and uncertainties set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business engaged in the global production and distribution of organic produce. We believe the risks set out below to be the most significant to potential investors, but do not represent all of the risks associated with an investment in securities of our Company. If any of the identified risks materialize or other additional risks and uncertainties of which we are currently unaware materialize, our assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. These risk factors should be read in conjunction with other information in this report and in other documents that we file from time to time.

Risks Related to Our Business

We have a limited operating history and may incur further losses until our operating platform achieves scale.

Agricola began carrying on business in 2014 and since that time we have built out our operating platform and generated approximately $6.0 million in revenues and operating losses of approximately $21.2 million. We are subject to many of the risks common to early-stage enterprises, including costs associated with building out an operating platform prior to volumes coming to scale, undercapitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no assurance that we will be successful in establishing a customer base, that consumers will purchase our products, or that we will begin generating revenues sufficient to cover our operating costs. Our ability to achieve a return on shareholders' investment and the likelihood of its success must be considered in light of the company's early stage of operations.

There is risk in our ability to continue as a going concern due to losses incurred as we build out our operating platform, risk in our negative working capital position and our accumulated deficit, all of which could impact our ability to continue operations.

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the years ended December 31, 2018, 2017, 2016 and 2015 with respect to our ability to continue as a going concern. As discussed in Note 1 to our financial statements for the current quarter, we have generated operating losses since inception, cash resources are currently insufficient to meet planned business objectives, and thus additional financing will be required to realize the carrying value of our assets and continue operations, which together raises doubt about our ability to continue as a going concern.

We may not be able to secure financing required to meet future capital needs to continue operations.

We will require additional capital to fulfill our contractual obligations and continue development of our product offerings and global operating platform, through either equity or debt financing. Due to business specific or general economic conditions, we may be unable to secure debt or equity financing on terms acceptable to the Company, or at all, at the time when we need such funding. Our inability to raise additional funds on a timely basis would make it difficult to achieve our business objectives and would have a negative impact on our business, financial condition and results of operations.

Additional financing may dilute common shareholders or place restrictions on our operations.

If we raise funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders would be reduced, and the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, the Company may be subject to debt covenants, which could place limitations on our operations including our ability to declare and pay dividends.

We operate in a competitive global food industry and the actions of competitors could impact revenues and profitability.

The agricultural produce industry is intensely competitive in all of its phases. We compete with other companies, some of whom have greater financial resources, larger facilities, more capacity, higher staffing levels, greater economies of scale, pricing advantages, longer operating histories and more established market presences. We may have little or no control over some or all of these competitive factors. If we are unable to effectively respond to these competitive factors, or if the competition in our product markets results in price reductions or decreased demand for our products, our business, results of operations and financial condition may be materially impacted.

We are focusing our business on the production, processing, packing and distribution of value-added and branded organic produce grown in strategic geographies that will provide us with year-round supply capabilities. As a result of changing consumer preferences and awareness, we believe there is increased demand for organic produce over conventional produce which we believe will be positive for us. Even so, we expect to face competition from new entrants to the organic produce market wanting to participate in this growing category. Our ability to remain competitive will depend to a great extent on our ability to grow our customer base, build our brand, maintain competitive pricing levels, manage transportation and delivery logistics and effectively market our products to our customers. There can be no assurance that we will have sufficient resources to compete successfully with our current or future competitors in these areas, which could have a material adverse effect on our business plan and results of operations.

We must attract and retain key personnel and professionals to achieve our business objectives.

Our success will be largely dependent upon the performance of our management and key employees. We must compete with other companies both within and outside the food industry to recruit and retain competent employees and contract resources. If we cannot attract and maintain qualified resources to meet our business needs, this could have a material adverse effect on our business. In addition, the Company does not have key man insurance policies and therefore there is a risk that the death or departure of any existing member of management or any key employee could also have a material adverse effect on the Company.

Our customers generally are not obligated to continue purchasing products from us.

Many of our customers buy from us under purchase orders, and we generally do not have long-term agreements with or commitments from these customers for the purchase of our products. We cannot provide assurance that our customers will maintain or increase their sales volumes or orders for the products supplied by us or that we will be able to maintain or add to our

existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition or results of operations.

If we do not manage our supply chain effectively, our operating results may be adversely affected.

Our supply chain is complex and subject to a number of risks. We directly operate growing and processing operations but also rely on a number of third party suppliers for the growing, processing, packaging and distribution of certain of our products. Our inability to effectively manage our supply chain could cause our operating costs to rise and our margins to fall. In addition, potential adverse weather conditions and natural disasters add another layer of risk to our supply chain. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet customer demand as well as having too much inventory that could reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet customer demand, our operating costs could increase and our margins could fall.

Our international operations expose us to additional risks inherent with the countries where we are doing business.

We operate in various foreign jurisdictions around the world. These international operations expose us to risks inherent in doing business abroad including exposure to local economic conditions, foreign exchange rate fluctuations and currency controls, investment restrictions or requirements, export and import restrictions, compliance with anti-corruption and anti-bribery laws, compliance with export controls and economic sanctions laws, and unforeseen events such as natural disasters, terrorism or political and civil unrest. As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks, thus materially impacting our business, financial condition and results of operations.

Our business is subject to numerous environmental and food safety regulations and policies.

Our operations are subject to environmental and food safety regulations and policies in the areas where we operate. Changes in any government laws or regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. While we believe we are in compliance with all laws and regulations applicable to our operations, we cannot assure you that we have been, or will at all times be, in compliance with all environmental and food safety requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with any laws, regulations or policies applicable to our business could lead to penalties, loss of our ability to sell certain of our products, possible product recalls and others, any of which could have a material impact on our business, financial condition and results of operations.

Our planned entry into the medicinal cannabis business exposes us to risks associated with laws and regulations governing medicinal cannabis, which are still developing in many parts of the world, and could have an impact on our plans to expand this part of our business.

Our entry into the medicinal cannabis industry is governed by laws and regulations specific to various countries around the world. Many of these laws and regulations are still being developed, and dependent on the outcome of these, our ability to expand our business into new markets and geographies could be impacted.

Our planned medicinal cannabis operations in Colombia are dependent upon final receipt of licenses to cultivate, process and sell, plus staffing and build-out of growing and processing operations.

Our medicinal cannabis operations in Colombia are early-stage and dependent on successful receipt of various licenses from the Colombian Government, the recruitment of management and operational personnel to lead and manage the business, and build-out of growing, processing and marketing operations to ready product for the market. There is no assurance that these activities will be completed in a timely manner, or at all, thus impacting our ability to successfully enter the medicinal cannabis industry.

Risks Related to Ownership of Our Securities

Our stock price may be volatile, which may impact returns to our shareholders.

From time to time stock markets experience extreme price and volume fluctuations, which, when combined with general economic and political conditions, could adversely affect the market price for our securities. In addition, the trading price of our common stock may be volatile and could fluctuate widely in response to many factors, including the following, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;
- additions or departures of key personnel; and
- future sales of our common stock.

Our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all.

We cannot predict the extent to which an active public market for trading our common stock will be sustained. Our shares have historically been thinly-traded meaning that the number of persons interested in purchasing our common shares at or near bid prices at a certain given time may be relatively small or non-existent.

This situation is attributable to a number of factors, including the fact that we are a smaller company in its development phase which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who generate or influence sales volume. Even if we came to the attention of such persons, those persons may be reluctant to follow, purchase, or recommend the purchase of shares of an unproven company such as ours until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous trades without an adverse effect on share price. We cannot be assured that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

We do not anticipate paying any cash dividends to our common shareholders and as a result shareholders may only realize a return when their shares are sold.

We presently do not anticipate that we will pay dividends on any of our common stock in the foreseeable future. If payment of dividends does occur at some point in the future, it would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any common stock dividends will be at the discretion of our Board of Directors. We presently intend to retain all earnings to implement our business plan; accordingly, we do not anticipate the declaration of any dividends for common stock in the foreseeable future.

Our business is subject to changing regulations related to corporate governance and public disclosure that may increase both our costs and the risk of noncompliance.

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, provincial and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities have issued requirements and regulations and continue to develop additional regulations and requirements in response to public concerns. Our efforts to comply with these regulations have resulted in, and are likely to continue resulting in, increasing general and administrative expenses. Because new and modified laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls over financial reporting have been established to ensure that the Company’s assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

During the years ending December 31, 2018 and 2017, we worked to enhance our disclosure controls and procedures through the implementation of the *Internal Control – Integrated Framework (2013 Framework)* control framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the *Control Objectives for Information and Related Technology 5.0* framework Issued by the Information Systems Audit and Control Association for the management and governance of information technology.

The Company discovered a weakness in its system of internal controls in 2017.

In 2017, the Company temporarily relocated its head office from Vancouver to Amsterdam and also experienced an unusually large rate of turnover of key personnel. As part of the head office relocation, the Amsterdam office was expected to adopt the system of internal controls used by the Vancouver office, subject to any adjustments required to comply with local laws and regulations. However, the Amsterdam office did not implement the Vancouver system and instead implemented their own. While other controls already in place ensured that the quality and accuracy of financial reporting was not at risk, one control adopted by the Amsterdam office was not consistent with those implemented in the Vancouver office.

As a result, controls around the initiation and processing of payments by the Amsterdam office was deemed ineffective. Authorization levels established at the Company's bank in the Netherlands allowed payments to be made by only one employee, rather than the accepted North American model of two employees required. While there were several instances of payments being made with only one employee involved, all of the payments made by only one person were found to be legitimate. It was determined that the bank account was set up this way due to a difference in corporate culture rather than to allow malicious activity. Existing controls confirmed the legitimacy of the payments made and no adjustments to company transactions were required. During the first and second quarters of 2018, the Company updated its procedures in the Amsterdam office to ensure that authorization by two employees is necessary to make payments.

Management has addressed the weakness discovered in the review of its internal controls and procedures and believes they are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely and accurate manner.

Unrelated to this weakness, the Company has moved its head office back to Vancouver.

The Company intends to utilize independent internal controls specialists in the future to make sure that its systems are operating as efficiently and effectively as possible.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

CORPORATE INFORMATION

Head Office:	1090 Hamilton Street Vancouver, BC, V6B 2R9
Directors:	Steve Bromley (Chair) Jeffrey Klenda (Chair, Audit Committee) Claudio Schreier Javier Reyes Robert Giustra Peter Gianulis
Officers:	Steve Bromley, Interim Chief Executive Officer & President Rients van der Wal, Chief Executive Officer, Organto Europe B.V. Peter Thibaudier, Interim Chief Financial Officer Peter Gianulis, Executive Vice President, Corporate Development Ralf Langner, Interim Corporate Secretary
Auditor:	DMCL LLP 1500 – 1140 West Pender Street Vancouver, BC, V6E 4G1
Legal Counsel:	McMillan LLP Suite 1500 - 1055 West Georgia Street Vancouver, BC, V6E 4N7
Transfer Agent:	Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

Organto Foods Inc.

1090 Hamilton Street
Vancouver, B.C.
V6B 2R9
Canada

Consolidated Financial Statements

For the Year Ended
December 31, 2018

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Organto Foods Inc.

Opinion

We have audited the consolidated financial statements of Organto Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss, comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 28, 2019

Organto Foods Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2018 ($)	December 31, 2017 ($)
Assets		
Current assets		
Cash	189,020	172,025
Receivables (note 5)	574,790	442,257
Inventories (note 6)	67,721	157,541
Prepaid expenses (note 7)	74,668	442,693
Assets held for sale (note 8)	935,450	-
	1,841,649	1,214,516
Non-current assets		
Property, plant and equipment (note 9)	176,494	1,932,836
Intangible assets (note 10)	1,323,707	-
Other non-current assets	-	9,515
Total assets	**3,341,850**	**3,156,867**
Liabilities and Shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 18)	2,844,078	3,041,687
Loan due to Omega S.A. (note 11)	270,212	372,148
Short-term loans payable (notes 12 and 18)	926,387	-
Convertible loan payable (note 13)	-	625,021
Embedded derivative financial liability (note 13)	-	18,077
	4,040,677	4,056,933
Non-current liabilities		
Convertible debenture (note 14)	-	1,664,112
Total liabilities	**4,040,677**	**5,721,045**
Shareholders' deficit		
Share capital (note 15)	16,919,767	10,953,208
Shares to be issued (note 10)	1,193,846	-
Reserves (note 15(f))	2,367,396	2,160,270
Deficit	(21,179,836)	(15,677,656)
Total shareholders' deficit	**(698,827)**	**(2,564,178)**
	3,341,850	**3,156,867**

Nature of operations and going concern (note 1)
Commitments (note 21)
Subsequent events (note 24)

The accompanying notes are an integral part of these consolidated financial statements.

Organto Foods Inc.
Consolidated Statements of Loss
(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Sales (note 20)	1,536,577	592,534
Cost of sales (note 16)	2,121,185	2,274,629
Gross loss	(584,608)	(1,682,095)
Selling, general and administration expenses (note 17)	1,627,067	2,319,132
Management fees (note 18)	881,200	1,180,166
Salaries and benefits (note 18)	841,441	1,057,850
Stock-based compensation (note 15(b))	123,311	671,417
	(4,057,627)	(6,910,660)
Other items:		
Interest expense and accretion (notes 11, 12, 13 and 14)	(366,486)	(379,473)
Other income (loss)	(152,944)	56,959
Foreign exchange gain (loss)	(157,058)	239,946
Gain on restructuring financial liability (note 13)	-	107,412
Gain on embedded derivative financial liability (note 13)	17,949	18,416
Financing costs (notes 13 and 14)	(74,074)	-
Gain on settlement of debt (note 15)	142,970	-
Loss on modification of convertible debt (note 14)	(308,674)	-
Gain in dissolution of subsidiary (note 2)	-	45,156
Foreign exchange realized on dissolution of subsidiary	-	30,155
Impairment of property, plant and equipment (notes 8 and 9)	(546,237)	(2,649,760)
Net loss for the year	**(5,502,180)**	**(9,441,849)**
Net loss attributable to:		
Shareholders of Organto Foods Inc.	(5,502,180)	(9,299,444)
Non-controlling interests	-	(142,405)
	(5,502,180)	**(9,441,849)**
Loss per share (note 15(d))		
Basic and diluted	(0.04)	(0.10)

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Net loss for the year	(5,502,180)	(9,441,849)
Other comprehensive income (loss) for the year:		
Item(s) that may subsequently be re-classified to net income or loss:		
Foreign currency translation	85,463	166,609
Comprehensive loss for the year	**(5,416,717)**	**(9,275,240)**
Comprehensive loss attributable to:		
Shareholders of Organto Foods Inc.	(5,416,717)	(9,132,835)
Non-controlling interests	-	(142,405)
	(5,416,717)	**(9,275,240)**

The accompanying notes are an integral part of these consolidated financial statements.

Organto Foods Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Operating activities		
Net loss for the year	(5,502,180)	(9,441,849)
Items not involving cash		
Amortization	170,379	427,309
Impairment of property, plant and equipment	546,237	2,649,760
Other loss (income)	158,096	(37,782)
Share-based payments	-	72,500
Stock-based compensation	123,311	671,417
Interest expense and accretion	327,160	379,473
Gain on derivative financial liability	-	(107,412)
Gain in dissolution of subsidiary	-	(45,156)
Foreign currency transaction gain	150,204	10,973
Financing costs	74,074	-
Gain on extinguishment of debt	(142,970)	-
Loss on modification of convertible debt	308,674	-
Gain on embedded derivative financial liability	(17,949)	(18,416)
Cash used in operating activities before changes in non-cash working capital	(3,804,964)	(5,439,183)
Changes in non-cash working capital (note 19)	614,081	(451,290)
Cash used in operating activities	(3,190,883)	(5,890,473)
Investing activities		
Property, plant and equipment	-	(164,983)
Intangible assets	(109,797)	-
Cash used in investing activities	(109,797)	(164,983)
Financing activities		
Proceeds from private placements, net of issue costs	2,588,873	4,910,000
Proceeds from debentures issued	-	2,035,000
Proceeds from short-term loan	926,387	271,840
Repayment of convertible loan payable	(28,456)	(37,232)
Proceeds from share options and warrants exercised	2,275	4,396
Repayment of short-term loans	-	(514,602)
Loan and interest payments to Omega	(132,822)	(319,972)
Interest paid	(39,326)	(144,035)
Cash from financing activities	3,316,931	6,205,395
Effect of foreign exchange on cash	744	(4,144)
Increase in cash	16,995	145,795
Cash, beginning of year	172,025	26,230
Cash, end of year	**189,020**	**172,025**

Supplemental cash flow information (note 19).

The accompanying notes are an integral part of these consolidated financial statements.

Organto Foods Inc.
Consolidated Statements of Changes in Shareholders' Deficit
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of shares	Share capital ($)	Shares to be issued ($)	Reserves ($)	Deficit ($)	Non-controlling interests ($)	Total ($)
Balance at December 31, 2016	76,771,801	6,000,631	-	1,126,939	(6,328,684)	(146,466)	652,420
Gross proceeds received from private placement (note 15(a))	34,429,842	5,164,476	-	-	-	-	5,164,476
Share issuance costs (note 15(a))	-	(410,895)	-	156,419	-	-	(254,476)
Compensation shares (note 14)	738,570	122,100	-	-	-	-	122,100
Share-based payments (note 15(a))	294,386	72,500	-	-	-	-	72,500
Stock-based compensation (note 15(b))	-	-	-	671,417	-	-	671,417
Conversion feature of debentures (note 14)	-	-		416,420	-	-	416,420
Warrants excercised (note 15(a))	29,304	4,396		-	-	-	4,396
Warrants (note 15(c))	-	-	-	40,500	-	-	40,500
Elimination of non-controllinginterest in subsidiaries	-	-	-	-	(288,871)	288,871	-
Dissolution of subsidiary	-	-	-	(418,034)	239,343	-	(178,691)
Comprehensive loss for the year	-	-	-	166,609	(9,299,444)	(142,405)	(9,275,240)
Balance at December 31, 2017	**112,263,903**	**10,953,208**	**-**	**2,160,270**	**(15,677,656)**	**-**	**(2,564,178)**
Gross proceeds received from private placements (note 15(a))	31,000,000	2,700,000	**-**	-	-	-	2,700,000
Share issue costs	-	(7,455)	-	-	-	-	(7,455)
Exercise of stock options	35,000	3,923	-	(1,648)	-	-	2,275
Stock-based compensation (note 15(b))	-	-	-	123,311	-	-	123,311
Shares issued to settle accounts payable (note 15(a))	4,090,960	316,610	-	-	-	-	316,610
Shares issued to settle loans payable (note 13)	2,269,230	748,846	-	-	-	-	748,846
Shares issued to settle convertible debentures (note 14)	13,330,262	2,204,635	-	-	-	-	2,204,635
Shares to be issued on receipt of Colombian license (note 10)	-	-	1,193,846	-	-	-	1,193,846
Comprehensive loss for the year	-	-	-	85,463	(5,502,180)	-	(5,416,717)
Balance at December 31, 2018	**162,989,355**	**16,919,767**	**1,193,846**	**2,367,396**	**(21,179,836)**	**-**	**(698,827)**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging and distribution of organic and specialty food products with a focus on branded organic value-added vegetables and fruit products and recently entered the medicinal cannabis market. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") and are traded under the stock symbol "OGO".

Incorporated on May 18, 2007 under the laws of the Province of British Columbia, Canada, and previously known as Columbus Exploration Corporation ("Columbus Exploration"), Organto was formed upon the completion of a reverse takeover of Columbus Exploration by Agricola Nuova Terra Guatemala S.A. ("Agricola") on November 30, 2015 whereby Argricola became a wholly-owned subsidiary of Organto. For the purposes of these consolidated financial statements, the "Company" is defined as Organto and its subsidiaries.

In November 2018 Organto acquired 100% of Medicannabis, S.A.S., a privately held Colombian medicinal cannabis corporation that was a late-stage applicant for licenses to cultivate and process cannabis in Colombia. In April 2019, Organto issued 7,000,000 common shares to the original shareholders of Medicannabis upon receipt of one of the licenses for which Medicannabis had applied. See also note 24.

These consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, short-term loans and convertible loans. At December 31, 2018, the Company had a working capital deficiency of $2,199,028 (2017 - $2,842,417) and an accumulated deficit of $21,179,836 (2017 - $15,677,656). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described may cast significant doubt about the Company's ability to continue as a going concern.

The Company's head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada. The Company has a sales and administration office in Breda, the Netherlands and regional satellite offices are located in Mexico, Guatemala, Argentina and the USA.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Certain amounts in the prior year have been reclassified to conform to the current year's presentation.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 28, 2019.

(b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis, except for certain assets and liabilities measured at fair value as required by IFRS pronouncements. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Entity	Location	Ownership interest	Status
Organto Guatemala, S.A.	Guatemala	100%	Consolidated subsidiary
Organto Europe B.V.	Netherlands	100%	Consolidated subsidiary
Organto Argentina S.A.	Argentina	99%	Consolidated subsidiary
Organto de Mexico, S.A.	Mexico	100%	Consolidated subsidiary
Medicannabis, S.A.S.	Colombia	100%	Consolidated subsidiary

All inter-company transactions and balances are eliminated on consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statementsfrom the date control commences until the date control ceases.

During 2017, the Company dissolved its former subsidiary, Columbus Silver (U.S.) Corporation and recognized a gain on dissolution of $45,156.

(d) Use of estimates and judgments

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of useful lives of long-lived assets, the valuation of inventory, collectability of accounts receivable, financial liabilities, share-based payments, share-based compensation and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in preparing the Company's financial statements include the assumption that the Company will continue as a going concern, classification of expenditures and the classification of financial instruments.

3. Significant accounting policies

(a) Revenue recognition

Sales are recognised when control of the products has transferred to the Company's customers, being when the products are shipped to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with credit terms standard for the market.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. See also Note 4(b).

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. The Company's inventory is comprised of packing materials, agricultural inputs and finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(c) Foreign currency translation

The presentation currency is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currencies are as follows:

Entity	Functional currency
Organto Guatemala, S.A.	Guatemalan Quetzal
Organto Europe B.V.	European Euro
Organto Argentina S.A.	Argentine Peso
Organto de Mexico, S.A.	Mexican peso
Medicannabis, S.A.S.	Colombian peso

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date and any gains or losses are reflected in Other Comprehensive Loss for the year. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation of revenues and expenses are reflected in net loss for the year.

(d) Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reduced if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are recorded at cost, less accumulated amortization and accumulated net impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and amortization of the item commences.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the net carrying amount of property, plant and equipment, and are recognized in net earnings.

Amortization

Amortization is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	20
Machinery and equipment	10 to 20
Furniture and other	5 to 10

(f) Intangible assets

Intangile asset items are not physical in nature and include such items as license and product rights. Intangibles are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intangibles are reviewed for impairment at each financial reporting date.

(g) Finance income and expenses

Finance income comprises interest income from cash accounts and is recognized in profit or loss on an accrual basis.

Interest expense comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Interest expense is shown net of interest income received.

(h) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income taxes are accounted for using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on deferred taxes for a change in tax rates is generally recognized in income in the period that includes the substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

(i) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The calculation of diluted loss per share assumes that outstanding options and warrants that are in the money are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(j) Share-based payments

The Company grants share-based awards, including options, as an element of compensation to directors, officers, employees and service providers.

The Company uses the Black-Scholes Option Pricing Model to measure the fair value for all share options granted, modified or settled during the period. Compensation expense is recorded based on the fair value of the award at the grant date, amortized over the vesting period. Each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in share-based payments reserve, are credited to share capital.

4. New accounting standards

The Company applied IFRS 9 and IFRS 15 for the first time in 2018.

(a) IFRS 9 – *Financial Instruments* ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Embedded derivative financial liability	FVTPL	FVTPL

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are all recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(b) IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The Company applied IFRS 15 on January 1, 2018 and the adoption of this new standard did not impact any of the balances or net income for the current year.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these financial statements. Those that may have a significant future effect on the financial statements of the Company are as follows:

(c) IFRS 16 – *Leases* ("IFRS 16")

IFRS 16 replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact that IFRS 16 may have on its financial statements.

(d) Other

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. Receivables

	December 31, 2018 ($)	December 31, 2017 ($)
Trade receivables	263,936	103,909
Advances (note 18)	-	96,998
VAT recoverable	35,142	237,001
Insurance claims receivable	260,819	-
Other	14,893	4,349
	574,790	**442,257**

6. Inventories

	December 31, 2018 ($)	December 31, 2017 ($)
Packing material	62,542	121,295
Agricultural inputs	-	31,069
Finished goods	5,180	5,177
	67,721	**157,541**

7. Prepaid expenses

	December 31, 2018 ($)	December 31, 2017 ($)
Advances to third-party producers	56,094	358,507
Prepaid insurance	-	27,500
Other advances and retainers	18,574	56,686
	74,668	**442,693**

A portion of advances made to third party producers was written down in the year ended December 31, 2018 to a nominal amount due to the uncertainty in determining the timing of their collection.

8. Assets held for sale

The Company sold its processing plant and related assets, including land, buildings and processing equipment, located in Guatemala in March 2019. These assets were classified as held for sale at December 31, 2018 and written down to their estimated fair value less cost of disposal. On classification as held-for-sale, the Company recognized an impairment loss of $546,237. The fair value was estimated based on the consideration received which consisted of the cancellation of a portion of loans payable, the return and cancellation of common shares of the Company, and the issuance of a promissory note to the Company (see Note 24).

	($)
Inventories	21,095
Prepaid expenses and other non-current assets	12,199
Property, plant and equipment, net of impairment	902,156
Net assets to be disposed of	**935,450**

9. Property, plant and equipment

	Buildings ($)	Machinery & equipment ($)	Furniture and other ($)	Land ($)	Construction in progress ($)	Total ($)
Cost						
At January 1, 2017	2,143,948	2,881,939	117,499	110,382	116,088	5,369,856
Additions	58,375	290,362	26,388	-	(58,375)	316,750
Impairment	(1,211,260)	(1,764,918)	(389)	-	(3,765)	(2,980,332)
Foreign exchange	(13,345)	(14,254)	(1,959)	(1,460)	(1,599)	(32,617)
At December 31, 2017	**977,718**	**1,393,129**	**141,539**	**108,922**	**52,349**	**2,673,657**
Dispositions	-	(21,101)	(39,261)	(86,344)	-	(146,706)
Impairment	(356,732)	(399,817)	(32,156)	(8,507)	(20,194)	(817,406)
Reclassification to assets held for sale	(650,570)	(729,144)	(58,642)	(15,514)	(36,828)	(1,490,698)
Foreign exchange	29,584	39,765	(10,680)	1,442	4,674	64,785
At December 31, 2018	**-**	**282,832**	**800**	**-**	**-**	**283,632**
Accumulated amortization						
At January 1, 2017	**(194,571)**	**(449,796)**	**(12,658)**	**-**	**-**	**(657,025)**
Amortization for the year	(108,514)	(298,019)	(20,776)	-	-	(427,309)
Impairment	1,374	329,125	73	-	-	330,572
Foreign exchange	1,222	11,298	421	-	-	12,941
At December 31, 2017	**(300,489)**	**(407,392)**	**(32,940)**	**-**	**-**	**(740,821)**
Amortization for the year	(49,307)	(118,940)	(2,132)	-	-	(170,379)
Dispositions	-	-	18,814	-	-	18,814
Impairment	127,473	160,978	16,012	-	-	304,463
Reclassification to assets held for sale	232,472	293,574	29,201	-	-	555,248
Foreign exchange	(10,150)	(34,581)	(29,732)	-	-	(74,463)
At December 31, 2018	**-**	**(106,361)**	**(778)**	**-**	**-**	**(107,138)**
Net book value						
At December 31, 2017	**677,229**	**985,737**	**108,599**	**108,922**	**52,349**	**1,932,836**
At December 31, 2018	**-**	**176,472**	**22**	**-**	**-**	**176,494**

10. Intangible assets

In November 2018, the Company acquired a 100% interest in Medicannabis SAS ("Medicannabis"), by agreeing to assume net liabilities of Medicannabis totalling $25,051. Medicannabis is a privately held Colombian medicinal cannabis company that was a late-stage applicant for licences to enable it to cultivate and process cannabis in Colombia. Its primary asset consisted of its applications for cannabis cultivation, processing and distribution licenses in Colombia. The Company allocated the purchase price of $25,051 to the license applications.

As part of the agreement to acquire the shares of Medicannabis, the Company would issue 7,000,000 common shares to the former shareholders of Medicannabis and 461,538 common shares to third parties as finders' fees upon the receipt of the first license from the Colombian government. A CBD cultivation license was received in January 2019 and the 7,461,538 common shares were issued in April 2019. A value of $1,193,846 was attributed to these shares to be issued and this amount was added to licenses.

Intangible assets at December 31, 2018 are comprised of the following:

	December 31, 2018 ($)	**December 31, 2017 ($)**
Cultivar rights	100,911	-
Colombian license	1,222,796	-
	1,323,707	**-**

Colombian license costs consist of the portion of the purchase price allocated to licenses, the value of the shares to be issued to the former shareholders of Medicannabis and $3,900 in government registration fees paid.

These intangible assets have an indefinite life and will be subject to annual impairment tests.

See also note 24.

11. Loan due to Omega S.A.

The Company had a loan payable to Organizacion de Marcadeo SA ("Omega") in the amount of $326,067 (US$242,844), which accrued interest at 8.5% per annum and was due on October 31, 2016. During 2015, Omega advanced an additional $63,973 (Guatemalan Quetzals ("Q") Q400,050), with an interest rate of 42% per annum, and another advance of $38,698 (US$28,821), interest free. A payment of $37,391 (US$28,821) was made to Omega on July 4, 2017.

On July 27, 2017, the Company reached a settlement agreement with Omega, to settle all amounts owing at the time to Omega and $262,492 (US$202,328) owing to a 3rd party, by making payments totalling US$225,000 in 2017 and US$298,248 in 2018.

The Company did not pay any amounts due in 2018 and in June 2018 Omega and the Company agreed to amend the terms of the settlement agreement by fixing the amount due to the then current amount of US$298,248 and waiving further interest charges. The agreed payment plan called for payments of US$55,000 in July 2018, payments of US$15,000 per month for August through November 2018, and then payments of US$22,906 per month for December 2018 through July 2019. As at December 31, 2018, $270,212 (US$198,248) remained outstanding.

A continuity of the balances is shown below:

	($)
Balance at January 1, 2017	500,419
Other 3rd party liability included in settlement agreement	168,169
Payments	(319,972)
Loss on settlement	17,573
Foreign exchange	5,959
Balance at December 31, 2017	**372,148**
Accrued interest	23,074
Payments	(132,822)
Foreign exchange	7,812
Balance at December 31, 2018	**270,212**

This loan was partially settled subsequent to year end. See also note 24.

12. Loans payable

During the year ended December 31, 2018 the Company received $818,740 in bridge loans from insiders and certain shareholders and $107,647 in interest-free short term loans from an officer and two directors. All loans are unsecured and have a term of either one year or no fixed terms of repayment. One of the loans from a director is denominated and repayable in US dollars. Interest rates range from 0% to 8% with interest paid in equal monthly payments totalling $5,000 per month on all interest bearing loans. Accrued interest is recorded in accrued liablilities.

As the loans are expected to be repaid in the near future they are recorded at their loan amounts which is considered to be a close approximation of their fair value.

Maturity date	**Interest rate**	**December 31, 2018 ($)**	**December 31, 2017 ($)**
February 1, 2019	8%	140,000	-
February 21, 2019	8%	322,093	-
March 13, 2019	8%	107,348	-
March 27, 2019	0%	66,679	-
April 3, 2019	4%	68,961	-
April 5, 2019	0%	104,659	-
April 25, 2019	4%	9,000	-
		818,740	-
No maturity date	0%	107,647	-
		926,387	**-**

On July 19, 2016, the Company restructured previous loans from a company controlled by a director of the Company, into a new loan of $105,672 (US$81,430), to be due on September 30, 2017 with interest at 18% per annum. On August 3, 2017, the Company paid $124,780 (US$95,388), representing full repayment of $106,477 of principal and $18,303 of interest.

On September 23, 2016, the Company received two bridge loans (the "Initial Bridge Loans") totaling $131,170 (US$100,000) bearing interest of 6% per annum. The loans included 300,000 share purchase warrants for the purchase of 300,000 shares exercisable at $0.30 per share until October 24, 2017. The Company recorded $114,129 (US$85,000) as the fair value of the debt component, with the residual amount of $20,200 (US$15,000) allocated to the warrants.

On April 25, 2017, in connection with receiving new bridge loans totaling an additional $271,840 (US$200,000), the terms of both the Initial Bridge Loans and new bridge loans were amended to an interest rate of 8% per annum, payable one year from the date of the new bridge loan agreements, subject to the option of the lenders to demand early repayment under certain conditions. A total of 1,000,000 non-transferrable warrants were issued to the lenders, exercisable for a term of one year from the date of the new bridge loan agreements, at $0.20 per share. The Company recorded $229,500 (US$170,000) as the fair value of the debt component, with the residual amount of $40,500 (US$30,000) allocated to the warrants. The initial 300,000 warrants granted in connection with the Initial Bridge Loans were cancelled with issuance of new warrants under the new bridge loans.

On April 25, 2017, the Company paid interest of $5,484 (US$4,035) on the bridge loans. On June 16, 2017, the Company repaid principal of $311,448 (US$240,000) and interest of $10,964 (US$8,512) on the bridge loans and on July 11, 2017, the Company paid the remaining balances of $77,460 (US$60,000) and interest of $ 2,613 (US$2,529).

During 2016, another director who was also an officer of the Company provided the Company with interest free loans totaling $64,496, due on demand. These loans were repaid during 2017.

See also notes 18 and 24.

13. Convertible loan payable

On March 30, 2016, the Company received $784,641 (US$590,000) by issuing a secured convertible promissory note to SG Strategic Income Limited ("SGSI"). The note was restructured in July 2017 with a new maturity date of June 30, 2018 and was secured by a first charge on certain of the Company's assets in Guatemala and bears interest at 5% annually. The note and any interest accrued were convertible into common shares of the Company at a price of $0.33 per share at SGSI's election or automatically if the Company completed a financing of at least $5 million.

As a result of the restructuring, the Company recognized a gain on restructuring of $107,412 in 2017. The restructured loan was recognized at fair value of $684,986 (US$505,975), and the conversion option recognized at a fair value of $56,129 (US$44,196), which was classified as an embedded derivative financial liability. The embedded derivative financial liability was subject to revaluation at each balance sheet date with the change in fair value recorded in the Statement of Loss (2018 - $17,949; 2017 - $18,416). The debt component was being accreted to the face value of the loan over the one year term using the effective interest rate method.

As a result of the Company's private placement in 2017 for gross proceeds greater than $5 million, the Company began the process to convert the loan. The Company incurred $22,135 in costs while converting this loan and these costs, together with accrued interest and the loan principal, were paid by issuing 2,269,230 common shares in June 2018.

A continuity of the loan balance is shown below:

	($)
Balance at January 1, 2017	787,110
Deemed settlement of promissory note	(787,110)
Convertible promissory note restructured at fair value	684,986
Payments	(37,232)
Accretion and interest expense	27,339
Foreign exchange	(50,072)
Balance at December 31, 2017	**625,021**
Payments	(28,456)
Accretion and interest expense	97,617
Foreign exchange	32,529
Financing costs	22,135
Shares issued to settle	(748,846)
Balance at December 31, 2018	**-**

A continuity of the embedded derivative financial liability is shown below:

	($)
Balance at January 1, 2017	69,361
Expiry of conversion option of original promissory note	(69,361)
Recognition of embedded derivative financial liability on restructuring of promissory note	56,129
Gain on embedded derivative financial liability on restructuring of promissory note	(18,416)
Foreign exchange	(19,636)
Balance at December 31, 2017	**18,077**
Gain on revaluation of embedded derivative financial liability	(17,949)
Foreign exchange	(128)
Balance at December 31, 2018	-

14. Convertible debentures

In June 2017 the Company issued convertible debentures ("the Debentures") for gross proceeds of $2,035,000. The Debentures were unsecured, had a term of three years beginning on June 8, 2017, and incurred interest at 8%, payable annually in arrears. Holders could elect to convert the principal amount of their Debentures into common shares at a price of $0.35 per share until June 8, 2020. The Company issued common shares equivalent to $122,100 (738,570 shares) as compensation pursuant to the placement of these debentures.

The Company initially recorded $1,592,000 as the fair value of the debt component of the debentures, with the residual amount of $443,000 ($416,420 net of issue costs) allocated to the equity component of the debentures. The debt component of the debentures was being accreted to the face value of the loan over the three year term.

In July 2018 the Company reached an agreement with the holders of the convertible debentures to convert the debentures, plus accrued interest and related conversion fees, into common shares of the Company. As part of this agreement, the conversion terms were modified such that the principal amount of the debentures would be converted at $0.185 per share instead of the original $0.35 per share and interest would be converted at $0.10 per share instead of being paid in cash. As a result of this modification, the Company recognized a loss of $308,674 being the difference between the fair value of the shares the debenture holders received on conversion and the fair value of the consideration the debenture holders would have received under the original terms. The Company issued a total of 13,330,262 common shares to the holders of the debentures, comprising 11,000,000 common shares issued to convert the face value of the debentures at a conversion price of $0.185 per common share, and 2,330,262 common shares to convert accrued interest and related conversion fees at a conversion price of $0.10 per common share. Upon conversion of the debentures, the Company allocated the equity component of the debentures to share capital.

A continuity of the balance is shown below:

	($)
Balance at January 1, 2017	-
Convertible debenture proceeds	1,592,000
Issuance costs	(95,520)
Interest expense	91,882
Accretion	75,750
Balance at December 31, 2017	**1,664,112**
Interest expense	89,205
Conversion fees	51,939
Accretion	90,407
Conversion into shares	(1,895,960)
Balance at December 31, 2018	-

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15. Share capital

(a) Common shares

The Company is authorized to issue an unlimited common shares without par value.

At December 31, 2018 the Company had 162,989,355 common shares issued and outstanding (2017 – 112,263,903).

On June 20, 2017 the Company closed the first tranche of its non-brokered private placement. Gross proceeds of $1,904,945 were raised from the sale of 12,699,634 units at a price of $0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of the Company exercisable at a price of $0.25 for a period of 24 months from the closing date. The Company paid a finder's fee of $74,076 and issued finder's warrants for the purchase of up to 487,173 shares exercisable for a period of 24 months from closing at a price of $0.15 per warrant share. The warrants had a fair value of $49,059.

On July 12, 2017, the Company issued 738,570 common shares with a value of $122,100 as a finder's fees in connection with the issuance of convertible debentures (note 14).

On August 3, 2017 the Company closed the second tranche of its non-brokered private placement. Gross proceeds of $324,781 were raised from the sale of 2,165,208 units at a price of $0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of the Company exercisable at a price of $0.25 for a period of 24 months from the closing date. The Company paid a finder's fee of $1,200 and issued finder's warrants for the purchase of up to 8,000 shares exercisable for a period of 24 months from closing at a price of $0.15 per warrant share. The warrants had a fair value of $629.

On September 11, 2017 the Company closed the third tranche of its non-brokered private placement. Gross proceeds of $2,934,750 were raised from the sale of 19,565,000 units at a price of $0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of the Company exercisable at a price of $0.25 for a period of 24 months from the closing date. The Company paid a finder's fee of $179,200 and issued finder's warrants for the purchase of up to 1,194,667 shares exercisable for a period of 24 months from closing at a price of $0.15 per warrant share. The warrants had a fair value of $106,731.

On November 17, 2017, the Company issued 29,304 common shares for proceeds of $4,396 pursuant to the exercise of finder's warrants.

During the year ended December 31, 2017, the Company issued 294,386 common shares with a value of $72,500 as compensation for consulting services. Such shares were issued at prices corresponding to the month in which the services were provided based on the 20 day volume weighted average closing price of the common shares of the Company.

In June 2018 the Company issued 2,269,230 common shares to settle the convertible loan issued in March 2016. See note 13.

In July 2018 the Company issued 13,330,262 common shares to settle the convertible debentures and accrued interest and related early conversion fees. See note 14.

In August 2018 the Company completed a non-brokered private placement of 20,000,000 units at a price of $0.08 per unit. Total proceeds of $1,600,000 were received. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.15 for a period of 12 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSXV is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued. Directors, officers and companies controlled by directors and officers of the Company subscribed for 5,337,500 of these units.

In November 2018 the Company completed a non-brokered private placement of 11,000,000 units at a price of $0.10 per unit for total proceeds of $1,100,000, of which $103,673 was offset with accounts payable owing to the subscribers. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one additional common share at a price of $0.20 for a period of 18 months after the closing date. The exercise date of the warrants issued is subject to acceleration in the event that the closing price of common shares on the TSXV is greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurs any time after the expiration of a four-month hold period applicable to the securities issued. Directors, officers and companies controlled by directors and officers of the Company subscribed for 3,690,000 of these units.

In December 2018, the Company issued 4,090,960 common shares with a value of $316,610 as compensation for previously rendered consulting and management services which normally would have been paid in cash. These accounts were settled by issuing shares at prices corresponding to the 20 day volume weighted average closing price of the common shares of the Company at the time the settlement agreements were made, which in all cases was after the periods in which the services were provided. The Company realized a gain of $142,970 on these settlements, that amount being the difference between share price specified in the settlement agreements and the market price at the time the shares were issued. Directors, officers and companies with common directors and officers of the Company were issued 2,924,294 of these shares.

See also note 24.

(b) Share options

The Company has adopted a rolling stock option plan whereby the Board of Directors, may from time to time, grant options to directors, officers, employees or non-employee service providers to a maximum of 10% of the outstanding common shares of the Company at any point in time, less any share options already reserved for issuance under share options granted under previous stock option plans of the Company or granted under any other employee incentive purchase plan that the Company may adopt. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's Board of Directors.

The continuity of the Company's share options is as follows:

	Total options		**Exercisable options**	
	Total options	**Weighted average exercise price ($)**	**Exercisable options**	**Weighted average exercise price ($)**
Balance, January 1, 2017	2,420,000	0.20	2,420,000	0.20
Granted	7,470,000	0.18	4,673,250	0.18
Expired	(175,000)	0.20	(175,000)	0.20
Balance at December 31, 2017	**9,715,000**	**0.18**	**6,918,250**	**0.19**
Granted	6,350,000	0.14	1,395,500	0.135
Exercised	(35,000)	0.065	(35,000)	0.065
Forefeited	(3,300,000)	0.18	(1,700,000)	0.18
Expired	(300,000)	0.19	(300,000)	0.19
Vested during year	-	-	77,500	0.15
Balance at December 31, 2018	**12,430,000**	**0.16**	**6,356,250**	**0.18**

A summary of the Company's share options outstanding and exercisable at December 31, 2018 is as follows:

	Options outstanding		Options exercisable	
Exercise price ($)	**Number of options outstanding**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	**Weighted average remaining contractual life (years)**
0.13	200,000	0.06	80,000	0.05
0.135	5,750,000	2.29	1,276,250	0.99
0.15	635,000	0.24	155,000	0.10
0.18	3,820,000	1.13	2,820,000	1.61
0.20	2,025,000	0.29	2,025,000	0.57
	12,430,000	**4.01**	**6,356,250**	**3.32**

6,350,000 share options were granted during the year ended December 31, 2018. 1,396,250 share options vested on the date of grant, 2,027,500 share options will vest in 2019, 1,396,250 in 2020 and 765,000 in each of 2021 and 2022.

7,470,000 share options were granted during the year ended December 31, 2017. 4,672,500 share options vested on the date of grant, 18,750 share options vested on December 31, 2017, 68,750 vest during the first quarter of 2018, 160,000 share options in total will vest every year from November 2018 to November 2021, and 1,275,000 share options will vest when Company's shares are trading at $0.50 per share during 3 consecutive days and 1,275,000 share options will vest when Company's trading at $0.80 per share during 3 consecutive days.

The Company recognizes stock based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in 2018 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 121-128%, risk free interest rate of 1.90%, expected life of 5 years and no dividend yield. The fair value of share options granted in 2017 with set vesting dates was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following: expected price volatility of 121%, risk free interest rate of 1.70%, expected life of options of 4 years, and no dividend yield. Options which vest on market conditions were valued using the Binomial Method with the following: expected price volatility of 121%, risk free interest rate of 1.70%, expected life of options of 5 years, and no dividend yield.

The fair value of the options granted in 2018 was $398,500 (2017 - $1,040,902) and the Company recognized $123,311 in 2018 (2017 - $671,417) as stock based compensation expense.

(c) Warrants

In August 2018 10,000,000 warrants were issued as part of a non-brokered private placement. These warrants have a term of one year and are exercisable at $0.15 per share. In November 2018 5,500,000 warrants were issued as part of a non-brokered private placement. These warrants have a term of eighteen months and are exercisable at $0.20 per share. All warrants issued in 2018 were valued at $nil as the full value of the proceeds have been allocated to share capital using the residual method.

During the year ended December 31, 2017, the Company issued warrants as part of its common share private placement and loan financings as follows:

In connection with bridge loans received by the Company in April 2017, 1,000,000 warrants were issued. These warrants have a term of one year and are exercisable at $0.20 per share. The warrants had a total fair value of $40,500.

In June 2017 12,699,634 warrants were issued as part of the first tranche of a non-brokered private placement. These warrants have a term of two years and are exercisable at $0.25 per share. The warrants were valued at $nil as the full value of the proceeds have been allocated to share capital using the residual method. In addition, a total of 487,173 warrants were issued as finders' fees with a term of two years and an exercise price of $0.15 per share. These finders' warrants had a total fair value of $49,059.

In August 2017 2,165,208 warrants were issued as part of the second tranche of a non-brokered private placement. These warrants have a term of two years and are exercisable at $0.25 per share. The warrants were valued a$nil as the full value of the proceeds have been allocated to share capital using the residual method. In addition, a total of 8,000 warrants were issued as finders' fees with a term of two years and an exercise price of $0.15 per share. These finders' warrants had a total fair value of $629.

In September 2017 19,565,000 warrants were issued as part of the third tranche of a non-brokered private placement. These warrants have a term of two years and are exercisable at $0.25 per share. The warrants were valued at $nil as the full value of the proceeds have been allocated to share capital using the residual. In addition, a total of 1,194,667 warrants were issued as finders' fees with a term of two years and an exercise price of $0.15 per share. These finders' warrants had a total fair value of $106,731.

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price ($)	Expiration date		Fair value per warrant ($)	Total fair value ($)
June 20, 2017	12,699,634	0.17	June 20, 2019	*	-	-
June 20, 2017	457,869	0.15	June 20, 2019		0.10	49,059
August 3, 2017	2,165,208	0.17	August 3, 2019	*	-	-
August 3, 2017	8,000	0.15	August 3, 2019		0.08	629
September 8, 2017	13,500,000	0.17	September 8, 2019	*	-	-
September 11, 2017	6,065,000	0.17	September 11, 2019	*	-	-
September 11, 2017	1,194,667	0.15	September 11, 2019		0.08	106,731
August 13, 2018	10,000,000	0.15	August 13, 2019	**		
November 15, 2018	5,500,000	0.20	May 15, 2020	**		
	51,590,378					**156,419**

* These warrants were originally issued with an exercise price of $0.25 and an early expiry provision whereby in the event the Company's common shares trade on the TSXV at a price of $0.35 or more for a period of 10 consecutive trading days then the Company will have the right to accelerate the expiry date of the warrants to the earlier of (i) the 30th day after the date on which such notice is given; and (ii) the actual expiry date of the warrants. In August 2018 the warrants were amended and the exercise price was changed from $0.25 to $0.17 and the early expiry provision trigger price of $0.35 was changed to $0.21.

** In the event the Company's common shares trade on the TSXV at a price of $0.25 or more for a period of 10 consecutive trading days then the Company will have the right to accelerate the expiry date of the warrants to the earlier of (i) the 30th day after the date on which such notice is given; and (ii) the actual expiry date of the warrants.

The continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price ($)
Balance at January 1, 2017	445,475	0.30
Exercised	(29,304)	0.15
Cancelled	(300,000)	-
Granted	37,119,682	0.24
Expired	(20,250)	0.35
Balance at December 31, 2017	**37,215,603**	**0.24**
Granted	15,500,000	0.17
Expired	(1,125,225)	0.21
Balance at December 31, 2018	**51,590,378**	**0.17**

The weighted average remaining life of warrants issued is 0.69 years

(d) Loss per share

	Year ended December 31, 2018 ($)	Year ended December 31, 2017 ($)
Net loss for the year	**(5,502,180)**	**(9,299,444)**
Basic and diluted net loss per share	(0.04)	(0.10)
Weighted average number of shares outstanding	**128,641,238**	**91,111,943**

For the year ended December 31, 2018 there were 12,430,000 (2017 – 9,715,000) share options and 51,590,378 warrants (2017 – 37,215,603) that are potentially dilutive but not included in the diluted loss per share calculation as the effect would be anti-dilutive.

(e) Escrow shares

As at December 31, 2018, 8,913,922 (2017 - 30,339,212) shares originally issued to Organto Guatemala shareholders are still subject to escrow provisions.

(f) Reserves

	Options ($)	Warrants ($)	Conversion feature of debentures ($)	Promissory Note ($)	Other reserves ($)	Cumulative translation ($)	Total ($)
Balance, January 1, 2017	-	38,552	-	239,187	176,093	673,107	1,126,939
Accumulated fair value of:							
Warrants issued	-	196,919	-	-	-	-	196,919
Conversion option of convertible debt issued	-	-	416,420	-	-	-	416,420
Stock-based compensation	671,417	-	-	-	-	-	671,417
Reclassify to deficit upon dissolution of subsidiary	-	-	-	(239,187)	-	(178,847)	(418,034)
Accumulated comprehensive income	-	-	-	-	-	166,609	166,609
Balance at December 31, 2017	**671,417**	**235,471**	**416,420**	**-**	**176,093**	**660,869**	**2,160,270**
Stock-based compensation	123,311	-	-	-	-	-	123,311
Exercise of stock options	(1,648)	-	-	-	-	-	(1,648)
Accumulated comprehensive income	-	-	-	-	-	85,463	85,463
Balance at December 31, 2018	**793,080**	**235,471**	**416,420**	**-**	**176,093**	**746,332**	**2,367,396**

16. Cost of sales

	Year ended December 31, 2018 ($)	Year ended December 31, 2017 ($)
Materials and transportation	798,986	692,818
Produce purchases	1,135,774	469,165
Salaries and benefits	56,054	371,359
Amortization	70,201	427,309
Plant overhead	60,170	313,978
	2,121,185	**2,274,629**

17. Selling, general and administration expenses

	Year ended December 31, 2018 ($)	Year ended December 31, 2017 ($)
Administration and office	686,928	1,583,322
Professional fees	714,541	493,135
Amortization	149,086	43,966
Overhead and operating	76,512	198,709
	1,627,067	**2,319,132**

18. Related party transactions

(a) Key management personnel compensation:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Salaries, consulting and management fees	800,905	1,107,922
Short-term employee benefits	19,436	18,827
Stock based compensation	93,741	348,360
	914,082	**1,475,109**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2018 and 2017.

(b) Transactions with related parties:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Purchase of management and administrative services from companies with common directors or officers	226,873	306,600
	226,873	**306,600**

(c) Advances to related parties:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Advances	-	96,998
Balance, end of year	**-**	**96,998**

(d) Outstanding balances included in accounts payable arising from purchases of services:

	December 31, 2018 ($)	**December 31, 2017 ($)**
Salaries, consulting and management fees	309,182	69,542
Directors' fees	-	52,000
Administration services	38,005	250,139
Expense reimbursements	58,975	83,410
Balance, end of year	**406,162**	**455,091**

(e) Loans from directors and key management personnel:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Balance, beginning of year	-	-
Loans received	107,647	-
Balance, end of year	**107,647**	**-**

In addition to the transactions noted above, directors and officers subscribed for 5,337,500 of the units sold in the August 2018 private placement and 3,690,000 of the units sold in the November 2018 private placement. Directors, officers and companies with common directors and officers of the Company were issued 2,924,294 of the shares issued by the Company in the December 2018 shares for debt settlements. See note 15.

19. Supplemental cash flow information

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Changes in non-cash working capital		
Receivables	(259,683)	(389,020)
Inventories	4,553	89,182
Prepaid expenses	49,601	(388,229)
Accounts payable and accrued liabilities	819,610	236,777
	614,081	**(451,290)**

Non-cash investing and financing activities for the years ended December 31, 2018 and 2017 included the following:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Common stock issued to settle accounts payable	420,283	72,500
Common stock issued to settle convertible loan	748,846	-
Common stock issued to settle convertible debentures	2,204,635	-
Common stock to be issued as part of Medicannabis acquisition	1,193,846	-

20. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging and distribution of organic and specialty food products. Significant customer sales are:

		Year ended			
Customer	**Customer Location**	**December 31, 2018 ($)**	**%**	**December 31, 2017 ($)**	**%**
Customer A	Europe	671,098	43	-	-
Customer B	Europe	257,269	16	-	-
Customer C	Europe	189,920	12	-	-
Customer D	Europe	85,613	5	-	-
Customer E	Europe	71,920	5	-	-
Others	Europe	206,115	13	592,534	100%
Others	Guatemala	35,607	4	-	-
Others	Argentina	19,035	1	-	-
		1,536,577	**100%**	**592,534**	**100%**

Information by geographical areas is as follows:

	December 31, 2018 ($)	December 31, 2017 ($)
Non-current assets		
Netherlands	176,494	249,716
Colombia	1,323,707	-
Guatemala	-	1,692,635
	1,500,201	1,942,351

21. Commitments

At December 31, 2018, the Company has the following commitments:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Lease payments for land use	17,889	33,394	55,740	107,023
Management and administration fees	142,722	-	-	142,722
Loan payable to Omega S.A.	270,212	-	-	270,212
Short-term loans payable	926,387	-	-	926,387
	1,357,210	**33,394**	**55,740**	**1,446,344**

The above noted lease payments for land use will cease in April 2019 upon the sale of the Company's processing plant in Guatemala.

As part of the Medicannabis acquisition, the Company entered into a land lease for monthly payments of 9,000,000 Colombian pesos ($3,600) per month beginning in January 2019.

22. Financial risk and capital management

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at December 31, 2018 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or third party failing to discharge their obligation due to the Company. The Company's primary exposure to credit risk is in its cash accounts and accounts receivable. Credit risk associated with accounts receivable is considered medium.

The credit risk exposure on cash is limited to their carrying amounts at the date of the statement of financial position. Cash is held as cash deposits with creditworthy chartered banks in Canada, Guatemala, Argentina, Mexico and Europe. The risk is assessed as low.

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2018, the Company had a working capital deficiency of $2,199,028 (2017 - $2,842,417). Liquidity risk is assessed as high.

To date, the Company has been able to address any shortfalls in meeting its short term financial demands by turning to equity and debt markets to raise the funding necessary to continue operations. The Company will continue to rely on equity or debt financing until it is able to realize consistent profitable operating results. See note 1 for the going concern discussion.

(c) Market risks – interest rate

The Company is not exposed to interest rate risks as it does not have any debt subject to variable interest rates.

Sensitivity analysis

A 1% change in interest rates is not expected to have a material effect on the Company's profit or loss and equity.

As the Company's presentation currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Guatemalan Quetzal and Argentine Peso are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on the Company's profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net loss by approximately $340,000.

Capital management

The Company's objectives when managing capital are to ensure an optimal capital structure is maintained to reduce overall cost of capital and allow the Company flexibility to respond to changes in its working capital requirements.

In the management of capital, the Company includes the components of shareholders' equity, net of cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company monitors working capital and cash flows regularly. There have been no changes to the Company's capital management policies and procedures since the end of the most recent fiscal year.

Fair value

The fair value of the Company's financial instruments including cash, receivables, accounts payable and loans payable approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

IFRS 7, *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

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23. Income taxes

The provision for income taxes reported differs from the amount computed by applying the applicable Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	Year ended	
	December 31, 2018 ($)	**December 31, 2017 ($)**
Net loss for the year	(5,502,180)	(9,441,849)
Statutory tax rate	27%	26%
Recovery of income taxes computed at statutory rates	(1,485,600)	(2,454,900)
Foreign tax differences, rate changes, FX	260,900	211,300
Expiry of non-capital losses carried forward	197,000	370,300
Non-deductible items	303,500	(146,500)
Share issue costs and other	(21,300)	(67,600)
Change in valuation allowance of deferred taxes	745,500	2,087,400
Income tax (recovery) expense	-	-

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant component of unrecognized deferred income tax assets at December 31, 2018 and 2017 are as follows:

	December 31, 2018 ($)	**December 31, 2017 ($)**
Net operating losses carried forward	3,549,100	2,765,900
Share issue costs	52,500	71,100
Equipment and other	681,900	677,000
Total unrecognized deferred income tax assets	**4,283,500**	**3,514,700**

The Company has non-capital losses in the tax jurisdictions in which it operates:

	($)
Canada - expires between 2029 and 2038	8,125,200
Netherlands - expires between 2022 and 2024	4,665,500
Argentina - expires between 2021 and 2023	469,100
Mexico - expires 2028	12,600
Colombia - expires 2030	51,000
	13,323,400

24. Subsequent events

Credit facility

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US$500,000. Interest is payable monthly at 12% on any funds advanced. A one time fee of US$50,000 was paid to establish this facility.

Sale of Guatemala plant

In March 2019, the Company entered into an agreement to sell the Company's processing plant and related assets, including land, buildings and processing equipment, located in Guatemala, to Organizacion de Marcadeo SA (“Omega”), a company controlled by one of the founding shareholders of Organto Guatemala, S.A., now a subsidiary of the Company.

Under the terms of the agreement, Omega will acquire the assets on an as-is basis for consideration of $935,450. Consideration will be paid through the discharge of certain loans from Omega and related parties to Organto in the amount of $428,782 (US$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of $77,185 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. At December 31, 2018 the fair value of the shares to be cancelled was determined to be $440,494, and the fair value of the loan payable was determined to be $66,174.

Issue of shares in connection with acquisition of Medicannabis

In April 2019, the Company received final acceptance of the TSXV and issued 7,000,000 common shares ("Acquisition Shares") to the original shareholders of Medicannabis S.A.S., the privately held Colombian medicinal cannabis company which was acquired by Organto in November 2018. In addition, Organto issued 461,538 common shares ("Finder's Shares") as a finder's fee in accordance with the policies of the TSXV. The Acquisition Shares and Finder's Shares will be subject to a four month hold period under applicable securities regulations which will expire on August 8, 2019 and will also be subject to contractual release limitations over a three-year period.

Extension of short-term loans payable

In April 2019 the Company entered into an agreement to extend short-term loans payable in the amount of $647,408. Under the terms of the extension all outstanding amounts were extended one-year from the date of the initial loan and will be payable on the new expiry date. Commencing May 15, 2019 and each month thereafter, the Company will make equal monthly payments of $8,620 reflecting principal and interest and will make lump some payments based on funds raised via equity financings, warrant exercises and proceeds from potential funds raised in relation to the Company’s medicinal cannabis assets. Should the Company exit its cannabis operations any outstanding amounts due under these short-term loans will be immediately due and payable.

Promissory notes

In March and April 2019 the Company signed promissory notes totalling $343,064. These notes are non-interest bearing and are due on demand any time after May 7, 2019.