Organto Foods Inc.

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Canada

Management's Discussion and Analysis
(Unaudited)

For the nine months ended
September 30, 2019

(Stated in Canadian Dollars)

Dated November 14, 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 nine months ended September 30, 2019. This report should be read in conjunction with the Company's September 30, 2019 unaudited condensed interim consolidated financial statements and its December 31, 2018 audited annual 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 September 30, 2019.

This MD&A is dated November 14, 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 both conventional and 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 realize a return on our investment in the cannabis business; 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 investment in the cannabis business exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment
- 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 an integrated provider of organic and conventional produce focused on serving a growing socially responsible and health conscious consumer around the globe. Our mission is “to be a leading 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 has increased our revenue streams and our presence in key markets, while at the same time significantly deepening our relationships with strategic third-party supply partners.

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.

It is our belief in these growing markets and consumer trends, combined with our efforts to build an efficient year-round supply platform for many of our products that underlies our strategic focus and our mission to be a leading 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 integrated 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 vegetables and fruits. 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.

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. As a result, we believe that our investment in Xebra Brands Ltd. offers attractive return potential, which when realized can be deployed to grow our organic foods business.

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, we have exited these operations and 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.

In November 2018 we completed the acquisition of Medicannabis, SAS, a privately held Colombian medicinal cannabis company that was a late-stage applicant to enable it to cultivate and process cannabis in Colombia.

In June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. Xebra intends to seek a public listing in the coming months. We received shareholder approval and TSX-V acceptance of this transaction in October 2019, and final completion of the transaction is now subject to certain closing procedures which are ongoing.

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 September 30, 2019:

	November 14, 2019	September 30, 2019
Common shares issued and outstanding *	170,450,893	170,450,893
Share purchase options outstanding ($0.08-$0.19)	11,770,000	11,770,000
Warrants ($0.20)	5,500,000	5,500,000

* A total of 13,334,795 common shares will be cancelled upon shareholder approval of the sale of our processing plant in Guatemala and the sale of Medicannabis.

See "Liquidity and Capital Resources" for further information.

RECENT DEVELOPMENTS

Corporate

In August 2019 we provided an update on foods operations and provided revenue guidance for the third quarter of 2019 in the range of $1.3 to $1.5 million, an expected quarterly record for Organto, driven by sales of vegetable and fruit products including fresh organic asparagus, avocado and mango to variety of customers in the UK, the Netherlands, Spain, Russia, Sweden and Denmark.

In July 2019 we announced that Alejandro Maldonado, an agricultural veteran in Mexico had agreed to join the Organto board of directors, subject to approval of required documentation by the TSX Venture Exchange. Jeff Klenda, a current member of the board of directors stepped down on the same date. Mr. Alejandro Maldonado is President and Chairman of Alpasa Farms, a strategic supply partner of Organto, and one of the largest exporters of blueberries, blackberries and figs from Mexico. Alpasa is also a strategic investor in Organto. He is the President of the Berry Growers Association of Mexico and his family has deep roots in the Mexican avocado industry, being one of the largest producers of avocados from the Michoacán region of Mexico. He is a current delegate for the Association of Producers and Packers of Avocado in Mexico (APEAM), a private, non-profit association made up of avocado exporters and packers; and the only cooperative recognized by the USDA and SAGARPA. His deep industry knowledge and supply chain expertise is expected to be an invaluable asset to Organto. This appointment remains subject to approval of required documentation.

In June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis and related intellectual property ("IP") consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. ("Xebra") for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis will receive a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis will return the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis to be cancelled. We received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by Organto to Xebra will be also be forgiven and Xebra will assume all outstanding debts and obligations of Medicannabis. Organto has also been granted a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. No value has been attributed to the ROFR given the uncertainty of when or if Organto can begin profitably distributing Xebra products in Europe.

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 $8,632 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 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 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 March 31, 2019 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. The transaction remains subject to shareholder approval.

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$5,000 was paid to establish this facility. A director of the Company has provided a guarantee for this revolving credit 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 was subject to acceleration in the event that the closing price of common shares on the TSX Venture Exchange was greater than or equal to $0.25 per share for a period of 10 consecutive trading days and such acceleration event occurred any time after the expiration of a four-month hold period applicable to the securities issued. These warrants expired unexercised during the third quarter.

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, 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.

These warrants expired unexercised during the third quarter.

Foods Division

Over the past year, we have repositioned our organic foods platform shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model. We believe we have made important progress in executing our plans including exiting Company-owned growing operations, selling our processing facilities in Guatemala and exiting Company operated packaging operations in the Netherlands, all in favor of strategic sourcing arrangements with grower partners in Peru, Argentina, Mexico, Zimbabwe and others and third party processing and packaging arrangements with globally positioned strategic partners. We have also streamlined our cost base and expanded our product offering from high-value organic vegetables including organic green beans, sugar snaps and snow peas to other value-added organic vegetables and fruits including asparagus, avocado, blueberries, ginger, mango and other products. We continue to pursue new strategic supply sources around the globe as we work to complete year-round supply of our core product offerings and also bring new complimentary products to our existing portfolio.

While revenues for the first half of 2019 grew versus the first half of 2018, they were well below expectation primarily due to the aforementioned business repositioning and also to quality and supply challenges we experienced with our organic avocado program. This led to limited avocado revenues in these quarters while we worked to re-establish supply. Other product revenues were also impacted as our resources were diverted to deal with the avocado program issues and due to lower demand on certain products as a result of local seasonal supply being available in key markets.

Third quarter revenues and the resulting gross margins were both a quarterly record for the Company as we realized the benefits of our repositioned foods platform. All revenues were realized in European markets with sales of asparagus, avocado and mango to customers in the Netherlands, Russia, Spain, Sweden, Denmark, the UK and Russia.

In September 2019 we announced that shipments of avocados out of Colombia commenced for commercial distribution in European markets. We began receiving weekly volumes of approximately 20,000 kilograms and have realized selling prices ranging from $4.25 to $5.25 per kg dependent upon product size, packaging format and distribution point. Shipments are expected to run for the duration of the Colombian season and end in February, 2020.

We also announced in September 2019 that sales of organic blueberries out of Argentina for sale in European markets was to begin. Organic blueberries were our largest selling product in 2018 and represented the company's first sales of organic soft fruit, a key step in the expansion of our year-round value-added organic fruits and vegetables product offering. Organto sees strong demand for organic blueberries in the European markets it serves. Sales from the current Argentine supply source are expected to continue through to the end of 2019. We will continue to develop a year-round organic blueberry supply program that, once fully implemented, is expected to include supply from strategic growers located in Argentina, Mexico, Peru and other locations.

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 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.

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. 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 2018 and were our first sales of an organic soft fruit. Initial sales of organic blueberries were on a seasonal basis through December 2018 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. Sales of organic blueberries recommenced in September 2019.

In October 2018 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 were the first products available for sale to the on-line retailer, and there is the potential for us to add new products as they become available.

Sales of organic asparagus started in September 2018 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.

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 were subject to a four month hold period under applicable securities regulations which expired 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 the shares issued and this amount was included in licenses on our balance sheet.

In June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis and related intellectual property (“IP”) consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis will receive a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis will return the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis to be cancelled. We received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by Organto to Xebra will be also be forgiven and Xebra will assume all outstanding debts and obligations of Medicannabis. Organto has also been granted a right of first refusal (“ROFR”) to distribute Xebra's cannabis products throughout Europe. No value has been attributed to the ROFR given the uncertainty of when or if Organto can begin profitably distributing Xebra products in Europe. In October 2019 we received TSXV acceptance and shareholder approval for this transaction with final completion remaining subject to certain closing conditions which are ongoing.

With the sale of the cannabis assets, we no longer have a cannabis operating division.

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 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 adoption of IFRS 16 has not had any material impact that on our financial statements.

(b) 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.

Financial Performance

	Three months ended			Nine months ended		
	September 30, 2019 ($)	September 30, 2018 ($)	**% Change**	**September 30, 2019 ($)**	September 30, 2018 ($)	**% Change**
Revenues	1,935,094	444,259	336%	2,128,551	468,302	355%
Gross profit (loss)	173,660	11,421	1,421%	150,794	(258,894)	(158%)
Net loss for the period	(438,378)	(864,121)	(49%)	(470,292)	(3,367,593)	(86%)
Cash used in operating activities	(195,798)	(989,710)	(80%)	(1,533,835)	(2,418,205)	(37%)
Loss per share, basic and diluted	(0.00)	(0.01)		(0.00)	(0.03)	-

Review of Financial Results – Current Quarter

Over the past year, we have repositioned our organic foods platform shifting from an asset-heavy, single-revenue-stream business model to an asset-light, multi-stream business model. We believe we have made important progress in executing our plans including exiting company-owned growing operations, selling our processing facilities in Guatemala and exiting company operated packaging operations in the Netherlands, all in favour of strategic sourcing arrangements with grower partners in Peru, Argentina, Mexico, Zimbabwe and others, and third party processing and packaging arrangements with globally positioned strategic partners. We have also streamlined our cost base and expanded our product offering from high-value organic vegetables including organic green beans, sugar snaps and snow peas to other value-added organic vegetables and fruits including asparagus, avocado, blueberries, ginger, mango and other products. We continue to pursue new strategic supply sources around the globe as we work to complete year-round supply of our core product offerings and also bring new complementary products to our existing portfolio.

We recorded a net loss of $438,378 during the current quarter, compared to a net loss of $864,121 during the same period in the prior year. The much-improved results were due primarily to increased revenues and margins combined with a reduction in operating expenses and interest expense.

Product revenues for the three months ended September 30, 2019 were $1,935,094 as compared to $444,259 during the same period in the prior year, a greater than fourfold increase. These revenues are a quarterly revenue record for the Company. Sales of vegetable and fruit products, including fresh organic asparagus, avocado and mango, gained momentum in the third quarter and are continuing to grow across a variety of customers in the United Kingdom, the Netherlands, Spain, Russia, Sweden and Denmark.

We realized record quarterly gross profit of $173,660 or 9% of revenues in the third quarter of 2019 as compared to a gross profit of $11,421 or 3% of revenues during the same period in the prior year. The improved gross margin results are the result of changes made to our food operating model, eliminating fixed costs and streamlining the supply chain to significantly improve efficiencies and reduce product losses.

Selling, general and administration expenses of $193,888 this quarter were lower than the $249,804 from the same quarter of the prior year, a decline of 22% year over year in line with cost streamlining within our core foods business.

Management fees in the current quarter were $125,810 comparable to the $127,474 from the same quarter of the prior year.

Labour costs and benefits during the third quarter were $146,887 compared to $215,363 in the same quarter of the prior year. Overall staffing levels have been scaled back leading to cost savings from our restructured business model.

We recognized $55,895 for stock-based compensation in the third quarter of 2019 compared to $2,035 in the same quarter of 2018. 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 third quarter of 2019 was based on a fair value of $0.06 per share for the 600,000 options granted in June 2018, $0.06 per share for the 5,750,000 options granted in December 2018 and $0.04 per share for the 150,000 options granted in June 2019.

Interest expense during the current quarter was $31,844 compared to $458,402 for the same quarter of the prior year. Interest in the third quarter of 2019 consisted primarily of interest on our bank loan and the interest bearing short-term loans while interest in the third quarter of the prior year consisted of interest and accretion on the convertible loan, convertible debentures and the interest bearing short term loans. 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 $131 in the current quarter as compared to an other income of $142,700 in the same quarter of 2018. Other income in both periods consists primarily of gains on debt settlement agreements, and in the third quarter of 2019 these gains were offset by write-downs of certain supplier advances and receivables.

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 $57,583 this quarter as compared to a gain of $34,836 during the same quarter last year.

In June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis and related intellectual property ("IP") consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. ("Xebra") for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. We received TSXV acceptance and shareholder approval for this transaction in October 2019.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis will receive a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis will return the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis to be cancelled.

We received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by Organto to Xebra will be also be forgiven and Xebra will assume all outstanding debts and obligations of Medicannabis. We have also been granted a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. No value has been attributed to the ROFR given the uncertainty of when or if we can begin profitably distributing Xebra products in Europe.

A value of $0.10 per share has been attributed to the Xebra shares, this being the price at which their most recent private placement occurred.

The gain from the sale of the Medicannabis shares and associated IP was calculated as:

	($)
Xebra shares (7,124,630 shares at $0.10 per share)	712,463
Cash	321,077
Promissory notes forgiven	600,000
Organto shares to be cancelled	1,193,846
Total proceeds	2,827,386
Intangible assets sold	(1,325,227)
Gain on sale of subsidiary	**1,502,159**

Review of Financial Results – Current Period

We incurred a net loss of $470,292 during the first nine months of 2019, compared to a loss of $3,367,593 during the same period in the prior year. Improved product sales and cost savings realized from repositioning ourselves from an asset-heavy, single-revenue-stream business model to an asset-light, multi-stream business model combined with the gain we realized on the sale of our Colombian subsidiary were the primary reasons for the lower loss in 2019.

Revenues for the nine months ended September 30, 2019 were $2,128,551 and we realized a gross profit of $150,794 as compared to revenues of $468,302 and a gross loss of $258,894 during the same period last year. While revenues for the first half of 2019 grew versus the first half of 2018, they were well-below expectation primarily due to the aforementioned business repositioning, and also to quality and supply challenges Organto experienced with the organic avocado program. This led to limited avocado revenues in these quarters while the company worked to re-establish supply. Other product revenues were also impacted as company resources were diverted to deal with the avocado program issues and due to lower demand on certain products as a result of local seasonal supply being available in key markets. In the third quarter of 2019, with an expanded line up of products, we realized record revenues and a significant improvement in our gross margin.

Selling, general and administration expenses were $953,313 for the first nine months of 2019, slightly lower than the $1,047,730 from the same period last year. Cannabis related expenses of $369,576 and Mexican administrative expenses of $139,815 were incurred in the first nine months of 2019 while no such expenses were incurred in the same period last year as these divisions did not start operations until late in 2018. Excluding cannabis related costs, selling, general and administration expenses declined approximately 44% year over year in line with cost streamlining within our core foods business.

Management fees in the first half of 2019 were $463,883 comparable to the $456,684 from the same period of the prior year.

Labour costs during the first nine months of 2019 decreased to $373,022 as compared to $962,888 in the same period last year. Overall staffing levels were scaled back beginning late in the first quarter of 2018 and costs in 2018 include severance fees. Labour costs attributable to our cannabis operations in Colombia of $27,700 offset some of the cost savings from our restructured business model so far in 2019.

We recognized $210,890 for stock-based compensation in the first nine months of 2019 compared to $17,448 for the same period in 2018. Stock based compensation in 2019 was based on a fair value of $0.06 per share for the 600,000 options granted in June 2018, $0.06 per share for the 5,750,000 options granted in December 2018 and $0.04 per share for the 150,000 options granted in June 2019.

Interest expense during the first half of 2019 was $89,352 compared to $830,867 for the same period in the prior year. Interest in 2019 consisted primarily of interest on our bank loan and the interest bearing short-term loans while interest in the prior year consisted of interest and accretion on the convertible loan, convertible debentures and the interest bearing short term loans. 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 other income of $14,936 in the first nine months of 2019 as compared to $179,728 in the first nine months of the prior year. Other income in both periods consists of gains on debt settlement agreements, though other income in 2019 was offset by writedowns of certain supplier advances and receivables.

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 $47,721 in the first nine months of 2019 as compared to a gain of $9,242 during the same period last year.

Selected Quarterly Information

	Q3 2019 ($)	Q2 2019 ($)	Q1 2019 ($)	Q4 2018 ($)	Q3 2018 ($)	Q2 2018 ($)	Q1 2018 ($)	Q4 2017 ($)
Revenues	1,935,094	62,458	130,999	1,068,275	444,259	10,648	13,395	136,459
Net income (loss) for the period attributable to shareholders of the Company	(438,378)	743,974	(775,888)	(2,134,588)	(864,121)	(1,060,868)	(1,442,603)	(5,659,635)
Basic and diluted income (loss) per share for the period	(0.00)	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)

	Sep 30, 2019 ($)	Jun 30, 2019 ($)	Mar 31, 2019 ($)	Dec 31, 2018 ($)	Sep 30, 2018 ($)	Jun 30, 2018 ($)	Mar 31, 2018 ($)	Dec 31, 2017 ($)
Cash	78,904	48,444	53,025	189,020	33,249	189,454	28,567	172,025
Total assets	2,517,310	2,182,522	2,526,456	3,341,850	2,880,218	2,804,575	2,766,969	3,156,867
Total non-current financial liabilities	-	-	-	-	-	1,649,723	1,612,806	1,572,230

Liquidity and Capital Resources

At September 30, 2019, we had cash of $78,904 and a working capital deficiency of $3,388,968 compared to $189,020 and $2,199,028, respectively, at December 31, 2018.

During the year ended December 31, 2018 the Company received $818,740 in bridge loans from insiders and certain shareholders. Interest rates ranged from 0% to 8% with interest paid in equal monthly payments totalling $5,000 per month on all interest bearing loans. Two of these loans were settled in March 2019 when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of the loans from Omega with maturity dates of March 27, 2019 and April 5, 2019. All loans were unsecured and had a term of one year.

In April 2019 the Company entered into an agreement to extend the remaining bridge loans. 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 $8,632 consisting of principal and interest and will make lump sum 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 completely exit its cannabis investment any outstanding amounts due under these short-term loans will be immediately due and payable.

During the nine months ended September 30, 2019 the Company received $362,137 in interest-free short term loans from a number of parties including officers and directors. These loans are unsecured and have no fixed terms of repayment. Certain of the loans from officers and directors are denominated and repayable in US dollars and Euros.

The Company signed promissory notes payable to Xebra for cash proceeds of $114,000 in the first quarter of 2019. In the second quarter of 2019, the Company signed promissory notes payable to Xebra totalling $486,000 in exchange for cash proceeds of $396,731 and for Xebra making payments of $13,150 directly to suppliers on behalf of Organto. These notes were non-interest bearing and due on demand anytime after May 7, 2019. Immediately prior to the sale of its subsidiary Medicannabis, $55,000 of the short term loans from the directors noted above and $21,119 of expense reimbursements due to these directors were assumed by Xebra and then included in the $600,000 of promissory notes forgiven by Xebra.

In January 2019 we established a revolving line of credit with a Mexican bank for up to US$500,000. Interest is payable monthly at 12% on funds borrowed and we paid a one time fee of US$5,000 to establish this facility. During the nine months ended September 30, 2019 we borrowed US$1,000,000 and repaid US$500,000 under this facility.

Cash used in operating activities for the third quarter of 2019 was $195,798 ($989,710 – 2018) and $1,533,835 for the nine months ended September 30, 2019 ($2,418,205 – 2018). 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 $1,520 on intangible assets in the first quarter of 2019 related to our investment in medicinal cannabis.

At September 30, 2019, we had current liabilities of $5,005,406 (December 2018 - $4,040,677). We settled $428,782 of the short-term loans and loan to Omega as part of the sale of our processing plant in Guatemala. Borrowings of $1,309,813 from the bank loan and $907,138 from short-term loans, offset by loan payments of $704,285 and the forgiveness of $600,000 of short term loans, were the main reasons for the increase in liabilities this quarter.

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 September 30, 2018 ($)
Cash	Fair value through profit or loss	Credit, currency and concentration	78,904
Receivables	Amortized cost	Credit, currency and concentration	1,342,065
Investment securities	Fair value through profit or loss	Other price	712,463
Accounts payable	Amortized cost	Currency	(3,320,196)
Bank loan	Amoritzed cost	n/a	(638,222)
Loan due to Omega S.A.	Amortized cost	Currency	(30,320)
Loans payable	Amoritzed cost	n/a	(1,016,668)
			(2,871,974)

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 September 30, 2019 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 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. At September 30, 2019, we had a working capital deficiency of $3,388,968 (December 31, 2018 – $2,199,028). 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) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Our investment securities are exposed to other price risk. The Company's investment in Xebra does not currently have a quoted market price in an active market and is valued at recent private financing price levels. Xebra is planning a public listing later in 2019. The Company manages this risk by keeping in close contact with Xebra and receives regular updates on their operations.

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 $148,000.

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

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

(a) Director and key management personnel compensation:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Salaries, consulting and management fees	105,963	114,948	386,566	433,644
Short-term employee benefits	4,962	4,842	14,828	9,584
Stock based compensation	29,287	29,262	118,769	93,795
	140,212	**129,643**	**520,163**	**336,421**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2019 and 2018.

(b) Transactions with related parties:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Purchase of management and administrative services from companies with common directors or officers	62,338	66,563	191,875	129,136
Product sales to a company with a common officer	220,019	-	220,019	-
	282,357	**66,563**	**411,894**	**129,136**

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

	September 30, 2019 ($)	**December 31, 2018 ($)**
Salaries, consulting and management fees	570,703	309,182
Administration services	100,844	38,005
Expense reimbursements	54,487	58,975
Balance, end of period	**726,034**	**406,162**

(d) Outstanding balances included in accounts receivable arising from sales of products:

	September 30, 2019 ($)	**December 31, 2018 ($)**
Sales of product	7,857	-
Balance, end of period	**7,857**	**-**

(e) Loans from directors and key management personnel:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Balance, beginning of period	122,251	-	107,648	-
Loans received	248,858	-	322,137	-
Loans repaid	-	-	(55,000)	-
Foreign exchange	793	-	(2,883)	-
Balance, end of period	**371,902**	**-**	**371,902**	**-**

Commitments

At September 30, 2019, we have the following commitments:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management and administration fees	132,245	-	-	132,245
Bank loan	638,222	-	-	638,222
Loan payable to Omega S.A.	30.320	-	-	30.320
Short term loans payable	1,106,668	-	-	1,106,668
	1,817,455	**-**	**-**	**1,817,455**

Lease payments for land used in Guatemala ceased in April 2019 upon the sale of the Company's processing plant in Guatemala and lease payments for land used in Colombia ceased in June 2019 upon the sale of the Company's Colombian subsidiary.

OFF-BALANCE SHEET ARRANGEMENTS

During the nine months ended September 30, 2019 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 $8.1 million in revenues and operating losses of approximately $21.7 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 eexisting 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 investment in the cannabis business exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment.

Our investment exposure in the 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 realize a profitable return could be impacted.

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.

The Company has 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.

Management regularly evaluates the effectiveness of the Company's internal controls and as of September 30, 2019 have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company in a timely manner.

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) Claudio Schreier (Chair, Audit Committee) 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

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Nine Months Ended
September 30, 2019

(Stated in Canadian Dollars)

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three and nine months ended September 30, 2019, which follow this notice, have not been reviewed by an auditor.

(Unaudited – expressed in Canadian Dollars)

	September 30, 2019 ($)	December 31, 2018 ($)
Assets		
Current assets		
Cash	78,904	189,020
Receivables (note 3)	1,342,065	574,790
Inventories (note 4)	154,128	67,721
Prepaid expenses (note 5)	41,341	74,668
Assets held for sale (note 6)	-	935,450
	1,616,438	1,841,649
Non-current assets		
Property, plant and equipment (note 7)	121,607	176,494
Investment securities (note 8)	712,463	-
Intangible assets (note 9)	-	1,323,707
Loan receivable (note 10)	66,802	-
Total assets	**2,157,310**	**3,341,850**
Liabilities and Shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 17(c))	3,320,196	2,844,078
Bank loan (note 11)	638,222	-
Loan due to Omega S.A. (note 12)	30,320	270,212
Short-term loans payable (notes 13 and 17(d))	1,016,668	926,387
Total liabilities	**5,005,406**	**4,040,677**
Shareholders' deficit		
Share capital (note 14)	18,113,613	16,919,767
Shares to be issued (returned) (notes 6 and 8)	(1,634,340)	1,193,846
Reserves (note 14(e))	2,682,759	2,367,396
Deficit	(21,650,128)	(21,179,836)
Total shareholders' deficit	**(2,488,096)**	**(698,827)**
	2,157,310	**3,341,850**

Nature of operations and going concern (note 1)
Commitments (note 20)

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

(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Sales (note 19)	1,935,094	444,259	2,128,551	468,302
Cost of sales (note 15)	(1,761,434)	(432,838)	(1,977,757)	(727,196)
Gross profit (loss)	173,660	11,421	150,794	(258,894)
Selling, general and administration expenses (note 16)	193,888	249,804	953,313	1,047,730
Management fees	125,810	127,474	463,883	456,684
Labour costs and benefits	146,887	215,363	373,022	962,888
Stock-based compensation	55,895	2,035	210,890	17,448
	(348,820)	(583,255)	(1,850,314)	(2,743,644)
Interest expense and accretion, net	(31,844)	(458,402)	(89,352)	(830,867)
Other income (loss)	(131)	142,700	14,936	179,728
Foreign exchange gain (loss)	(57,583)	34,836	(47,721)	9,242
Gain on sale of subsidiary (note 8)	-	-	1,502,159	-
Gain on embedded derivative financial liability	-	-	-	17,949
Net loss for the period	**(438,378)**	**(864,121)**	**(470,292)**	**(3,367,593)**
Loss per share (note 14(d))				
Basic and diluted	(0.00)	(0.01)	(0.00)	(0.03)

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

(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,592)
Other comprehensive income (loss) for the period:				
Items that may subsequently be re-classified to income or loss:				
Foreign currency translation	64,053	(40,129)	104,473	(43,739)
Comprehensive loss for the period	**(374,325)**	**(904,250)**	**(365,819)**	**(3,411,331)**

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Operating activities				
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,592)
Items not involving cash:				
Amortization	14,084	75,048	43,118	185,808
Stock-based compensation	55,895	2,035	210,890	17,448
Interest expense and accretion	31,844	458,473	89,352	774,085
Foreign currency translation	66,571	(86,551)	123,730	(59,111)
Other income	(52,429)	-	(67,496)	-
Gain on sale of subsidiary	-	-	(1,502,159)	-
Gain on embedded derivative financial liability	-	-	-	(17,949)
Cash used in operating activities before changes in non-cash working capital	(322,413)	(520,250)	(1,572,857)	(2,572,445)
Changes in non-cash working capital (note 18)	126,615	(469,460)	39,022	154,240
Cash used in operating activities	(195,798)	(989,710)	(1,533,835)	(2,418,205)
Investing activities				
Intangible assets	-	-	(1,520)	-
Cash used in investing activities	-	-	(1,520)	-
Financing activities				
Proceeds from bank loan	661,650	-	1,309,813	-
Repayments of bank loan	(661,650)	-	(661,650)	-
Proceeds from private placement, net of issue costs	-	941,317	-	1,600,000
Proceeds from short term loans	288,858	-	907,138	815,740
Repayments of short term loans	(34,384)	(92,625)	(42,635)	(92,625)
Repayments of convertible loan payable	-	-	-	(28,456)
Interest paid	(28,218)	(15,000)	(86,565)	(15,000)
Cash used in financing activities	226,256	834,692	1,425,101	2,279,659
Effect of foreign exchange on cash	2	(1,188)	(862)	(231)
Increase (decrease) in cash	30,460	(156,206)	(110,116)	(138,777)
Cash, beginning of period	48,444	189,454	189,020	172,025
Cash, end of period	**78,904**	**33,248**	**78,904**	**33,248**

Supplemental cash flow information (note 18).

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

Organto Foods Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital ($)	Shares to be issued (cancelled) ($)	Reserves ($)	Deficit ($)	Total ($)
Balance at January 1, 2018	112,263,903	10,953,208	-	2,160,270	(15,677,656)	(2,564,178)
Proceeds from private placement	20,000,000	1,600,000	-	-	-	1,600,000
Stock-based compensation (note 14(b))	-	-	-	17,448	-	17,448
Shares issued to settle loans payable	2,269,230	748,846	-	-	-	748,846
Shares issued to settle convertible debentures	13,330,262	2,268,026	-	-	-	2,268,026
Comprehensive loss for the period	-	-	-	(43,739)	(3,367,591)	(3,411,330)
Balance at September 30, 2018	**147,863,395**	**15,570,080**	**-**	**2,133,979**	**(19,045,247)**	**(1,341,188)**
Balance at January 1, 2019	162,989,355	16,919,767	1,193,846	2,367,396	(21,179,836)	(698,827)
Stock-based compensation (note 14(b))	-	-	-	210,890	-	210,890
Shares issued on receipt of Colombian license (note 9)	7,461,538	1,193,846	(1,193,846)	-	-	-
Shares to be returned and cancelled (notes 6 and 8)	-	-	(1,634,340)	-	-	(1,634,340)
Comprehensive income (loss) for the period	-	-	-	104,473	(470,292)	(365,819)
Balance at September 30, 2019	**170,450,893**	**18,113,613**	**(1,634,340)**	**2,682,759**	**(21,650,128)**	**(2,488,096)**

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

(Unaudited – expressed in Canadian Dollars)

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 fresh organic value-added vegetable and fruit products. 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 June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. for a combination of shares of Xebra, cash and forgiveness of debt. Prior to this agreement, Organto owned 100 per cent of the outstanding shares of Medicannabis, a privately held Colombian company focused on the development of medicinal cannabis. See also note 8.

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, bank loans, short-term loans and convertible loans. At September 30, 2019, the Company had a working capital deficiency of $3,388,968 (December 31, 2018 - $2,199,028) and an accumulated deficit of $21,650,128 (December 31, 2018 - $21,179,836). 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

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"). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2018. Certain amounts in the prior period have been reclassified to conform to the presentation in the current period.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 14, 2019.

3. Receivables

	September 30, 2019 ($)	**December 31, 2018 ($)**
Trade receivables	883,182	263,936
VAT recoverable	61,154	35,142
Insurance claims receivable	396,867	260,819
Other	862	14,893
	1,342,065	**574,790**

(Unaudited – expressed in Canadian Dollars)

4. Inventories

	September 30, 2019 ($)	December 31, 2018 ($)
Packing material	57,951	62,542
Finished goods	96,177	5,180
	154,128	**67,721**

5. Prepaid expenses

	September 30, 2019 ($)	December 31, 2018 ($)
Advances to third-party producers	13,657	56,094
Prepaid insurance	16,108	-
Other advances and retainers	11,576	18,574
	41,341	**74,668**

6. Assets held for sale

In March 2019 the Company entered into an agreement to sell the its 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 acquired the assets on an as-is basis for consideration of $935,450. Consideration was 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.

The Company received shareholder approval and TSXV acceptance of this transaction in October 2019.

(Unaudited – expressed in Canadian Dollars)

7. Property, plant and equipment

	Buildings ($)	Machinery & equipment ($)	Furniture and other ($)	Land ($)	Construction in progress ($)	Total ($)
Cost						
At January 1, 2018	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**
Foreign exchange	-	(20,762)	-	-	-	(20,762)
At September 30, 2019	**-**	**262,070**	**800**	**-**	**-**	**262,870**
Accumulated amortization						
At January 1, 2018	(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)**
Amortization for the period	-	(43,095)	(22)	-	-	(43,118)
Foreign exchange	-	8,992	-	-	-	8,992
At September 30, 2019	**-**	**(140,464)**	**(800)**	**-**	**-**	**(141,264)**
Net book value						
At December 31, 2018	**-**	**176,472**	**22**	**-**	**-**	**176,494**
At September 30, 2019	**-**	**121,607**	**-**	**-**	**-**	**121,607**

8. Investment securities

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis SAS (“Medicannabis”) and related intellectual property (“IP”) consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis will receive a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis will return the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis to be cancelled.

Organto received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by Organto to Xebra will be also be forgiven and Xebra will assume all outstanding debts and obligations of Medicannabis. Organto has also been granted a right of first refusal (“ROFR”) to distribute Xebra's cannabis products throughout Europe. No value has been attributed to the ROFR given the uncertainty of when or if Organto can begin profitably distributing Xebra products in Europe.

(Unaudited – expressed in Canadian Dollars)

A value of $0.10 per share has been attributed to the Xebra shares, this being the price at which their most recent private placement occurred.

Investment securities are comprised of the following:

	September 30, 2019 ($)	**December 31, 2018 ($)**
Shares of Xebra Brands Ltd.	712,463	-
	712,463	**-**

The gain from the sale of the Medicannabis shares and associated IP was calculated as:

	($)
Xebra shares (7,124,630 shares at $0.10 per share)	712,463
Cash	321,077
Promissory notes forgiven	600,000
Organto shares to be cancelled	1,193,846
Total proceeds	2,827,386
Intangible assets sold	(1,325,227)
Gain on sale of subsidiary	**1,502,159**

The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction is now subject to certain closing procedures which are ongoing.

9. 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 was 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 issued 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 at December 31, 2018.

In June 2019 the Company sold its shares of Medicannabis and related intellectual property. See note 8.

(Unaudited – expressed in Canadian Dollars)

Intangible assets are comprised of the following:

	September 30, 2019 ($)	**December 31, 2018 ($)**
Cultivar rights	-	100,911
Colombian license	-	1,222,796
	-	**1,323,707**

Colombian license costs consisted of the portion of the purchase price allocated to licenses, the value of the shares issued to the former shareholders of Medicannabis and government registration fees paid.

10. Loan receivable

In March 2019, the Company sold its processing plant in Guatemala for proceeds including an interest-free note payable by the purchaser in the amount of US$56,628. This note is due in March 2021 and is secured by a lien on the processing plant. The loan was initially recorded at its fair value of $66,174 and is being accreted to face value over the 2 year term.

A continuity of the balance is shown below:

	($)
Balance at January 1, 2019	-
Loan issued	66,174
Accretion	2,520
Foreign exchange	(1,892)
	66,802

11. Bank loan

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 borrowed.

A continuity of the balance is shown below:

	($)
Balance at January 1, 2019	-
Proceeds	1,309,813
Payments	(661,650)
Foreign exchange	(9,941)
Balance at September 30, 2019	**638,222**

Accrued interest on this loan is recorded in accounts payable.

12. Loan due to Omega S.A.

As at December 31, 2018 the Company had a loan payable to Organizacion de Marcadeo SA ("Omega") in the amount of $270,212 (US$198,248).

This loan was partially settled when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of US$175,348 of the loan from Omega leaving a balance owing of $30,320

(US$22,900). The US$22,900 is payable within 5 business days after the Company completes an equity financing of at least $200,000.

A continuity of the balances is shown below:

	($)
Balance at January 1, 2018	372,148
Accrued interest	23,074
Payments	(132,822)
Foreign exchange	7,812
Balance at December 31, 2018	**270,212**
Loan settled	(238,999)
Foreign exchange	(893)
Balance at September 30, 2019	**30,320**

See also note 21.

13. Short-term loans payable

During the year ended December 31, 2018 the Company received $818,740 in bridge loans from insiders and certain shareholders. Interest rates ranged from 0% to 8% with interest paid in equal monthly payments totalling $5,000 per month on all interest bearing loans. Two of these loans were settled in March 2019 when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of the loans from Omega with maturity dates of March 27, 2019 and April 5, 2019. All loans were unsecured and had a term of one year.

In April 2019 the Company entered into an agreement to extend the remaining bridge loans. 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 $8,632 consisting of principal and interest and will make lump sum 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 completely exit its cannabis investment any outstanding amounts due under these short-term loans will be immediately due and payable. As at September 30, 2019 amounts outstanding on these bridge loans total $604,767.

During the nine months ended September 30, 2019 the Company received $362,137 in interest-free short term loans from a number of parties including officers and directors. These loans are unsecured and have no fixed terms of repayment. Certain of the loans from officers and directors are denominated and repayable in US dollars and Euros As at September 30, 2019, interest-free short-term loans with no terms of repayment total $411,901.

The Company signed promissory notes payable to Xebra for cash proceeds of $114,000 in the first quarter of 2019. In the second quarter of 2019, the Company signed promissory notes payable to Xebra totalling $486,000 in exchange for cash proceeds of $396,731 and for Xebra making payments of $13,150 directly to suppliers on behalf of Organto. These notes were non-interest bearing and due on demand anytime after May 7, 2019. Immediately prior to the sale of its subsidiary Medicannabis, $55,000 of the short term loans from two directors as noted above and $21,119 of expense reimbursements due to these directors were assumed by Xebra and then included in the $600,000 of promissory notes forgiven by Xebra.

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.

Accrued interest is recorded in accrued liabilities.

(Unaudited – expressed in Canadian Dollars)

Maturity date	Interest rate	September 30, 2019 ($)	December 31, 2018 ($)
February 1, 2020	8%	97,365	140,000
February 21, 2020	8%	322,093	322,093
March 13, 2020	8%	107,348	107,348
March 27, 2020	0%	-	66,679
April 3, 2020	8%	68,961	68,961
April 5, 2020	0%	-	104,659
April 25, 2020	8%	9,000	9,000
		604,767	818,740
No fixed maturity date	0%	411,901	107,647
		1,016,668	**926,387**

A continuity of the balances is shown below:

	($)
Balance at January 1, 2018	-
Proceeds from loans	926,387
Balance at December 31, 2018	**926,387**
New loans	907,138
Loans settled	(171,338)
Principal repaid	(42,635)
Loans forgiven (note 6)	(600,000)
Foreign exchange	(2,884)
Balance at September 30, 2019	**1,016,668**

See also note 21.

14. Share capital

(a) Common shares

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

At September 30, 2019 the Company had 170,450,893 common shares issued and outstanding (December 31, 2017 – 162,989,355).

(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.

(Unaudited – expressed in Canadian Dollars)

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, 2018	9,715,000	0.18	6,936,250	0.19
Granted	6,350,000	0.14	1,342,917	0.135
Exercised	(35,000)	0.065	(35,000)	0.065
Forfeited	(3,300,000)	0.18	(1,700,000)	0.18
Expired	(300,000)	0.19	(300,000)	0.19
Vested during year	-	-	178,750	0.15
Balance at December 31, 2018	**12,430,000**	**0.16**	**6,422,917**	**0.18**
Granted	150,000	0.08	30,000	0.08
Forfeited	(623,333)	0.135	-	-
Expired	(186,667)	0.135	(186,667)	0.135
Vested during period	-	-	751,250	0.15
Balance at September 30, 2019	**11,770,000**	**0.16**	**7,017,500**	**0.17**

A summary of the Company's share options outstanding and exercisable at September 30, 2019 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)
0.08	150,000	0.06	30,000	0.02
0.13	140,000	0.04	80,000	0.04
0.135	5,000,000	1.79	1,787,500	1.07
0.15	35,000	-	35,000	-
0.15	600,000	0.21	240,000	0.14
0.18	75,000	-	75,000	-
0.18	3,745,000	0.96	2,745,000	1.19
0.20	2,025,000	0.20	2,025,000	0.34
	11,770,000	**3.26**	**7,017,500**	**2.80**

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.

(Unaudited – expressed in Canadian Dollars)

The Company recognized $55,895 in the three months ended September 30, 2019 (2018 - $2,035) and $210,890 in the nine months ended September 30, 2019 (2018 - $17,448) as stock based compensation expense.

(c) Warrants

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price ($)	Expiration date	Fair value per warrant ($)	Total fair value ($)
November 15, 2018	5,500,000	0.20	May 15, 2020 *		
	5,500,00				**107,360**

* 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, 2018	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**
Expired	(46,090,378)	0.16
Balance at September 30, 2019	**5,500,000**	**0.20**

(d) Loss per share

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Net loss for the period	**(438,378)**	**(864,121)**	**(470,292)**	**(3,367,593)**
Basic and diluted net loss per share	0.00	(0.01)	(0.00)	(0.03)
Weighted average number of shares outstanding	170,450,893	135,327,797	167,772,392	120,077,912

For the nine months ended September 30, 2019 there were 11,770,000 (2017 – 7,015,000) share options and 5,500,000 warrants (2018 – 46,090,378) that are potentially dilutive but not included in the diluted loss per share calculation as the effect would be anti-dilutive.

(Unaudited – expressed in Canadian Dollars)

(e) Reserves

	Options ($)	Warrants ($)	Other reserves ($)	Cumulative translation ($)	Total ($)
Balance, January 1, 2018	671,417	235,471	592,513	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**	**592,513**	**746,332**	**2,367,396**
Stock-based compensation	210,890	-	-	-	210,890
Accumulated comprehensive income	-	-	-	104,473	104,473
Balance at September 30, 2019	**1,003,970**	**235,471**	**592,513**	**850,805**	**2,682,759**

15. Cost of sales

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Materials and transportation	160,405	34,779	264,992	148,317
Produce purchases	1,598,816	397,401	1,698,222	416,240
Labour costs	-	-	-	56,054
Amortization	-	-	-	70,201
Plant overhead	2,213	658	14,543	36,384
	1,761,434	**432,838**	**1,977,757**	**727,196**

16. Selling, general and administration expenses

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Administration and office	80,059	83,054	327,940	544,074
Professional fees	99,746	105,163	517,606	362,052
Overhead and operating	14,083	61,584	107,767	141,604
	193,888	**249,801**	**953,313**	**1,047,730**

17. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Salaries, consulting and management fees	105,963	114,948	386,566	433,644
Short-term employee benefits	4,962	4,842	14,828	9,584
Stock based compensation	29,287	29,262	118,769	93,795
	140,212	**129,643**	**520,163**	**336,421**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2019 and 2018.

(Unaudited – expressed in Canadian Dollars)

(b) Transactions with related parties:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Purchase of management and administrative services from companies with common directors or officers	62,338	66,563	191,875	129,136
Product sales to a company with a common officer	220,019	-	220,019	-
	282,357	**66,563**	**411,894**	**129,136**

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

	September 30, 2019 ($)	**December 31, 2018 ($)**
Salaries, consulting and management fees	570,703	309,182
Administration services	100,844	38,005
Expense reimbursements	54,487	58,975
Balance, end of period	**726,034**	**406,162**

(c) Outstanding balances included in accounts receivable arising from sales of products:

	September 30, 2019 ($)	**December 31, 2018 ($)**
Sales of product	7,857	-
Balance, end of period	**7,857**	**-**

(d) Loans from directors and key management personnel:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Balance, beginning of period	122,251	-	107,648	-
Loans received	248,858	-	322,137	-
Loans repaid	-	-	(55,000)	-
Foreign exchange	793	-	(2,883)	-
Balance, end of period	**371,902**	**-**	**371,902**	**-**

18. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30, 2019 ($)	**September 30, 2018 ($)**	**September 30, 2019 ($)**	**September 30, 2018 ($)**
Changes in non-cash working capital				
Receivables	(248,598)	(359,683)	(399,769)	(68,043)
Inventories	(77,078)	(36,202)	(86,407)	(27,431)
Prepaid expenses	51,893	(89,693)	33,327	(83,019)
Accounts payable and accrued liabilities	400,398	16,118	491,871	332,733
	126,615	**(469,460)**	**39,022**	**154,240**

(Unaudited – expressed in Canadian Dollars)

Non-cash investing and financing activities includes the following:

	Three months ended		Nine months ended	
	September 30, 2019 ($)	September 30, 2018 ($)	September 30, 2019 ($)	September 30, 2018 ($)
Common stock issued:				
as part of Medicannabis acquisition	-	-	1,193,846	-
to settle loans payable	-	748,846	-	748,846
To settle convertible debentures	-	2,268,026	-	2,268,026
Common stock to be cancelled:				
as part of the sale of the processing plant in Guatemala	-	-	(440,494)	-
as part of the sale of Medicannabis	-	-	(1,193,846)	-
Loans settled:				
as part of the sale of the processing plant in Guatemala	-	-	171,338	-
as part of the sale of Medicannabis	-	-	600,000	-

19. 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:

		Three months ended				Nine months ended			
Customer	Customer Location	September 30, 2019 ($)	%	September 30, 2018 ($)	%	September 30, 2019 ($)	%	September 30, 2018 ($)	%
Customer A	Europe	1,349,999	70	-	-	1,372,868	64	-	-
Customer B	Europe	219,971	11	-	-	222,037	10	-	-
Customer C	Europe	90,915	5	-	-	91,769	4	-	-
Customer D	Europe	73,043	4	-	-	84,598	4	-	-
Others	Europe	201,165	10	444,259	100	357,279	17	468,302	100
		1,935,094	**100**	**444,259**	**100**	**2,128,551**	**100**	**468,302**	**100**

Information by geographical areas is as follows:

	September 30, 2019 ($)	December 31, 2018 ($)
Non-current assets		
Canada	779,265	1,323,707
Netherlands	121,607	176,494
	900,872	1,500,201

(Unaudited – expressed in Canadian Dollars)

20. Commitments

At September 30, 2019, the Company has the following commitments:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management and administration fees	132,245	-	-	132,245
Bank loan	638,222	-	-	638,222
Loan payable to Omega S.A.	30,320	-	-	30,320
Short-term loans payable	1,016,668	-	-	1,016,668
	1,817,455	**-**	**-**	**1,817,455**