Organto Foods Inc.

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

Management's Discussion and Analysis
(Unaudited)

For the year ended
December 31, 2019

(Stated in Canadian Dollars)

Dated June 15, 2020

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides an overview of the business and operations of Organto Foods Inc. for the three months and year ended December 31, 2019. This report should be read in conjunction with the Company's December 31, 2019 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 December 31, 2019 and "this year" or "current year" refers to the year ended December 31, 2019.

This MD&A is dated June 15, 2020.

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 traditional and specialty retailers, distributors and other channels in Europe, North America and other markets; our ability to procure required volumes of both conventional and organic produce from 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, staff and professionals; 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 combined with 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;
- the COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition;
- 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 purpose is "to bring healthy and nutritious fresh organic fruits and vegetables to market by creating sustainable and transparent linkages between growers and end markets." In hand with this our mission is "to be a leading global provider of fresh organic fruits and vegetables utilizing an integrated business model, trusted for driving equitable returns to all parties in the value chain."

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 and distributed products to meet these needs via an integrated business model with diverse sourcing, logistics, processing, distribution and marketing 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.

As our strategy has evolved, we have repositioned from an asset-heavy, single revenue stream business model to an asset-light, multi-stream revenue model. In doing so we have exited our own growing, processing and packaging operations in favor of strategic third party relationships, streamlined our cost base, and expanded our organic foods go-to-market channels with additional organic vegetables plus the addition of organic soft fruit, exotic fruit and tropical fruit sold both branded and on a private label and bulk distributed 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 foods grew 5.0% in 2019 to approximately US$50.0 billion, growing at a rate that is significantly faster than that of conventional products, and now represents approximately 6% 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 largest within the organic segment, representing approximately 15% of all the produce that Americans eat, and approximately 36% of total US organic foods spend. And this is not just a US phenomenon. The organic market in Europe continues to grow. In 2016 the market increased by approximately 11% and reached approximately Euro 33.5 billion in 2017 it increased another 11%, reaching approximately Euro 37.3 billion and in 2019 it increased by almost 8% and reached total turnover of Euro 40.7 billion. Globally European countries account for the highest share of organic food sales as a percentage of total food sales, with demand for organic foods increasing around the globe. 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.

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 food consumers; and
* *Infrastructure* – responsibly building-out the organization to allow the business to scale as required.

In hand with our private label and 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 in our ability to drive a differentiated branded products strategy for our food product offerings based on our assessment of market demand combined with our development of year-round supply capabilities for many of our value-added products. In hand with our branded products focus, we also work with retail and distribution partners to provide value-added private label and bulk distributed offerings, with the objective of maximizing efficiencies while creating category demand for our brand. Our organic foods products are initially being marketed to specific European customers and will be followed by introduction to other food markets as deemed appropriate.

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 medicinal 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 fresh 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 strategic sourcing and supply of healthy and organic vegetables and fruits along with our commitment to sustainable and socially conscious business practices.

Our foods operations operate as the Organto Foods Group. While we have operated our own growing operations in the past in both Guatemala and Argentina, processing operations in Guatemala and packaging operations in the Netherlands, we have exited these operations and our focus now is on working with strategic third-party growers and service providers in Latin America, Africa, Europe and other growing regions in order to grow our business and drive an asset light business model. Products are currently 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 and health and wellness products. Xebra intends to seek a public listing when market conditions prevail. We received shareholder approval and TSX-V acceptance of this transaction in October 2019.

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

OUTSTANDING SHARE DATA

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

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and December 31, 2019:

	June 15, 2019	**December 31, 2019**
Common shares issued and outstanding *	165,016,934	165,016,934
Share purchase options outstanding ($0.07-$0.20)	13,010,000	13,010,000
Warrants ($0.065-$0.20) **	9,376,564	5,500,000

* A total of 5,873,257 common shares will be cancelled upon completion of the final documentation necessary to complete the sale of our processing plant in Guatemala.

** The 5,500,000 warrants outstanding at December 31, 2019 expired unexercised in May 2020.

See “Liquidity and Capital Resources” for further information.

RECENT DEVELOPMENTS

Corporate

In May 2020 the Company issued convertible promissory notes totalling $720,300. These convertible notes are for a period of two years, carry an annual interest rate of 10 % (payable annually), and will be convertible into common shares of The Company at a price of $0.05 per share for the first year and $0.10 per share for the second year. If, after four months from the date of issuance of the convertible notes, the volume-weighted average closing price of the Company’s common shares as traded on the TSX Venture Exchange is equal to or greater than $0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate conversion of the convertible notes. There is no prepayment penalty. Any shares issued upon the conversion of the convertible notes will be subject to a hold period expiring in September 2020. The Company paid a finder's fee of $22,330 in cash and issued 240,800 broker warrants in connection with these convertible notes. The broker warrants are for a term of two years with an exercise price of $0.10 per share. $74,550 of these convertible notes were issued to settle $74,550 of the secured interest-bearing loans and associated accrued interest. $245,750 of these convertible notes were issued to settle $161,150 of unsecured non-interest-bearing loans and $84,600 of accounts payable.

In May 2020 the Company issued 14,000,000 equity units for proceeds of $700,000. Each equity unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder thereof to acquire one common share at a price per warrant share of $0.10 until May, 2022. If, at any time after four months from the date of issue, the closing price of the Company’s common shares as traded on the TSX-V is equal to or greater than $0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate conversion of the warrants. The 14,000,000 shares issued, as well as any shares issued upon the exercise of the warrants, are subject to a hold period expiring in September, 2020.

In April 2020 the Company entered into agreements to extend the secured, interest bearing loans of $419,100 as follows: $211,500 of the loans which were to mature in April 2020 and $72,600 of the loans which were to mature in June 2020 will now mature on October 3, 2020 and December 13, 2020 respectively. The remaining $135,000 of the loans which were to mature in April 2020 will now mature on July 3, 2020. No other changes were made to the terms of these loans. The interest-bearing loans were originally issued In December 2019 certain arm's-length and non-arm's-length lenders and bear interest at a rate of 12 per cent per annum with interest due at maturity. The lenders received 2,127,738 warrants with each warrant being exercisable for a period of 12 months at an exercise price of $0.065 per share. Any shares issued upon the exercise of the warrants will be subject to a hold period of four months ending in June 2020. The promissory notes are secured by shares of Xebra Brands Ltd. currently owned by Organto. We did not pay any finders' fees or commissions associated with this bridge loan financing and there is no penalty for early repayment.

In April 2020 the Company entered into an agreement to extend the unsecured, interest bearing loans of $558,199 through March 15, 2021. In June 2020 the maturity date was further extended to October 1, 2021. These loans now carry an annual interest rate of 12% and will be subject to monthly principal and interest payments in the amount of $12,500 commencing the first month following the

completion of the Company's convertible note financing. These loans are subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company's investment securities. The Company will also grant 1.5 million warrants to the lender for a period through October 1, 2021 with an exercise price of $0.065 per share.

In February 2020, the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of $0.065 per share. Any shares issued upon the exercise of the warrants will be subject to a hold period of four months ending in June 2020.

The interest-bearing loans were originally issued In December 2019 certain arm's-length and non-arm's-length lenders and bear interest at a rate of 12 per cent per annum with interest due at maturity. The lenders received 2,127,738 warrants with each warrant being exercisable for a period of 12 months at an exercise price of $0.065 per share. Any shares issued upon the exercise of the warrants will be subject to a hold period of four months ending in June 2020. The promissory notes are secured by shares of Xebra Brands Ltd. currently owned by Organto. We did not pay any finders' fees or commissions associated with this bridge loan financing and there is no penalty for early repayment.

In December 2019 we completed the sale of our shares of Medicannabis and related intellectual property ("IP") upon receipt of shareholder approval and TSXV acceptance. We originally entered into a share purchase agreement in June 2019 to sell our shares of Medicannabis and 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 and health and wellness products. Under the terms of the agreement, the Company, together with the former shareholders and certain advisers of Medicannabis received a total of 10 million common shares of Xebra, with the Company 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 in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of the Company previously issued as part of the acquisition of Medicannabis and these shares were cancelled. We received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by the Company to Xebra were forgiven and Xebra assumed all outstanding debts and obligations of Medicannabis. The company 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 the Company can begin profitably distributing Xebra products in Europe.

In November 2019 we completed shares-for-debt transactions and issued 2,027,579 common shares of the Company at prices ranging from $0.05 to $0.065 per share to settle debt in the amount of $123,548. Of this debt, $12,500 was for management fees to an employee incurred during the period June, 2018, to May, 2019. The balance of $111,048 was for products and services provided to the company in 2018. The shares issued under these shares-for-debt settlements have hold periods ending between April 11, 2020, and December 11, 2020.

In July 2019 we announced that Alejandro Maldonado, an agricultural veteran in Mexico had agreed to join the Organto board of directors, and this appointment was subsequently confirmed in December 2019. 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. Mr. Maldonado's appointment became effective in December 2019.

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 agreed to 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 acquired the assets in an arm's-length transaction 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 the Company in the

amount of $428,782 (US$314,647), cancellation of 5,873,257 common shares of the Company, and the assumption of an interest-free note payable from Omega in the amount of $67,174 (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. Shareholder approval was received for this transaction and the Company is currently working to finalize cancellation of the common shares.

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. These warrants expired unexercised during the second quarter of 2020.

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 per share 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 of 2019.

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 converted the convertible 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 placements 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 of 2019.

Foods Division

As our strategy has evolved, 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 this regard, 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, Morocco, Colombia, Italy, 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.

With the repositioning essentially completed late in the first half of 2019, commercial operations ramped up in the second half with third and fourth quarter revenues and gross profits both quarterly records for the Company. All revenues were realized in European markets with sales of asparagus, avocado, mango and others to customers in the Netherlands, Belgium, United Kingdom, Germany, France, Spain, Russia, Sweden, Norway and Denmark with supply from both Latin America, Africa and Europe. And this momentum has continued into the first half of 2020.

In March 2020 we provided first quarter 2020 revenue guidance of $1.6 million to $1.65 million, a first quarter revenue record for the Company and an increase of approximately 1,200% versus the same quarter in the prior year. And in May 2020 we provide second quarter 2020 revenue guidance of $2.0 to $2.2 million, representing the largest quarterly revenues in the Company's history and an increase of approximately 3,300% versus the same quarter in the prior year. We also announced that we expect to exit 2020 with a revenue run rate of $20 million and a cash-flow breakeven run rate as well.

In January 2020 we expanded our avocado supply chain with the addition of a strategic grower based in Morocco. With the addition of supply from Morocco, our avocado supply chain now includes supply from Colombia, South Africa, Mexico and Morocco, for sale to customers throughout Europe. Shipments from this supplier commenced the last week of December with product available for commercial distribution the second week of January. Morocco's close proximity to Europe enables Organto to sell these avocados in European markets approximately a week following harvesting and processing, much sooner than the three to five weeks required for product delivered from Latin American markets. Shipments are scheduled to run for the course of the Moroccan season which is expected to end in late March 2020 with supply then expected to commence from Latin American sources.

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 up to approximately 20,000 kilograms as demand dictated. Shipments will 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. Sales continued through the end of 2019, although at lower volumes than the prior year due to market conditions. Even so, we 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. During 2019 we

successfully test marketed these products, and going forward we plan to ramp-up this program as funds become available to adequately finance this opportunity.

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. Even so, while our global avocado program has performed well, to date our avocado program from Mexico has not performed as well as we initially expected as we experienced quality issues due to shipping problems in late 2018 and early 2019. We remain very optimistic that supply of avocado from Mexican sources remains a key part of our long-term growth plans.

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. Sales of organic blueberries recommenced in September 2019, but as noted, at lower levels due to market conditions.

In October 2018 we began sales to a European on-line retailer, representing the Company'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 the customer continues to order on a regular basis from the Company.

Sales of organic asparagus started in September 2018 with sales to customers in the Netherlands and other European countries. Initial supply was from Peru and volumes have increased as the market has been developed. The Company continues to expand supply sources to round out year-round market supply capabilities and we have added supply from Italy and Argentina to this point.

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 was 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, the Company 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 initially 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 and health and wellness products. Under the terms of the agreement, the Company, together with the former shareholders and certain advisers of Medicannabis received a total of 10 million common shares of Xebra, with the Company 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 returned the 7,461,538 common shares of the Company previously issued as part of the acquisition of Medicannabis and these shares were cancelled. We received cash proceeds of $321,077 in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by the Company to Xebra were forgiven and Xebra assumed all outstanding debts and obligations of Medicannabis. The Company 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 the Company can begin profitably distributing Xebra products in Europe. In October 2019 we received TSXV acceptance and shareholder approval for this transaction and in December 2019 we completed the necessary documentation and concluded the sale.

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 or considered 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 Company does not have any agreements that meet the definition of a lease and the application of IFRS 16 did not have a material impact on the Company’s 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.

Selected Annual Information

The following information is for the years ended December 31, 2019, 2018 and 2017:

	2019 ($)	2018 ($)	2017 ($)
Sales	3,712,167	1,536,577	592,534
Gross profit (loss)	220,421	(584,608)	(1,682,095)
Income (loss) from continuing operations	(2,547,098)	(5,252,339)	(9,441,849)
Income (loss) from discontinued operations	2,557,509	(249,841)	-
Net income (loss)	10,411	(5,502,180)	(9,441,849)
Income (loss) per share			
Basic and diluted – continuing operations	(0.02)	(0.04)	(0.10)
Basic and diluted – discontinued operations	0.02	(0.00)	-
Comprehensive income (loss)	105,404	(5,416,717)	(9,275,240)
Total assets	2,727,982	3,341,850	3,156,867
Total non-current financial liabilities	-	-	(1,664,112)
Cash dividends declared	-	-	-

Review of Financial Results – Current Year

As our strategy has evolved, 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, Colombia, Morocco, Italy, 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 believe we have made solid progress in this regard, and our revenue and gross profit acceleration in the third and fourth quarters of 2019 reflect this progress.

We realized a net income of $10,411 during 2019, compared to a net loss of $5,502,180 during 2018. Improved product sales, gross profits 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 income in 2019.

Our net loss consisted of a loss from continuing operations of $2,547,098 which was offset by income from discontinued operations of $2,557,509. Medicannabis was sold on June 27, 2019 and the gain realized from its sale as well as its operating results are reported in the current period as discontinued operations. Medicannabis operations were during the periods June 1 – December 31, 2018 and January 1 – June 27, 2019.

Revenues for the year ended December 31, 2019 were $3,712,167 versus prior year revenues of $1,536,577, an increase of approximately 142%. During the same period, we realized a gross profit of $220,421 as compared to a gross loss of $584,608 during the same period last year. These results are indicative of the progress we have made in repositioning our business from an asset-heavy to asset-light business model. 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 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 and fourth quarters of 2019, with an expanded line up of products and streamlined organization structure, we realized record revenues and a significant improvement in our gross profits.

Selling, general and administration expenses were $874,822 for 2019, lower than the $1,377,226 from the same period last year. Despite an increase in Mexican administrative expense from $12,595 in 2018 to $183,753 in 2019 as operations in that country ramped up, selling, general and administration expenses declined approximately 36% year over year in line with cost streamlining within our core foods business.

Management fees in 2019 were $592,627 compared to $881,200 for 2018. The decrease was a result of the Company's efforts to reduce its staffing to a level appropriate for the Company's operations as well as due to certain officers and advisors agreeing to waive their fees for services until such time as the Company's operations can better support the payment of such fees.

Labour costs in 2019 decreased to $506,858 as compared to $841,441 in 2018, a decrease of approximately 42%. Overall staffing levels were scaled back beginning late in the first quarter of 2018 and costs in 2018 include severance fees.

We recognized $275,047 in stock-based compensation in 2019 compared to $123,311 in 2018. Stock based compensation in 2019 was based on a fair value of $0.05 per share for the 5,325,000 options granted in December 2019, $0.04 per share for the 150,000 options granted in June 2019, $0.06 per share for the 600,000 options granted in June 2018 and $0.06 per share for the 5,750,000 options granted in December 2018.

Net interest and accretion expense in 2019 were $127,654 as compared to $366,486 for 2018. The expense in 2019 consisted primarily of interest on our bank loan and the interest-bearing short-term loans offset by accretion on the promissory note receivable. The expense 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 an other loss of $295,718 in 2019 as compared to $590,206 in 2018. The other loss in 2019 consists of a write-down of unused packaging materials previously recorded in inventory, write-down of advances made to certain suppliers and a reduction in the recorded value of our insurance claims receivable. While we believe we will ultimately collect the amounts claimed, the uncertainty regarding the timing of settling these claims has caused us to record these claims using only a minimal amount. These costs were offset by the recovery of previously expensed management fees and VAT. The other loss in 2018 consists of a loss on the disposal of equipment in Guatemala and write-downs of VAT, unused packaging materials previously recorded in inventory and advances made to certain suppliers.

We realized a net gain of $2,684 on the settlement of debt in 2019. The gains from the settlement of certain accounts payable and the forgiveness of accrued interest otherwise payable when we settled the Omega loan was offset by a loss from shares for debt settlements. The gain from the settlement of debt in 2018 was from shares for debt settlements as well as from the settlement of several accounts payable.

Our income from discontinued operations was made up of the gain we realized on the sale of Medicannabis, offset by operating expenses incurred during the period January 1 – June 29, 2019. Medicannabis administration expenses rose to $46,411 from $30,470 and we incurred overhead of $53,324 and operating and labour costs of $27,744 as operations in Colombia ramped up after starting in late 2018. Professional fees were $242,097 in 2019 as we began the process of exiting operations in Colombia. Professional fees in 2018 were $219,371 as we established our corporate presence in Colombia.

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 and health and wellness products. We received TSXV acceptance and shareholder approval for this transaction in October 2019 and completed all the steps necessary in December 2019.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis received 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 returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis and these shares were cancelled. Xebra began financing efforts in the fourth quarter of 2019 and closed numerous tranches of a $0.30 financing between November 2019 and early 2020. As a result, Organto has estimated the fair value of the Xebra shares at CDN$0.30 per share.

We received cash proceeds of $321,077 from Xebra in July 2019. In addition to the cash proceeds, promissory notes of $600,000 due by Organto to Xebra were forgiven and Xebra assumed all outstanding debts and obligations of Medicannabis. We were also 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.

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 $994 in 2019 as compared to a loss of $157,058 in 2018.

In 2019 we wrote down the carrying value of our packaging equipment in Europe to $nil due to the repositioning of our business model and recognized an impairment loss of $96,483. In 2018 we wrote down the carrying value of property, plant and equipment located in Guatemala to their net realizable value, resulting in a write-down of $546,237. These assets were subsequently sold for this amount in March 2019.

We realized a loss on the modification of convertible debt in 2018 of $308,674. We issued convertible debentures in 2017 and in 2018 we 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. The loss amount is 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.

Selected Quarterly Information

	Q4 2019 ($)	Q3 2019 ($)	Q2 2019 ($)	Q1 2019 ($)	Q4 2018 ($)	Q3 2018 ($)	Q2 2018 ($)	Q1 2018 ($)
Sales	1,583,616	1,935,094	62,458	130,999	1,068,275	444,259	10,648	13,395
Gross profit (loss)	69,627	173,660	8,265	(31,131)	(325,714)	11,421	(18,226)	(252,089)
Income (loss) from continuing operations	(944,223)	(438,378)	(556,381)	(608,116)	(1,899,030)	(849,837)	(1,060,868)	(1,442,603)
Income (loss) from discontinued operations	1,424,926	-	1,300,355	(167,772)	(235,557)	(14,284)	-	-
Net income (loss)	480,703	(438,378)	743,974	(775,888)	(2,134,587)	(864,121)	(1,060,868)	(1,442,603)
Income (loss) per share:								
Basic and diluted – continuing operations	(0.01)	(0.00)	0.00	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Basic and diluted – discontinued operations	0.01	(0.00)	0.01	(0.00)	(0.00)	(0.00)	-	-
Comprehensive income (loss)	471,223	(374,325)	770,953	(762,447)	(2,045,515)	(904,250)	(1,064,764)	(1,442,317)

	Dec 31, 2019 ($)	Sep 30, 2019 ($)	Jun 30, 2019 ($)	Mar 31, 2019 ($)	Dec 31, 2018 ($)	Sep 30, 2018 ($)	Jun 30, 2018 ($)	Mar 31, 2018 ($)
Cash	54,565	78,904	48,444	53,025	189,020	33,249	189,454	28,567
Total assets	2,727,982	2,517,310	2,182,522	2,526,456	3,341,850	2,880,218	2,804,575	2,766,969
Total non-current financial liabilities	-	-	-	-	-	-	1,649,723	1,612,806

Review of Financial Results – Fourth Quarter

We realized a net income of $480,703 during the fourth quarter, compared to a net loss of $2,134,587 during the same period in the prior year. The much-improved results were primarily due to the gain from the valuation of our Xebra shares as well as increased revenues and gross profit combined with a year-over-year reduction in overhead expenses of approximately 75%, plus a reduction in interest expense. Fourth quarter results for the prior year included $854,911 for impairment charges on fixed assets and convertible debt modification losses which were not present in the current year.

Our net loss consisted of a loss from continuing operations of $944,223 which was offset by income from discontinued operations of $1,424,926. Part of the consideration from the sale of Medicannabis in June 2019 was 7,124,630 common shares of Xebra. We originally valued the shares at $0.10 per share as this was the price at which their then most recent financing occurred. Organto was advised by Xebra that it began financing efforts in the fourth quarter of 2019 and that it closed numerous tranches of a $0.30 financing between November 2019 and early 2020. As a result, Organto has estimated the fair value of the Xebra shares on December 31, 2019 at CDN$0.30 per share.

Product revenues for the three months ended December 31, 2019 were $1,583,616 as compared to $1,068,275 during the same period in the prior year, an almost 50% increase. These revenues are a fourth quarter revenue record for the Company. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, mango and others, continued to grow and were sold to a variety of customers in the Netherlands, Belgium, United Kingdom, Germany, France, Spain, Russia, Sweden, Norway and Denmark.

We realized a quarterly gross profit of $69,627 or approximately 4.4% of revenues in the fourth quarter of 2019 as compared to a gross loss of $325,714 during the same period in the prior year, indicative of the solid progress made as the Company's operating model has been repositioned. Adjustments in the fourth quarter applicable to the third quarter revenues affected our fourth quarter gross profit and without these adjustments our fourth quarter gross profit would have been approximately 7% of revenues.

Selling, general and administration expenses of $263,341 this quarter were lower than the $343,780 from the same quarter of the prior year. Reduced selling general and administrative expenses resulting from cost streamlining within our core foods business were offset by a $33,169 provision for uncollectable accounts.

Management fees in the current quarter were $128,744 an amount comparable to the last seven quarters.

Labour costs and benefits during the fourth quarter were $161,580. Labour costs have decreased over the last two years as overall staffing levels have been scaled back leading to cost savings from our restructured business model.

We recognized $64,157 in stock-based compensation in the fourth quarter of 2019 compared to $105,863 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 fourth quarter of 2019 was based on a fair value of $0.05 per share for the 5,325,000 options granted in December 2019, $0.04 per share for the 150,000 options granted in June 2019, $0.06 per share for the 600,000 options granted in June 2018 and $0.06 per share for the 5,750,000 options granted in December 2018.

Net interest and accretion during the current quarter was an expense of $38,302 as compared to favorable $464,381 for the same quarter of the prior year. Interest in the fourth quarter of 2019 consisted primarily of interest on our bank loan and the interest bearing short-term loans. Favorable interest and accretion in the fourth quarter of the prior year was due to adjustments made to accretion costs related to the settlement of the convertible debentures less interest and accretion on the short-term loans payable. 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 $289,587 in the current quarter as compared to $332,672 in the same quarter of 2018. The other loss in the fourth quarter of 2019 consists of a write-down of unused packaging equipment and packaging materials inventory as well as a further reduction in the recorded value of our insurance claim receivable. While we believe we will ultimately collect the amounts claimed, the uncertainty regarding the timing of settling these claims has caused us to record these claims using only a minimal amount. The other loss in the fourth quarter of 2018 consists of a write-down of unused packaging materials previously recorded in inventory as well as advances made to certain suppliers.

In the fourth quarter of 2019 we wrote down the carrying value of our packaging equipment in Europe to $nil due to the repositioning of our business model and recognized an impairment loss of $96,483. In the fourth quarter of 2018 we wrote down the carrying value of property, plant and equipment located in Guatemala to their net realizable value, resulting in a write-down of $546,237. These assets were subsequently sold for this amount in March 2019.

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 gain of $46,727 this quarter as compared to a loss of $166,300 during the same quarter last year.

We realized a loss on the modification of convertible debt in the fourth quarter of 2018 of $308,674. We issued convertible debentures in 2017 and in 2018 we 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. The loss amount is 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.

Liquidity and Capital Resources

At December 31, 2019, we had cash of $54,565 and a working capital deficiency of $4,027,352 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. In April 2020 the Company entered into an agreement to extend the unsecured, interest bearing loans of $558,199 through March 15, 2021. In June 2020 the maturity date was further extended to October 1, 2021. These loans will now carry an annual interest rate of 12% and will be subject to monthly principal and interest payments in the amount of $12,500 commencing the first month following the completion of the Company's convertible note financing. These loans are subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company's investment securities. The Company will also grant 1.5 million warrants to the lender for a period through October 1, 2021 with an exercise price of $0.065 per share.

During 2019 the Company received $584,738 in short term loans from a number of parties including officers and directors, some of which are denominated and repayable in US dollars and Euros. Of these loans, $419,100 are secured by a portion of the Company's investment securities and bear interest at an annual rate 12% for a term of six months. The other loans are interest free, unsecured and have no fixed terms of repayment. During 2019 the Company repaid $94,085 of the interest free loans. In February 2020 the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of $0.065 per share. Any shares issued upon the exercise of the warrants will be subject to a hold period of four months ending in June 2020. In May 2020, $74,550 of the secured interest-bearing loans and $161,150 of the unsecured non-interest-bearing loans were settled by issuing convertible promissory notes.

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 2019 we borrowed US$1,000,000 and repaid US$500,000 under this facility.

Cash used in operating activities for the fourth quarter of 2019 was $347,199 all in continuing operations. Cash used in operating activities for the fourth quarter of 2018 was $772,678 of which $583,871 was used in continuing operations and $188,807 was used in discontinued operations. Cash used in operating activities for the year ended December 31, 2019 was $1,881,033 (2018 - $3,190,883) of which $1,511,457 (2018 - $2,987,792) was used in continuing operations and $416,326 (2018 - $203,091) was used in

discontinued operations. 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 and we received $321,077 in cash from the sale of Medicannabis in the third quarter of 2019.

At December 31, 2019, we had current liabilities of $4,538,768 (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. We also settled $123,548 of our accounts payable through three shares for debt transactions in the fourth quarter of 2019. Borrowings of $1,310,663 from the bank loan and $1,095,469 from short-term loans, offset by loan payments of $845,788 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 December 31, 2019 ($)
Cash	Fair value through profit or loss	Credit, currency and concentration	54,565
Accounts receivable	Amortized cost	Credit, currency and concentration	202,923
Loans receivable	Amortized cost	Credit and currency	66,951
Investment securities	Fair value through profit or loss	Other price	2,137,389
Accounts payable	Amortized cost	Currency	(2,766,900)
Bank loan	Amortized cost	n/a	(650,894)
Loan due to Omega S.A.	Amortized cost	Currency	(23,950)
Loans payable	Amortized cost	n/a	(1,097,024)
			(2,076,940)

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. The fair value of the Company's investment securities, which are not publicly traded, was estimated using the price of recent or in-progress funding involving significant financing from external investors.

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

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

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our financial instruments at December 31, 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 moderate. 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 December 31, 2019, we had a working capital deficiency of $4,027,352 (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 when market conditions prevail. 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 $190,000.

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) Directors and key management personnel compensation:

	Year ended	
	December 31, 2019 ($)	December 31, 2018 ($)
Salaries, consulting and management fees	509,198	800,905
Short-term employee benefits	19,779	19,436
Stock based compensation	238,427	93,741
	767,404	**914,082**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2019 and 2018.

(b) Transactions with related parties:

	Year ended	
	December 31, 2019 ($)	December 31, 2018 ($)
Management and administrative services from companies with common directors or officers	270,674	266,873
Product sales to a company with a common officer	257,472	-
	528,146	**266,873**

(c) Outstanding balances included in accounts payable:

	December 31, 2019 ($)	December 31, 2018 ($)
Salaries, consulting and management fees	503,237	309,182
Administration services	114,108	38,005
Expense reimbursements	76,473	58,975
Product purchases	2,753	-
Balance, end of year	**696,571**	**406,162**

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

	December 31, 2019 ($)	December 31, 2018 ($)
Sales of product	46,139	-
Balance, end of year	**46,139**	**-**

(e) Loans from directors and key management personnel:

	Year ended December 31, 2019 ($)	Year ended December 31, 2018 ($)
Balance, beginning of year	107,648	-
Loans received	394,737	107,648
Loans repaid	(160,107)	-
Foreign exchange	(4,474)	-
Balance, end of year	**337,741**	**107,648**

Commitments

At December 31, 2019, we have the following commitments:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management and administration fees	133,563	-	-	133,563
Bank loan	650,894	-	-	650,894
Loan payable to Omega S.A.	23,950	-	-	23,950
Short term loans payable	1,097,024	-	-	1,097,024
	1,905,431	**-**	**-**	**1,905,431**

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 year ended December 31, 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 $9.6 million in revenues and operating losses of approximately $21.2 million. We are subject to many of the risks common to early-stage enterprises, including costs associated with building out an operating platform prior to volumes coming to scale, undercapitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no assurance that we will be successful in establishing a customer base, that consumers will purchase our products, or that we will begin generating revenues sufficient to cover our operating costs. Our ability to achieve a return on shareholders' investment and the likelihood of its success must be considered in light of the company's early stage of operations.

There is risk in our ability to continue as a going concern due to losses incurred as we build out our operating platform combined with 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, 2019, 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 year, we have generated operating losses since inception, cash resources are currently insufficient to meet planned business objectives, and thus additional financing will be required to realize the carrying value of our assets and continue operations, which together raises doubt about our ability to continue as a going concern.

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

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

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

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

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

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

We are focusing our business on the production, processing, packing, distribution and marketing 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, attract strategic third-party growers to cost-effectively supply our operations, 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, key employees and professionals. 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 or professional 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 do not directly operate our own growing and processing operations but instead rely on a number of third-party suppliers for the growing, processing, packaging and delivery 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 be assured 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.

The COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition.

Our business and financial results may be negatively impacted by the 2019 novel coronavirus (COVID-19) pandemic, including causing significant volatility in customer demand for our products, changes in consumer behavior and preference, disruptions in our global supply chain operations, disruptions to our business expansion plans, limitations on our employee and service provider's ability to work and travel, significant changes in the economic conditions in markets in which we operate and related currency and commodity volatility, and pressure on our liquidity. Despite our efforts to manage these impacts, they also depend on factors beyond our knowledge or control, including the duration and severity of the COVID-19 pandemic and actions taken to control its spread and mitigate its public health effects. As a result, we cannot reasonably estimate the full impact of the COVID-19 pandemic on our business and financial results, but the impact could be material and last for an extended period of time.

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 have been 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 our Company 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, earnings and cash flow, 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 December 31, 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 Alejandro Maldonado
Officers:	Steve Bromley, Interim Chief Executive Officer & President Rients van der Wal, Chief Operating Officer, Chief Executive Officer, Organto Europe B.V. Peter Thibaudier, Interim Chief Financial Officer Peter Gianulis, Executive Vice President, Corporate Development Ralf Langner, Interim Corporate Secretary
Auditor:	DMCL LLP 1500 – 1140 West Pender Street Vancouver, BC, V6E 4G1
Legal Counsel:	McMillan LLP Suite 1500 - 1055 West Georgia Street Vancouver, BC, V6E 4N7
Transfer Agent:	Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

Organto Foods Inc.

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

Consolidated Financial Statements

For the Year Ended
December 31, 2019

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Organto Foods Inc.

Opinion
We have audited the consolidated financial statements of Organto Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), cash flows and changes in shareholders' deficit for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
June 15, 2020

An independent firm
associated with Moore
Global Network Limited

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

	December 31, 2019 ($)	December 31, 2018 ($)
Assets		
Current assets		
Cash	54,565	189,020
Receivables (note 5)	202,923	574,790
Inventories (note 6)	78,401	67,721
Prepaid expenses (note 7)	175,527	74,668
Assets held for sale (note 8)	-	935,450
	511,416	1,841,649
Non-current assets		
Property, plant and equipment (note 9)	12,226	176,494
Investment securities (note 10)	2,137,389	-
Intangible assets (note 11)	-	1,323,707
Loan receivable (note 12)	66,951	-
Total assets	**2,727,982**	**3,341,850**
Liabilities and Shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 22(c))	2,766,900	2,844,078
Bank loan (note 13)	650,894	-
Loan due to Omega S.A. (note 14)	23,950	270,212
Short-term loans payable (notes 15 and 22(e))	1,097,024	926,387
Total liabilities	**4,538,768**	**4,040,677**
Shareholders' deficit		
Share capital (note 16)	17,061,697	16,919,767
Shares to be issued (returned) (notes 8 and 10)	(440,494)	1,193,846
Reserves (note 16(e))	2,737,436	2,367,396
Deficit	(21,169,425)	(21,179,836)
Total shareholders' deficit	**(1,810,786)**	**(698,827)**
	2,727,982	**3,341,850**

Nature of operations and going concern (note 1)
Commitments (note 25)
Subsequent events (note 28)

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

Organto Foods Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Sales (note 24)	3,712,167	1,536,577
Cost of sales (note 17)	(3,491,746)	(2,121,185)
Gross profit (loss)	220,421	(584,608)
Selling, general and administration expenses (note 18)	874,822	1,377,226
Management fees (note 22)	592,627	881,200
Labour costs and benefits	506,858	841,441
Stock-based compensation (note 16(b))	275,047	123,311
	(2,028,933)	(3,807,786)
Interest and accretion, net	(127,654)	(366,486)
Other loss (note 19)	(295,718)	(590,206)
Foreign exchange gain (loss)	(994)	(157,058)
Financing costs	-	(74,073)
Gain on settlement of debt (note 20)	2,684	580,232
Gain on embedded derivative financial liability	-	17,949
Loss on modification of convertible debt (note 21)	-	(308,674)
Impairment of property, plant and equipment (note 9)	(96,483)	(546,237)
Loss from continuing operations	(2,547,098)	(5,252,339)
Gain (loss) from discontinued operations (note 10)	2,557,509	(249,841)
Net income (loss) for the year	10,411	(5,502,180)
Other comprehensive income (loss) for the year:		
Items that may subsequently be re-classified to income or loss:		
Foreign currency translation	94,993	85,463
Comprehensive income (loss) for the year	**105,404**	**(5,416,717)**
Income (loss) per share (note 16(d))		
Basic and diluted – continuing operations	(0.02)	(0.04)
Basic and diluted – discontinued operations	0.02	(0.00)

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

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

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Operating activities		
Net loss for the year from continuing operations	(2,547,098)	(5,502,180)
Items not involving cash:		
Amortization	57,226	170,379
Bad debt expense	33,169	-
Stock-based compensation	275,047	123,311
Interest expense and accretion	127,920	327,160
Foreign currency translation	127,052	150,204
Other loss	432,342	595,358
Financing costs	-	74,074
Gain on settlement of debt	(2,684)	(580,232)
Gain on embedded derivative financial liability	-	(17,949)
Impairment of property, plant and equipment	96,483	546,237
Loss on modification of convertible debt	-	308,674
Cash used in operating activities before changes in non-cash working capital	(1,400,543)	(3,804,964)
Changes in non-cash working capital (note 23)	(110,914)	614,081
Cash used in operating activities from continuing operations	(1,511,457)	(3,190,883)
Cash used in discontinued operations	(369,576)	-
Cash used in operating activities	(1,881,033)	(3,190,883)
Investing activities		
Intangible assets	(1,520)	(109,797)
Proceeds on sale of subsidiary	321,077	-
Cash from (used in) investing activities	319,557	(109,797)
Financing activities		
Proceeds from bank loan	1,310,663	-
Repayments of bank loan	(662,500)	-
Proceeds from private placement, net of issue costs	-	2,588,873
Proceeds from share options exercised	-	2,275
Proceeds from short term loans	1,095,469	926,387
Repayments of short term loans	(183,288)	-
Loan and interest payments to Omega	(3,936)	(132,822)
Repayments of convertible loan payable	-	(28,456)
Interest paid	(126,282)	(39,326)
Cash used in financing activities	1,430,126	3,316,931
Effect of foreign exchange on cash	(3,105)	744
Increase (decrease) in cash	(134,455)	16,995
Cash, beginning of year	189,020	172,025
Cash, end of year	**54,565**	**189,020**

Supplemental cash flow information (note 23).

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

Organto Foods Inc.
Consolidated Statements of Changes in Shareholders' Deficit
For the Years Ended December 31, 2019 and 2018
(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 (Note 16)	31,000,000	2,700,000	-	-	-	2,700,000
Share issue costs	-	(7,455)	-	-	-	(7,455)
Exercise of stock options	35,000	3,923	-	(1,648)	-	2,275
Stock-based compensation (note 16(b))	-	-	-	123,311	-	123,311
Shares issued to settle accounts payable (Note 16)	4,090,960	316,610	-	-	-	316,610
Shares issued to settle loans payable (Note 16)	2,269,230	748,846	-	-	-	748,846
Shares issued to settle convertible debentures (Note 16)	13,330,262	2,204,635	-	-	-	2,204,635
Shares to be issued on receipt of cultivation license (Note 11)	-	-	1,193,846	-	-	1,193,846
Comprehensive loss for the year	-	-	-	85,463	(5,502,180)	(5,416,717)
Balance at December 31, 2018	**162,989,355**	**16,919,767**	**1,193,846**	**2,367,396**	**(21,179,836)**	**(698,827)**
Stock-based compensation (note 16(b))	-	-	-	275,047	-	275,047
Shares issued to settle accounts payable (Note 16)	2,027,579	141,930	-	-	-	141,930
Shares issued on receipt of Colombian license (note 11)	7,461,538	1,193,846	(1,193,846)	-	-	-
Shares cancelled on sale of subsidiary (note 10)	(7,461,538)	(1,193,846)	-	-	-	(1,193,846)
Shares to be cancelled as part of sale of processing plant (note 8)	-	-	(440,494)	-	-	(440,494)
Comprehensive income for the year	-	-	-	94,993	10,411	105,404
Balance at December 31, 2019	**165,016,934**	**17,061,697**	**(440,494)**	**2,737,436**	**(21,169,425)**	**(1,810,786)**

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

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging, distribution and marketing 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 S.A.S. ("Medicannabis") and related intellectual property to Xebra Brands Ltd. ("Xebra") 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 10.

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 December 31, 2019, the Company had a working capital deficiency of $4,027,352 (December 31, 2018 - $2,199,028) and an accumulated deficit of $21,169,425 (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 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 15, 2020.

(b) Basis of measurement

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

(c) Basis of consolidation

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

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

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

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

During 2019, the Company sold its former subsidiary, Medicannabis, and recognized income from discontinued operations of $2,557,509. See note 10.

(d) Use of estimates and judgments

Significant estimates and assumptions

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

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

Significant judgments

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

3. Significant accounting policies

(a) Revenue recognition

Sales are recognised when control of the products has transferred to the Company's customers, being when the products are shipped to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the

Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Inventory

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

(c) Foreign currency translation

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

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

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

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

(d) Impairment of long-lived assets

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

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

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

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

(e) Property, plant and equipment

Recognition and measurement

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

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

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

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

Amortization

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

The estimated useful lives are as follows:

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

(f) Financial instruments

Classification

The Company classifies its financial instruments at fair value through profit and loss ("FVTPL") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Accounts receivables	Amortized cost
Loans receivable	Amortized cost
Marketable securities	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost
Embedded derivative financial liability	FVTPL

Measurement

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

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in net earnings in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

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

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(g) Finance income and expenses

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

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

(h) Income taxes

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

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

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

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

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

(i) Loss per share

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

(j) Share-based payments

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

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

4. New accounting standards

The Company applied IFRS 16 – *Leases* ("IFRS 16") for the first time in 2019.

IFRS 16 replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased.

For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not have any agreements that meet the definition of a lease and the application of IFRS 16 did not have a material impact on the Company's financial statements.

5. Receivables

	December 31, 2019 ($)	December 31, 2018 ($)
Trade receivables	98,254	263,936
VAT recoverable	13,811	35,142
Insurance claims receivable	76,107	260,819
Other	14,751	14,893
	202,923	**574,790**

6. Inventories

	December 31, 2019 ($)	December 31, 2018 ($)
Packing material	-	62,542
Finished goods	78,401	5,180
	78,401	**67,721**

7. Prepaid expenses

	December 31, 2019 ($)	December 31, 2018 ($)
Advances to third-party producers	161,369	56,094
Prepaid insurance	5,833	-
Other advances and retainers	8,325	18,574
	175,527	**74,668**

8. 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 $67,174 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. 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 loan payable is being accreted to its face value over the remaining term of the loan.

The Company received final shareholder approval and TSXV acceptance of this transaction in October 2019. The Company then began the formal process to cancel the shares which is currently still in progress.

9. 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**
Impairment	-	(240,299)	-	-	-	(240,299)
Foreign exchange	-	(18,150)	-	-	-	(18,150)
At December 31, 2019	**-**	**24,383**	**800**	**-**	**-**	**25,183**
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 year	-	(57,203)	(22)	-	-	(57,226)
Impairment	-	143,816	-	-	-	143,816
Foreign exchange	-	7,591	-	-	-	7,591
At December 31, 2019	**-**	**(12,156)**	**(800)**	**-**	**-**	**(12,956)**
Net book value						
At December 31, 2018	**-**	**176,472**	**22**	**-**	**-**	**176,494**
At December 31, 2019	**-**	**12,226**	**-**	**-**	**-**	**12,226**

The Company sold its processing plant and related assets, including land, buildings and processing equipment, located in Guatemala in March 2019. These assets were classified as held for sale at December 31, 2018 and written down to their estimated fair value less cost of disposal. On classification as held-for-sale, the Company recognized an impairment loss of $546,237. The fair value was estimated based on the consideration received which consisted of the cancellation of a portion of loans payable, the return and cancellation of common shares of the Company, and the issuance of a promissory note to the Company (note 12).

The Company wrote down certain packaging equipment in Europe to $nil and recognized an impairment loss of $96,483 in 2019.

10. Investments

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis and related intellectual property ("IP") consisting of licenses and seed and cultivar rights to 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, received a total of 10,000,000 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. The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction occurred in December 2019. Upon receipt of these Xebra shares in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis and these shares were 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 were forgiven and Xebra assumed 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.

For investment securities that are not publicly traded, fair value is estimated using the price of the most recent funding involving financing from external investors and is therefore classified as a level 2 valuation technique (note 26).

Gain (loss) from discontinued operations was calculated as:

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Xebra shares (7,124,630 shares at $0.30 per share)	2,137,389	-
Cash	321,077	-
Promissory notes forgiven	600,000	-
Organto shares to be cancelled	1,193,846	-
Total proceeds	4,252,312	-
Intangible assets sold	(1,325,227)	-
Gain on sale of subsidiary	2,927,085	-
Operating costs:		
Administration	(46,411)	(30,470)
Professional fees	(242,097)	(219,371)
Overhead and operating	(53,324)	-
Labour costs and benefits	(27,744)	-
Gain (loss) from discontinued operations	**2,557,509**	**(249,841)**

11. Intangible assets

In November 2018, the Company acquired a 100% interest in Medicannabis by agreeing to assume net liabilities of Medicannabis totalling $25,051. Medicannabis’ 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 10.

Intangible assets are comprised of the following:

	December 31, 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.

12. 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 its 2 year term.

A continuity of the balance is shown below:

	($)
Loan issued	66,174
Accretion	3,843
Foreign exchange	(3,066)
Balance at December 31, 2019	**66,951**

13. 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	1,325,063
Payments	(660,220)
Foreign exchange	(13,949)
Balance at December 31, 2019	**650,894**

Accrued interest on this loan is recorded in accounts payable.

14. 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 Company made a payment of US$3,000 in October 2019 and the balance of US$19,900 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)
Payments made by the Company	(3,936)
Payments made by a related party	(1,952)
Foreign exchange	(1,375)
Balance at December 31, 2019	**23,950**

15. 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 December 31, 2019 amounts outstanding on these bridge loans total $558,199. These short term loans were extended in April 2020 (see note 28).

During 2019 the Company received $584,738 in short term loans from a number of parties including officers and directors, some of which are denominated and repayable in US dollars and Euros. Of these loans, $419,100 are secured by a portion of the Company's investment securities and bear interest at an annual rate 12% for a term of six months. The other loans are interest free, unsecured and have no fixed terms of repayment. During 2019 the Company repaid $94,085 of the interest free loans. In February 2020 the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of $0.065 per share. In May 2020, $74,550 of the secured interest bearing loans and $161,150 of the unsecured non-interest bearing loans were settled by issuing convertible promissory notes (see note 28).

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 any time 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 all these loans were 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 on the interest bearing loans is recorded in accrued liabilities.

Maturity date	**Interest rate**	**December 31, 2019 ($)**	**December 31, 2018 ($)**
Secured, interest bearing loans			
April 3, 2020	12%	196,500	-
April 7, 2020	12%	95,000	-
April 24, 2020	12%	55,000	-
June 13, 2020	12%	72,600	-
		419,100	-
Unsecured, interest bearing loans			
February 1, 2020	8%	50,797	140,000
February 21, 2020	8%	322,093	322,093
March 13, 2020	8%	107,348	107,348
April 3, 2020	8%	68,961	68,961
April 25, 2020	8%	9,000	9,000
		558,199	647,402
Unsecured, non-interest bearing loans			
March 27, 2019	0%	-	66,679
April 5, 2019	0%	-	104,659
No fixed maturity date	0%	119,725	107,647
		119,725	278,985
		1,097,024	**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	1,129,737
Loans settled	(171,338)
Principal repaid	(183,288)
Loans forgiven (note 10)	(600,000)
Foreign exchange	(4,474)
Balance at December 31, 2019	**1,097,024**

See also note 28.

16. Share capital

(a) Common shares

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

At December 31, 2019 the Company had 165,016,934 common shares issued (December 31, 2018 – 162,989,355) of which 159,143,677 (December 31, 2018 – 162,989,355) were outstanding. Included in issued common shares are 5,873,257

common shares to be cancelled upon the completion of documentation pertaining to the sale of the Company's processing plant and related assets in Guatemala (note 8).

In June 2018 the Company issued 2,269,230 common shares to settle the convertible loan originally issued in March 2016 and in July 2018 the Company issued 13,330,262 common shares to settle the convertible debentures together with accrued interest and related early conversion fees.

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

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

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

In April 2019 the Company issued 7,000,000 common shares to the original shareholders of Medicannabis as part of the terms of the 2018 acquisition agreement which required that these shares be issued upon receipt of a cannabis cultivation license which was received in January 2019. Also in April 2019, Organto issued 461,538 common shares as a finder's fee.

In December 2019, upon receipt of Xebra shares (note 10), the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued and these shares were cancelled.

Also in December 2019, the Company realized a loss of $18,382 when it completed shares-for-debt transactions and issued 2,027,579 common shares of the Company with a fair value of $141,930 to settle debt in the amount of $123,548. Of this debt, $12,500 was for management fees to an employee incurred during the period June, 2018 to May, 2019. The balance of $111,048 was for products and services provided to the Company in 2018. The shares issued under these shares-for-debt settlements have hold periods ending between April 11, 2020, and December 11, 2020.

(b) Share options

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

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

	Total options		Exercisable options	
	Total options	Weighted average exercise price ($)	Exercisable options	Weighted average exercise price ($)
Balance, January 1, 2018	9,715,000	0.18	6,918,250	0.19
Granted	6,350,000	0.14	1,395,500	0.135
Exercised	(35,000)	0.065	(35,000)	0.065
Forfeited	(3,300,000)	0.18	(1,700,000)	0.18
Expired	(300,000)	0.19	(300,000)	0.19
Vested during year	-	-	144,167	0.15
Balance at December 31, 2018	**12,430,000**	**0.16**	**6,422,917**	**0.18**
Granted	5,475,000	0.07	1,361,250	0.07
Forfeited	(4,321,666)	0.156	(3,016,250)	0.167
Expired	(573,334)	0.146	(573,334)	0.142
Vested during year	-	-	1,909,167	0.136
Balance at December 31, 2019	**13,010,000**	**0.124**	**6,103,750**	**0.147**

A summary of the Company's share options outstanding and exercisable at December 31, 2019 is as follows:

Exercise price ($)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	4.93	5,325,000	1,331,250
0.08	4.43	150,000	30,000
0.13	0.51	40,000	40,000
0.135	3.78	2,975,000	1,542,500
0.15	3.50	600,000	240,000
0.18	2.69	2,645,000	1,645,000
0.20	0.68	1,275,000	1,275,000
	3.71	**13,010,000**	**6,103,750**

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 2019 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 117-120%, risk free interest rates of 1.31%-1.57%, expected life of 5 years and no dividend yield. 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.

5,475,000 share options were granted during the year ended December 31, 2019. 1,361,250 share options vested on the date of grant, 2,236,250 share options will vest in 2020, 1,361,250 in 2021, 486,250 in 2022 and 30,000 in 2023.

6,350,000 share options were granted during the year ended December 31, 2018. 1,462,917 share options vested on the date of grant, 1,960,833 share options will vest in 2019, 1,396,250 in 2020 and 765,000 in each of 2021 and 2022.

The fair value of the options granted in 2019 was $266,625 (2018 - $398,500) and the Company recognized $275,047 in 2019 (2018 - $123,311) as stock based compensation expense.

(c) Warrants

In August 2018 10,000,000 warrants were issued as part of a non-brokered private placement. These warrants had a term of one year and were exercisable at $0.15 per share and expired unexercised in 2019. In November 2018 5,500,000 warrants were issued as part of a non-brokered private placement. These warrants have a term of eighteen months and are exercisable at $0.20 per share. All warrants issued in 2018 were valued at $nil as the full value of the proceeds have been allocated to share capital using the residual method.

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price ($)	Expiration date
November 15, 2018	5,500,000	0.20	May 15, 2020
	5,500,000		

* These warrants expired unexercised in May 2020.

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 December 31, 2019	**5,500,000**	**0.20**

See also note 28.

(d) Income (loss) per share

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Weighted average common shares – basic and diluted	168,257,538	128,641,238

(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)
Other 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	275,047	-	-	-	275,047
Other comprehensive income	-	-	-	94,993	94,993
Balance at December 31, 2019	**1,068,127**	**235,471**	**592,513**	**841,325**	**2,737,436**

17. Cost of sales

	Year ended	
	December 31, 2019 ($)	December 31, 2018 ($)
Materials and transportation	485,663	798,986
Produce purchases	2,977,917	1,135,774
Labour costs	-	56,054
Amortization	-	70,201
Plant overhead	28,166	60,170
	3,491,746	**2,121,185**

18. Selling, general and administration expenses

	Year ended	
	December 31, 2019 ($)	December 31, 2018 ($)
Administration and office	387,148	656,458
Professional fees	382,554	495,170
Overhead and operating	71,951	225,598
Bad debt expense	33,169	-
	874,822	**1,377,226**

19. Other loss

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Revaluation of advances to third-party producers and service providers	48,053	412,738
Revaluation of insurance claim receivable	317,031	-
Revaluation of packing material inventory	58,524	59,020
Revaluation (recovery) of GST and VAT	(37,695)	30,152
Loss on disposal of equipment	-	88,296
Refund of management fees	(90,195)	-
	295,718	**590,206**

20. Gain on settlement of debt

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Gain on shares for debt settlement (note 16(a))	-	142,970
Loss on shares for debt settlement (note 16(a))	(18,382)	-
Gain on settlement of accounts payable	6,000	437,262
Forgiveness of accrued interest on partial settlement of Omega loan (note 14)	15,066	-
	2,684	**580,232**

21. Loss on modification of convertible debt

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

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.

22. Related party transactions

(a) Directors and key management personnel compensation:

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Salaries, consulting and management fees	509,198	800,905
Short-term employee benefits	19,779	19,436
Stock based compensation	238,427	93,741
	767,404	**914,082**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2019 and 2018.

(b) Transactions with related parties:

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Management and administrative services from companies with common directors or officers	270,674	266,873
Product sales to a company with a common officer	257,472	-
	528,146	**266,873**

(c) Outstanding balances included in accounts payable:

	December 31, 2019 ($)	**December 31, 2018 ($)**
Salaries, consulting and management fees	503,237	309,182
Administration services	114,108	38,005
Expense reimbursements	76,473	58,975
Product purchases	2,753	-
Balance, end of year	**696,571**	**406,162**

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

	December 31, 2019 ($)	**December 31, 2018 ($)**
Sales of product	46,139	-
Balance, end of year	**46,139**	**-**

(e) Loans from directors and key management personnel:

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Balance, beginning of year	107,648	-
Loans received	394,737	107,648
Loans repaid	(160,107)	-
Foreign exchange	(4,474)	-
Balance, end of year	**337,804**	**107,648**

23. Supplemental cash flow information

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Changes in non-cash working capital		
Receivables	12,933	(259,683)
Inventories	(69,204)	4,553
Prepaid expenses	(148,912)	49,601
Accounts payable and accrued liabilities	94,269	819,610
	(110,914)	**614,081**

Non-cash investing and financing activities includes the following:

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Common stock issued:		
as part of Medicannabis acquisition	1,193,846	-
to settle loans payable	-	748,846
to settle convertible debentures	-	2,204,635
to settle accounts payable	141,930	-
Common stock cancelled:		
as part of the sale of Medicannabis	(1,193,846)	-
Common stock to be cancelled:		
as part of the sale of the processing plant in Guatemala	(440,494)	-
Loans settled:		
as part of the sale of the processing plant in Guatemala	428,782	-
as part of the sale of Medicannabis	600,000	-

24. Segmented information

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

		Year ended			
Customer	**Customer Location**	**December 31, 2019 ($)**	**%**	**December 31, 2018 ($)**	**%**
Customer A	Europe	2,210,459	60	-	-
Customer B	Europe	260,441	7	-	-
Customer C	Europe	192,386	5	-	-
Customer D	Europe	158,566	4	-	-
Customer E	Europe	131,374	4	-	-
Others	Europe	758,941	20	1,536,577	100
		3,712,167	**100**	**1,536,577**	**100**

Information by geographical areas is as follows:

	December 31, 2019 ($)	**December 31, 2018 ($)**
Non-current assets		
Canada	2,204,340	1,323,707
Netherlands	12,226	176,494
	2,216,566	1,500,201

25. Commitments

At December 31, 2019, the Company has the following commitments:

	Within 1 year ($)	**Between 1 and 5 years ($)**	**After 5 years ($)**	**Total ($)**
Management and administration fees	133,563	-	-	133,563
Bank loan	650,894	-	-	650,894
Loan payable to Omega S.A.	23,950	-	-	23,950
Short-term loans payable	1,097,024	-	-	1,097,024
	1,905,431	**-**	**-**	**1,905,431**

26. Financial risk and capital management

The Company’s financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at December 31, 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 Company’s primary exposure to credit risk is in its cash accounts and accounts receivable. Credit risk associated with accounts receivable is considered moderate.

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

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2019, the Company had a working capital deficiency of $4,027,352 (2018 - $2,199,028). Liquidity risk is assessed as high.

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

(c) Market risks – interest rate

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

Sensitivity analysis

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

As the Company's presentation currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Guatemalan Quetzal and Argentine Peso are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on the Company's profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net loss by approximately $222,000.

Capital management

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

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

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

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

Fair value

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

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

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

The fair value of the Company's financial instruments were determined based upon appropriate valuation methodologies as follows:

- the fair value of cash, receivables, accounts payable and loans payable approximates their carrying value due to the immediate or short-term maturity of these financial instruments; and
- the fair value of the Company's investment securities, which are not publicly traded, was estimated using the price of recent or in-progress funding involving financing from external investors.

27. Income taxes

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

	Year ended	
	December 31, 2019 ($)	**December 31, 2018 ($)**
Net income (loss) for the year	10,411	(5,502,180)
Statutory tax rate	27%	27%
Income taxes (recovery) computed at statutory rates	2,800	(1,485,600)
Foreign tax differences, rate changes, foreign exchange	57,900	260,900
Expiry of non-capital losses carried forward	150,500	197,000
Non-deductible items	(692,700)	303,500
Share issue costs and other	(24,600)	(21,300)
Change in valuation allowance of deferred taxes	506,100	745,500
Income tax (recovery) expense	-	-

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant component of unrecognized deferred income tax assets at December 31, 2019 and 2018 are as follows:

	December 31, 2019 ($)	**December 31, 2018 ($)**
Net operating losses carried forward	3,981,800	3,549,100
Share issue costs	43,200	52,500
Equipment and other	764,600	681,900
Total unrecognized deferred income tax assets	**4,789,600**	**4,283,500**

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

	($)
Canada - expires between 2029 and 2038	9,242,300
Netherlands - expires between 2022 and 2025	5,865,700
Argentina - expires between 2021 and 2024	299,300
Mexico - expires between 2028 and 2029	241,500
	15,648,800

28. Subsequent events

Secured interest-bearing loans

In February 2020, the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of $0.065 per share. Any shares issued upon the exercise of the warrants will be subject to a hold period of four months ending in June 2020. The value of these warrants was insignificant.

In April 2020 the Company entered into agreements to extend the secured, interest bearing loans of $419,100 as follows: $211,500 of the loans which were to mature in April 2020 and $72,600 of the loans which were to mature in June 2020 will now mature on October 3, 2020 and December 13, 2020 respectively. The remaining $135,000 of the loans which were to mature in April 2020 will now mature on July 3, 2020. No other changes were made to the terms of these loans.

In May 2020 the Company issued convertible promissory notes of $74,550 to settle $73,500 of the secured interest-bearing loans and $1,050 of associated accrued interest.

Unsecured interest- bearing loans

In April 2020 the Company entered into an agreement to extend the unsecured, interest bearing loans of $558,199 through March 15, 2021. In June 2020 the maturity date was further extended to October 1, 2021. These loans will now carry an annual interest rate of 12% and will be subject to monthly principal and interest payments in the amount of $12,500 commencing the first month following the completion of the Company's convertible note financing. These loans are subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company’s investment securities. The Company will also grant 1.5 million warrants to the lender for a period through October 1, 2021 with an exercise price of $0.065 per share.

Convertible note financing

In May 2020 the Company issued convertible promissory notes totalling $720,300. These convertible notes are for a period of two years, carry an annual interest rate of 10 % (payable annually), and will be convertible into common shares of Organto at a price of $0.05 per share for the first year and $0.10 per share for the second year. If, after four months from the date of issuance of the convertible notes, the volume-weighted average closing price of Organto's common shares as traded on the TSXV is equal to or greater than $0.15 for 10 consecutive trading days or more, Organto may, in its sole discretion, accelerate conversion of the convertible notes. There is no prepayment penalty. Any shares issued upon the conversion of the convertible notes will be subject to a hold period expiring in September 2020.

Organto paid a finder's fee of $22,330 in cash and issued 240,800 broker warrants in connection with these convertible notes. The broker warrants are for a term of two years with an exercise price of $0.10 per share.

$74,550 of these convertible notes were issued to settle $74,550 of the secured interest-bearing loans and associated accrued interest. $245,750 of these convertible notes were issued to settle $161,150 of unsecured non-interest-bearing loans and $84,600 of accounts payable.

Private placement

In May 2020 the Company issued 14,000,000 units for proceeds of $700,000. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder thereof to acquire one common share at a price per warrant share of $0.10 until May, 2022. If, at any time after four months from the date of issue, the closing price of Organto's common shares as traded on the TSXV is equal to or greater than $0.15 for 10 consecutive trading days or more, Organto may, in its sole discretion, accelerate conversion of the warrants. The 14,000,000 shares issued, as well as any shares issued upon the exercise of the warrants, are subject to a hold period expiring in September, 2020.

Global Coronavirus Pandemic

In early 2020, China began reporting on the spread of the coronavirus and since then million of cases of the disease have since been identified around the world, including regions that are important to the Company's business in terms of sales, product supply and other aspects of its supply chain. The Company has continued to operate during the outbreak, with operations personnel working remotely for a period of time. Essential food supply chains have been maintained in these difficult times, although not without their issues due to logistics and labor challenges, and the Company has continued to work with its supply partners and customers to bring product to market. As the coronavirus pandemic plays out around the world, the full impact on the Company's business from the is unknown at this time and difficult to predict. An extended pandemic outbreak or dramatic increase in actions taken by Governments to control transmission of the virus could cause the Company's key third party suppliers or the Company itself to temporarily close, which could lead to a shortage of raw materials and finished products. Also, if one or more of the Company's key customers were required to close for an extended period, the Company might not be able to ship products to them, and consumers may decrease their level of purchasing activity, which would also adversely impact the Company's net sales. Any of the foregoing events or other unforeseen consequences could materially adversely affect the Company's business, results of operations, financial condition and/or cash flows.