Organto Foods Inc.

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Canada

Management's Discussion and Analysis
(Unaudited)

For the six months ended
June 30, 2020

(Stated in Canadian Dollars)

Dated August 18, 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 six months ended June 30, 2020. This report should be read in conjunction with the Company's June 30, 2020 unaudited condensed interim consolidated financial statements and its December 31, 2019 audited annual consolidated financial statements 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 six months ended June 30, 2020.

This MD&A is dated August 18, 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 a cannabis business indirectly 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. 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 June 30, 2020:

	August 18, 2020	June 30, 2020
Common shares issued *	195,094,834	195,094,834
Share purchase options outstanding ($0.07-$0.20)	12,750,000	13,040,000
Warrants ($0.065-$0.20) **	18,898,014	17,398,014

* Included in issued common shares are 5,873,257 common shares which 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 June 2020 we announced an agreement with a service provider to convert $15,000 of amounts due into common shares of the Company at a price of $0.05 per share, subject to approval of the TSX-V.

In May and June,2020 the Company issued convertible promissory notes totalling $2,075,300. 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 periods expiring in September and October 2020. The Company paid finder's fees of $22,330 in cash and issued 223,300 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. $677,500 of these convertible notes were issued to settle the US$500,000 Mexican bank loan. $74,550 of these convertible notes were issued to settle $74,550 of the secured interest-bearing loans and associated accrued interest. $326,750 of these convertible notes were issued to settle $242,150 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 and 16,077,900 units for proceeds of $803,895 in June 2020. 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 and June 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 associated warrants, are subject to a hold period expiring in September 2020 while the 16,077,900 shares issued, as well as any shares issued upon the exercise of the associated warrants, are subject to a hold period expiring in October 2020. $60,000 of the June 2020 equity issued was to settle secured interest-bearing loans which were due July 3, 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, other than notes settled as part of the above referenced convertible note and equity financings. The remaining $135,000 of the loans which were to mature in April 2020 will now mature on July 3, 2020. Of this amount $75,000 was repaid and $60,000 was converted into equity units as detailed above. 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. 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 was 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 provided a guarantee for this revolving credit facility which was settled as part of the June 2020 convertible note financing.

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 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 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. During 2018, 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 the first quarter of 2020 we realized revenues of $1,609,820, 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 provided 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 has not had 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 Quarterly Information

	Q2 2020 ($)	Q1) 2020) ($))	Q4 2019 ($)	Q3 2019 ($)	Q2 2019 ($)	Q1 2019 ($)	Q4 2018 ($)	Q3 2018 ($)
Sales	2,163,955	1,609,820	1,583,616	1,935,094	62,458	130,999	1,068,275	444,259
Gross profit (loss)	232,504	160,477	69,627	173,660	8,265	(31,131)	(325,714)	11,421
Income (loss) from continuing operations	(355,724)	(643,698)	(944,223)	(438,378)	(556,381)	(608,116)	(1,899,030)	(849,837)
Income (loss) from discontinued operations	-	-	1,424,926	-	1,300,355	(167,772)	(235,557)	(14,284)
Net income (loss)	(355,724)	(643,698)	480,703	(438,378)	743,974	(775,888)	(2,134,587)	(864,121)
Income (loss) per share:								
Basic and diluted – continuing operations	(0.00)	(0.00)	(0.01)	(0.00)	0.00	(0.00)	(0.01)	(0.01)
Basic and diluted – discontinued operations	-	-	0.01	(0.00)	0.01	(0.00)	(0.00)	(0.00)
Comprehensive income (loss)	(522,152)	(676,488)	471,223	(374,325)	770,953	(762,447)	(2,045,515)	(904,250)

	Jun 30, 2020 ($)	Dec 31, 2019 ($)	Sep 30, 2019 ($)	Jun 30, 2019 ($)	Mar 31, 2019 ($)	Dec 31, 2018 ($)	Sep 30, 2018 ($)	Jun 30, 2018 ($)
Cash	1,577,017	54,565	78,904	48,444	53,025	189,020	33,249	189,454
Total assets	4,468,718	2,727,982	2,517,310	2,182,522	2,526,456	3,341,850	2,880,218	2,804,575
Total non-current financial liabilities	2,007,500	-	-	-	-	-	-	1,649,723

Review of Financial Results – Second Quarter

We realized a net loss of $355,724 during the second quarter, compared to a net income of $743,974 during the same period in the prior year. The income in the prior year was due to a one time gain the Company realized on the sale of its Colombian subsidiary. Excluding this gain, the Company would have realized a net loss of $556,381. The improved operating results in 2020 were primarily due to increased revenues, gross profit and the foreign exchange gains.

Product revenues for the three months ended June 30, 2020 were $2,163,955 as compared to $62,458 during the same period in the prior year, an increase of over 3,300% and are a quarterly revenue record for the Company. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, ginger, mango and others, continued to grow and were sold to a variety of customers throughout Europe.

We realized a quarterly gross profit of $232,504 or approximately 11% of revenues in the second quarter of 2020 which was also a quarterly record for the Company, as compared to a gross profit of $8,265 during the same quarter of the prior year. This is the third consecutive quarter of increased sales and gross profit.

Selling, general and administration expenses of $188,822 this quarter were lower than the $229,231 from the same quarter of the prior year with the largest decreases coming from reduced professional fees, amortization and maintenance costs.

Management fees in the current quarter were $158,441 an amount comparable to the last nine quarters.

Labour costs and benefits during the second quarter were $232,013, a significant increase versus the prior year but well within expectations given the increased volume of commercial activity. Labour costs decreased over the last two years as staffing levels were scaled back as the business was repositioned. With commercial activities now quickly ramping up, operating personnel are being added to support this growth.

We recognized $65,241 in stock-based compensation in the second quarter of 2020 compared to $67,526 in the same quarter of 2019. 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 second quarter of 2020 was based on fair values of $0.01 - $0.05 per share for the 1,030,000 options granted in the second quarter of 2020, $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 during the current quarter was $76,423 as compared to $31,862 for the same quarter of the prior year. Interest in the second quarters of 2020 and 2019 consisted primarily of interest on our bank loan, convertible debentures and interest bearing short-term loans, plus factoring costs. The addition of the convertible debentures, together with larger bank and short-term loans balances during the quarter combined with increased commercial activity, led to the higher expense in 2020. See "Liquidity and Capital Resources" for further information.

We recognized $26,896 in financing costs in the second quarter arising from our convertible debenture financing. Finders fees of $22,430 were the majority of these costs which also included $4,466 for the fair value of the 223,300 broker warrants that were issued. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

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 $156,853 this quarter as compared to a gain of $17,172 during the same quarter last year. Foreign exchange rates have experienced large fluctuations since March 2020 as part of the market turmoil caused by the global coronavirus pandemic, particularly the Canadian dollar and the Mexican peso versus the US dollar. Our bank loan was and certain of our short-term loans are denominated in US dollars which exposes us to currency fluctuations. We recognized a foreign exchange loss of 158,726 in the first quarter of 2020 and both the Canadian dollar and Mexican peso have since recovered resulting in a gain in the second quarter.

Review of Financial Results – Year to date

We realized a net loss of $999,422 during the six months ended June 30, 2020, compared to a net loss of $31,914 during the same period in the prior year. The small loss in the prior year was due to a one time gain the Company realized on the sale of its Colombian subsidiary. Excluding this gain, the Company would have realized a net loss of $1,164,497. The improved operating results in 2020 were primarily due to increased revenues and gross profit.

Product revenues for the six months ended June 30, 2020 were $3,773,775 as compared to $193,457 during the same period in the prior year, an increase of approximately 1,850%. We realized gross profit of $392,981 or approximately 10% of revenues in the first six months of 2020 as compared to a gross loss of $22,866 during the same period in the prior year. This is indicative of the solid progress made as the Company's operating model has been repositioned to an asset light business model and revenue streams and supply sources expanded in hand with a rationalized cost base.

Selling, general and administration expenses of $375,316 for the first six months of 2020 were lower than the $409,120 from the same quarter of the prior year with the largest decreases coming from professional fees, amortization and maintenance costs.

Management fees for the first six months of 2020 of $306,890 were similar to the $338,073 recorded in the same period of the prior year.

Year to date labour costs and benefits were $419,635 up from the $198,391 for the same period last year and within expectations given the increased volume of commercial activity in the Company. While higher than the previous year, labour costs decreased over the last two years as overall staffing levels were scaled back as the business was repositioned. With commercial activities now quickly ramping up, operating personnel are being added to support this growth.

We recognized $129,005 in stock-based compensation for the first six months of 2020 compared to $154,995 for the same period of 2019. 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 2020 was based on fair values of $0.01 - $0.05 per share for the 1,030,000 options granted in the second quarter of 2020, $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 for the six months ended June 30, 2020 was $141,364 as compared to $65,981 for the same period of the prior year. Interest is higher in 2020 due to an increased amount of interest bearing short term loans and the convertible debentures which were only issued in 2020. Interest on our bank loan is included in both 2020 and 2019. Included in interest is factoring costs which also increased as a result of our increased commercial activity in 2020. See "Liquidity and Capital Resources" for further information.

We recognized $26,896 in financing costs in the second quarter arising from our convertible debenture financing. Finders fees of $22,430 were the majority of these costs which also included $4,466 for the fair value of the 223,300 broker warrants that were issued. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. For the first six months of 2020 we realized a foreign exchange loss of $1,873 compared to a gain of $9,862 during the same period last year. Foreign exchange rates have experienced large fluctuations since March 2020 as part of the market turmoil caused by the global coronavirus pandemic, particularly the Canadian dollar and the Mexican peso versus the US dollar. Our bank loan was and certain of our short-term loans are denominated in US dollars which exposes us currency fluctuations. We recognized a foreign exchange loss of 158,726 in the first quarter of 2020 which was offset by the foreign exchange gain of $156,853 in the second quarter as both the Canadian dollar and Mexican peso recovered from their fall in the first quarter.

We realized other income of $8,576 for the six months ended June 30, 2020 as compared to $nil in the same period of 2019. The other income consists primarily of proceeds from the sale of an unused subsidiary in Europe.

During 2019 we realized a gain on settlement of debts of $15,067.

Liquidity and Capital Resources

At June 30, 2020, we had cash of $1,577,017 and a working capital deficiency of $1,515,353 compared to $54,565 and $4,027,352 respectively, at December 31, 2019.

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 were payable on the new expiry date. Commencing May 15, 2019 and each month thereafter, the Company made equal monthly payments of $8,632 consisting of principal and interest and were to 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 further extend the unsecured, interest bearing loans 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 are subject to monthly principal and interest payments in the amount of $12,500 in July 2020. 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. In August 2020, the Company granted 1.5 million warrants to the lender for a period through October 1, 2021 with an exercise price of $0.065 per share. One payment of $8,632 was made in the first quarter of 2020 and principal payments of $130,151 were made in the second quarter. Loan payments of $12,500 were made in each of July and August 2020.

During 2018 and 2019 the Company received $273,285 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. These loans have no fixed terms of repayment. During 2019 the Company repaid $94,085 of the interest free loans. In the first and second quarters of 2020 an additional $346,922 and $100,000 in cash was received of which $380,515 was repaid and in the second quarter of 2020, accounts payable of $72,603 was converted into a loan.

During 2019 the Company received $419,100 in short term loans from a number of parties including officers and directors. These loans 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. 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 April 2020 the Company entered into agreements to extend these loans 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 June 2020 the Company settled $60,000 of the loans which were to mature in July 2020 as part of the June 2020 private placement and 1,200,000 common shares and 600,000 warrants were issued. The $75,000 that was due July 3, 2020 was paid along with $11,826 of accrued interest.

In May and June,2020 the Company issued convertible promissory notes totalling $2,075,300. 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 periods expiring in September and October 2020.

Organto paid a finder's fee of $22,330 in cash and issued 223,300 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.

$677,500 of these convertible notes were issued to settle the US$500,000 Mexican bank loan. $74,550 of these convertible notes were issued to settle $73,500 of the secured interest-bearing loans and associated accrued interest. $326,750 of these convertible notes were issued to settle $242,150 of unsecured non-interest-bearing loans and $84,600 of accounts payable.

The Company issued 14,000,000 units for proceeds of $700,000 in May 2020 and 16,077,900 units for proceeds of $803,895 in June 2020. 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 and June 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 associated warrants, are subject to a hold period expiring in September 2020 while the 16,077,900 shares issued, as well as any shares issued upon the exercise of the associated warrants, are subject to a hold period expiring in October 2020.

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 was payable monthly at 12% on funds borrowed and we paid a one-time fee of US$5,000 to establish this facility. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. During the first quarter of 2020 we borrowed US$1,000,000 and repaid US$500,000 under this facility. In the second quarter of 2020 we settled the bank loan by issuing $677,500 of convertible debentures.

Cash used in operating activities for the first six months of 2020 was $718,715, all in continuing operations. Cash used in operating activities for the same period in 2019 was $540,995 of which $339,191 was used in continuing operations and $201,804 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.

At June 30, 2020, we had current liabilities of $3,763,178 (December 2018 - $4,538,768). Settlement of the bank loan and conversion of certain of the short-term loans into convertible debentures has reduced current liabilities this quarter. Offsetting this reduction was an increase in accounts payable due to increased commercial activity.

We are reliant upon equity and/or debt financings to fund operations until such time as revenues and gross profit 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 June 30, 2020 ($)
Cash	Fair value through profit or loss	Credit, currency and concentration	1,577,017
Accounts receivable	Amortized cost	Credit, currency and concentration	560,264
Loan receivable	Amortized cost	Credit and currency	72,926
Investment securities	Fair value through profit or loss	Other price	2,137,389
Accounts payable	Amortized cost	Currency	(2,985,629)
Loan due to Omega S.A.	Amortized cost	Currency	(25,099)
Short-term loans payable	Amortized cost	n/a	(752,450)
Convertible debentures	Fair value through profit or loss	n/a	(2,007,500)
			(1,423,082)

The fair value of our financial instruments including cash, accounts receivables, loan receivable, accounts payable, loan due to Omega and short-term 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. The fair value of our convertible debentures is based on the effective rate method with the residual balance allocated to the conversion component in equity.

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 June 30, 2020 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 June 30, 2020, we had a working capital deficiency of $1,515,353 (December 31, 2019 – $4,027,352). 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 $150,000.

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:

	Three months ended		**Six months ended**	
	June 30, 2020 ($)	**June 30, 2019 ($)**	**June 30, 2020 ($)**	**June 30, 2019 ($)**
Salaries, consulting and management fees	138,278	139,028	266,318	280,603
Short-term employee benefits	-	4,859	-	9,718
Stock based compensation	48,981	53,610	105,890	112,401
	187,259	**197,496**	**372,208**	**402,722**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the quarters ended June 30, 2020 and year ended December 31, 2019.

(b) Transactions with related parties:

	Three months ended June 30, 2020 ($)	Three months ended June 30, 2019 ($)	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Management and administrative services from companies with common directors or officers	130,546	31,560	256,621	129,537
Product sales to a company with a common officer	40,969	-	40,969	
	171,515	**31,560**	**297,590**	**129,537**

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

	June 30, 2020 ($)	December 31, 2019 ($)
Salaries, consulting and management fees	526,331	502,237
Administration services	132,023	114,108
Expense reimbursements	12,479	76,473
Product purchases	-	2,753
Balance, end of period	**670,833**	**696,571**

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

	June 30, 2020 ($)	December 31, 2019 ($)
Sales of product	65,219	46,139
Balance, end of period	**65,219**	**46,139**

(e) Loans from directors and key management personnel:

	($)
Balance at January 1, 2019	107,648
Loans received	394,737
Loans repaid	(160,107)
Foreign exchange	6,549
Balance at December 31, 2019	**348,827**
Loans received	346,922
Loans repaid	(280,515)
Loans settled with convertible debentures	(316,207)
Foreign exchange	25,413
Balance at June 30, 2020	**124,440**

Commitments

At June 30, 2020 the Company had entered into agreements with service providers which call for minimum payments as follows:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management fees	137,853	-	-	137,853
Administration fees	2,298	-	-	2,298
	140,151	**-**	**-**	**140,151**

OFF-BALANCE SHEET ARRANGEMENTS

During the six months ended June 30, 2020 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 $13.4 million in revenues and operating losses of approximately $22.2 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 a cannabis business indirectly 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 June 30, 2020 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, Chief Financial Officer Peter Gianulis, Executive Vice President, Corporate Development Ralf Langner, Interim Corporate Secretary
Auditor:	DMCL LLP 1500 – 1140 West Pender Street Vancouver, BC, V6E 4G1
Legal Counsel:	McMillan LLP Suite 1500 - 1055 West Georgia Street Vancouver, BC, V6E 4N7
Transfer Agent:	Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

Organto Foods Inc.

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

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Six Months Ended
June 30, 2020

(Stated in Canadian Dollars)

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three and six months ended June 30, 2020, which follow this notice, have not been reviewed by an auditor.

(Unaudited – expressed in Canadian Dollars)

	June 30, 2020 ($)	December 31, 2019 ($)
Assets		
Current assets		
Cash	1,577,017	54,565
Receivables (note 3)	560,264	202,923
Inventories (note 4)	34,062	78,401
Prepaid expenses (note 5)	76,482	175,527
	2,247,825	511,416
Non-current assets		
Property, plant and equipment (note 6)	10,578	12,226
Investment securities (note 7)	2,137,389	2,137,389
Loan receivable (note 8)	72,926	66,951
	4,468,718	**2,727,982**
Liabilities and Shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 17(c))	2,985,629	2,766,900
Bank loan (note 9)	-	650,894
Loan due to Omega S.A. (note 10)	25,099	23,950
Short-term loans payable (notes 11 and 17(e))	752,450	1,097,024
	3,763,178	4,538,768
Non-current liabilities		
Convertible debentures (note 12)	2,007,500	-
Total liabilities	**5,770,678**	**4,538,768**
Shareholders' deficit		
Share capital (note 13)	18,495,592	17,061,697
Shares to be (returned) (note 8)	(440,494)	(440,494)
Reserves (note 13(e))	2,811,789	2,737,436
Deficit	(22,168,847)	(21,169,425)
Total shareholders' deficit	**(1,301,960)**	**(1,810,786)**
	4,468,718	**2,727,982**

Nature of operations and going concern (note 1)
Commitments (note 20)
Subsequent events (note 21)

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

Organto Foods Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited – expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30, 2020 ($)	**June 30, 2019 ($)**	**June 30, 2020 ($)**	**June 30, 2019 ($)**
Sales (note 19)	2,163,955	62,458	3,773,775	193,457
Cost of sales (note 14)	1,931,451	54,193	3,380,794	216,323
Gross profit (loss)	232,504	8,265	392,981	(22,866)
Selling, general and administration expenses (note 15)	188,822	229,231	375,316	409,120
Management fees (note 17(a))	158,441	159,058	306,890	338,073
Labour costs and benefits	232,013	109,208	419,635	198,391
Stock-based compensation (note 13(b))	65,241	67,526	129,005	154,995
	(412,013)	(556,758)	(837,865)	(1,123,445)
Interest expense and accretion, net	(76,423)	(31,862)	(141,364)	(65,981)
Other income	2,755	-	8,576	-
Financing costs	(26,896)	-	(26,896)	-
Gain on settlement of debt	-	15,067	-	15,067
Foreign exchange gain (loss)	156,853	17,172	(1,873)	9,862
Loss from continuing operations	(355,724)	(556,381)	(999,422)	(1,164,497)
Gain from discontinued operations (note 16)	-	1,300,355	-	1,132,583
Net income (loss) for the period	(355,724)	743,974	(999,422)	(31,914)
Other comprehensive income (loss) for the period:				
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation	(166,428)	26,979	(199,218)	40,420
Comprehensive loss for the period	**(522,152)**	**770,953**	**(1,198,640)**	**8,506**
Loss per share (note 13(d))				
Basic and diluted – continuing operations	(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted – discontinued operations	-	0.01	-	0.01

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

(Unaudited – expressed in Canadian Dollars)

	Three months ended June 30, 2020 ($)	Three months ended June 30, 2019 ($)	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Operating activities				
Net loss for the period from continuing operations	(355,724)	(556,381)	(999,422)	(1,164,497)
Items not involving cash				
Amortization	1,121	14,503	2,223	29,034
Stock-based compensation	65,241	67,526	129,005	154,995
Interest expense and accretion	100,801	31,862	141,364	57,508
Warrants issued for financing costs	4,466	-	4,466	-
Gain on settlement of debt	-	(15,067)	-	(15,067)
Foreign currency translation	(166,400)	20,699	(125,641)	57,159
Cash used in operating activities before changes in non-cash working capital	(350,495)	(436,858)	(848,005)	(880,868)
Changes in non-cash working capital (note 18)	(368,220)	97,667	104,499	(87,593)
Cash used in operating activities from continuing operations	(718,715)	(339,191)	(743,506)	(968,461)
Cash used in discontinued operations	-	(201,804)	-	(369,576)
Cash used in operating activities	(718,715)	(540,995)	(743,506)	(1,338,037)
Investing activities				
Intangible assets	-	-	-	(1,520)
Cash used in investing activities	-	-	-	(1,520)
Financing activities				
Proceeds from shares issued in private placement	1,443,895	-	1,443,895	-
Proceeds from convertible debentures	996,500	-	996,500	-
Proceeds from bank loan	-	66,420	680,367	648,163
Repayments of bank loan	-	-	(1,357,867)	-
Proceeds from short term loans	100,000	618,280	449,920	618,280
Repayments of short term loans	(236,759)	(122,251)	(525,087)	(8,251)
Interest paid	(62,596)	(25,534)	(83,311)	(58,347)
Cash from financing activities	2,241,040	536,915	2,281,917	1,199,845
Effect of foreign exchange on cash	(20,202)	(501)	(15,959)	(864)
Increase (decrease) in cash	1,502,123	(4,581)	1,522,452	(140,576)
Cash, beginning of period	74,894	53,025	54,565	189,020
Cash, end of period	**1,577,017**	**48,444**	**1,577,017**	**48,444**

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

Organto Foods Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
For the Six Months Ended June 30, 2020 and 2019
(Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital ($)	Shares to be issued (cancelled) ($)	Reserves ($)	Deficit ($)	Total ($)
Balance at January 1, 2019	162,989,355	16,919,767	1,193,846	2,367,396	(21,179,836)	(698,827)
Stock-based compensation	-	-	-	154,995	-	154,995
Shares to be returned and cancelled	-	-	(1,634,340)	-	-	(1,634,340)
Shares issued on receipt of cultivation license	7,461,538	1,193,846	(1,193,846)	-	-	-
Comprehensive loss for the period	-	-	-	40,420	(31,914)	(8,506)
Balance at June 30, 2019	**170,450,893**	**18,113,613**	**(1,634,340)**	**2,562,811**	**(21,211,750)**	**(2,169,666)**
Balance at January 1, 2020	165,016,934	17,061,697	(440,494)	2,737,436	(21,169,425)	(1,810,786)
Shares issued in private placement	30,077,900	1,503,895	-	-	-	1,503,895
Warrants issued in private placement	-	(70,000)	-	70,000	-	-
Finders warrants issued (note 12)	-	-	-	4,466	-	4,466
Stock-based compensation	-	-	-	129,005	-	129,005
Conversion option of convertible debentures	-	-	-	70,100	-	70,100
Comprehensive loss for the period	-	-	-	(199,218)	(999,422)	(1,198,640)
Balance at June 30, 2020	**195,094,834**	**18,495,592**	**(440,494)**	**2,811,789**	**(22,168,847)**	**(1,301,960)**

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 fresh organic and 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 notes 7 and 16.

These condensed interim 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 June 30, 2020, the Company had a working capital deficiency of $1,515,353 (December 31, 2019 - $4,027,352) and an accumulated deficit of $22,168,847 (December 31, 2019 - $21,169,425). 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2019. Certain amounts in the prior period have been reclassified to conform to the presentation in the current period.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on August 18, 2020.

(Unaudited – expressed in Canadian Dollars)

3. Receivables

	June 30, 2020 ($)	December 31, 2019 ($)
Trade receivables	516,915	98,254
VAT recoverable	9,370	13,811
Insurance claims receivable	20,828	76,107
Other	13,151	14,751
	560,264	**202,923**

4. Inventories

	June 30 2020 ($)	December 31, 2019 ($)
Finished goods	34,062	78,401
	34,062	**78,401**

5. Prepaid expenses

	June 30, 2020 ($)	December 31, 2019 ($)
Advances to third-party producers	43,506	161,369
Prepaid insurance	24,667	5,833
Other advances and retainers	8,309	8,325
	76,482	**175,527**

(Unaudited – expressed in Canadian Dollars)

6. Property, plant and equipment

	Machinery & equipment ($)	Furniture and other ($)	Total ($)
Cost			
At January 1, 2019	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**
Foreign exchange	1,203	-	1,203
At June 30, 2020	**25,586**	**800**	**26,386**
Accumulated amortization			
At January 1, 2019	(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)**
Amortization for the period	(2,223)	-	(2,223)
Foreign exchange	(629)	-	(629)
At June 30, 2020	**(15,008)**	**(800)**	**(15,808)**
Net book value			
At December 31, 2019	**12,226**	**-**	**12,226**
At June 30, 2020	**10,578**	**-**	**10,578**

7. Investment securities

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 Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis, 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 in November 2018 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 was 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 Organto can begin profitably distributing Xebra products in Europe.

As they are not publicly traded, fair value of the Xebra shares is estimated at $0.30 per share, this being the price of the most recent funding involving financing from external investors.

(Unaudited – expressed in Canadian Dollars)

8. Loan receivable

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

Under the terms of the agreement, Omega acquired the assets on an as-is basis for consideration of $935,450. Consideration was paid through the discharge of certain loans (see note 10) from Omega and related parties to Organto in the amount of $428,782 (US$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of $77,185 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. 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 receivable is being accreted to face value over the 2 year term.

A continuity of the balance is shown below:

	($)
Balance at January 1, 2019	-
Loan issued	66,174
Accretion	3,843
Foreign exchange	(3,066)
Balance at December 31, 2019	**66,951**
Accretion	2,770
Foreign exchange	3,205
Balance at June 30, 2020	**72,926**

9. Bank loan

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US$500,000. Interest was payable monthly at 12% on any funds borrowed. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. In June 2020 the bank loan of US$500,000 was settled by issuing $677,500 of convertible debentures to the bank. See note 12.

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**
Proceeds	680,367
Payments	(680,367)
Convertible debenture issued to settle amount outstanding	(677,500)
Foreign exchange	26,606
Balance at June 30, 2020	**-**

Accrued interest on this loan was recorded in accrued liabilities.

10. 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 (see note 8). 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 balance is shown below:

	($)
Balance at January 1, 2019	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**
Foreign exchange	1,149
Balance at June 30, 2020	**25,099**

11. Short-term loans payable

Unsecured interest- bearing loans

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 unsecured, interest bearing bridge loans for one year. In April 2020 the Company entered into a new agreement to extend these loans through March 15, 2021 and 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 July 2020. These loans are also 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. As part of this extension, the Company will issue 1.5 million warrants to the lender for a period through October 1, 2021 with an exercise price of $0.065 per share. Accrued interest of $17,846 (December 31, 2019 - $1,958) is recorded in accrued liabilities.

Unsecured interest free loans

During 2019 the Company received $165,638 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. These loans have no fixed terms of repayment. During 2019 the Company repaid $94,085 of the interest free loans. In the first and second quarters of 2020 an additional $346,922 and

(Unaudited – expressed in Canadian Dollars)

$100,000 in cash was received of which $380,515 was repaid. Accounts payable of $72,603 was converted into a loan in the second quarter.

Secured interest-bearing loans

During 2019 the Company received $419,100 in short term loans from a number of parties including officers and directors. These loans 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. 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 April 2020 the Company entered into agreements to extend these loans 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 these loans which were to mature in October 2020 and $1,050 of associated accrued interest. In June 2020 the Company settled $60,000 of these loans which were to mature in July 2020 as part of the June 2020 private placement and 1,200,000 common shares and 600,000 warrants were issued. Accrued interest of $32,708 (December 31, 2019 - $10,064) is recorded in accrued liabilities.

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

Maturity date	Interest rate	June 30, 2020 ($)	December 31, 2019 ($)
Secured, interest bearing loans			
July 3, 2020	12%	75,000	196,500
October 3, 2020	12%	138,000	95,000
December 13, 2020	12%	72,600	72,600
		285,600	419,100
Unsecured, interest bearing loans			
October 1, 2021	12%	425,407	558,199
Unsecured, non-interest bearing loans			
No fixed maturity date	0%	41,443	119,725
Total short-term loans payable		**752,450**	**1,097,024**

(Unaudited – expressed in Canadian Dollars)

A continuity of the balances is shown below:

	($)
Balance at December 31, 2018	926,387
New loans	1,129,737
Loans settled	(171,338)
Principal repaid	(183,288)
Loans forgiven (note 6)	(600,000)
Foreign exchange	(4,474)
Balance at December 31, 2019	**1,097,024**
New loans	446,922
Principal repaid	(522,113)
To settle accounts payable	72,603
Convertible debenture issued	(316,207)
Common shares issued	(60,000)
Foreign exchange	34,221
Balance at June 30, 2020	**752,450**

12. Convertible debentures

In May and June 2020 the Company completed a private placement of convertible debentures ("the Debentures") with a total face value of $2,075,300. The Debentures are unsecured, have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. The Debentures are convertible into shares of Organto at $0.05 per share in the first 12 months and $0.10 thereafter. Interest is not convertible. The Holder may convert all or part of the Debentures at any time. If, at any time after 4 months from the date of issuance, the closing price of the Company's shares exceeds the conversion price by $0.05 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company initially recorded $2,005,200 as the fair value of the debt component of the Debentures, with the residual amount of $70,100 allocated to the equity component of the Debentures. The debt component of the Debentures is being accreted to the face value of the loan over the two year term.

Certain of the convertible debentures were issued to settle the Company's bank loan, accounts payable and short-term loans payable and accrued interest. A total of $26,896 in finders fees is recorded in financing costs, of which $22,430 was paid in cash. The finders were also issued 223,300 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.10 for a period of two years. These finders warrants have a total fair value of $4,466 which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

Accrued interest of $15,332 is recorded in accrued liabilities.

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Convertible debentures at June 30, 2020 are comprised of:

	($)
Convertible debentures issued for:	
Cash	996,500
To settle bank loan	677,500
To settle accounts payable	84,600
To settle short term loans	315,650
To settle accrued interest	1,050
Allocated to equity component	(70,100)
Accretion	2,300
Balance at June 30, 2020	**2,007,500**

13. Share capital

(a) Common shares

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

At June 30, 2020 the Company had 195,094,834 (December 31, 2019 – 165,016,934) common shares issued and 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 (see note 8).

In May 2020 the Company initiated a non-brokered private placement of 30,077,900 units. Each unit consisted of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.10 for a period of two years. 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 expiry of the warrants to the earlier of: (i) the 30th day after the date on which such notice is given; and the original expiry date of the warrants.

In May 2020 the Company closed the first tranche of its non-brokered private placement and issued 14,000,000 units for gross proceeds of $700,000. The Company applied the residual method to account for the issuance of the warrants and recorded $70,000 in reserves (note 13 (e)).

In June 2020 the Company closed the second and final tranche of its non-brokered private placement and issued 16,077,900 units for gross proceeds of $803,895 of which 1,200,000 units were issued to settle short term loans of $60,000. The Company applied the residual method to account for the issuance of the warrants and recorded $nil in reserves as the full value of the proceeds have been allocated to share capital.

(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.

1,030,000 share options were granted during the quarter ended June 30, 2020 of which 400,000 have an exercise price of $0.07 and a term of five years, 400,000 have an exercise price of $0.10 and a term of one year, and 130,000 have an exercise price of $0.10 and a term of five years. The 400,000 options with an exercise price of $0.10 vest 25% every 3 months and the other options vest 20% immediately and then 20% annually thereafter.

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1,000,000 unvested share options with an exercise price of $0.18 and an expiry date in October 2022 were forfeited during the quarter ended June 30, 2020.

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, 2019	12,430,000	0.16	6,422,917	0.18
Granted	5,475,000	0.07	1,361,250	0.07
Forfeited	(4,555,000)	0.156	(3,016,250)	0.167
Expired	(340,000)	0.146	(573,334)	0.142
Vested	-	-	1,909,167	0.136
Balance at December 31, 2019	**13,010,000**	**0.124**	**6,103,750**	**0.147**
Granted	1,030,000		126,000	0.081
Vested	-		1,212,500	0.088
Forfeited	(1,000,000)	0.18	-	-
Balance at June 30, 2020	**13,040,000**	**0.117**	**7,442,250**	**0.136**

A summary of the Company's share options outstanding and exercisable at June 30, 2020 is as follows:

Exercise price ($)	**Average years to expiry**	**Number of options outstanding**	**Number of options exercisable**
0.07	4.46	5,725,000	2,286,250
0.08	3.93	150,000	60,000
0.10	2.32	630,000	46,000
0.13	0.01	40,000	40,000
0.135	3.28	2,975,000	1,730,000
0.15	3.00	600,000	360,000
0.18	2.14	1,645,000	1,645,000
0.20	0.18	1,275,000	1,275,000
	3.29	**13,040,000**	**7,442,250**

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 2020 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 123%, risk free interest rates of 0.35%-0.52%, expected life of 5 years and no dividend yield. 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.

(Unaudited – expressed in Canadian Dollars)

The Company recognized $65,241 in the three months ended June 30, 2020 (2019 - $67,526) and $129,005 in the six months ended June 30, 2020 (2019 - $154,995) as stock-based compensation expense.

(c) Warrants

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 (note 12). The fair value of these warrants was insignificant.

In May 2020, the Company issued 223,300 warrants in connection with the convertible debentures issued in May 2020. These warrants are exercisable for a period of two years at an exercise price of $0.10 per share. The fair value of these warrants of $4,466 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

In May 20200 the Company issued 7,000,000 warrants in connection with the first tranche of the non-brokered private placement of shares completed in May 2020 (note 13 (a)). These warrants are exercisable for a period of two years at an exercise price of $0.10 per share and are subject to an accelerated expiry provision. The Company applied the residual method to account for the issuance of the warrants and recorded their fair value of $70,000 in reserves (note 13 (e)).

In June 20200 the Company issued 8,038,950 warrants in connection with the second and final tranche of the non-brokered private placement of shares completed in June 2020 (note 13 (a)). These warrants are exercisable for a period of two years at an exercise price of $0.10 per share and are subject to an accelerated expiry provision. The Company applied the residual method to account for the issuance of the warrants and calculated their fair value of $nil.

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price ($)	Expiration date
February 2020	2,135,764	0.065	February 2021
May 2020	223,300	0.10	May 2022
May 2020 *	7,000,000	0.10	May 2022
June 2020 *	8,038,950	0.10	June 2022
	17,398,014	**0.096**	

* 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 expiry of the warrants to the earlier of: (i) the 30th day after the date on which such notice is given; and the original expiry date of the warrants.

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

	Number of warrants	Weighted average exercise price ($)
Balance at January 1, 2019	51,590,378	0.17
Expired	(46,090,378)	0.16
Balance at December 31, 2019	**5,500,000**	**0.20**
Issued	17,398,014	0.096
Expired	(5,500,000)	0.20
Balance at June 30, 2020	**17,398,014**	**0.096**

(Unaudited – expressed in Canadian Dollars)

(d) Loss per share

	Three months ended June 30, 2020 (#)	Three months ended June 30, 2019 (#)	Six months ended June 30, 2020 (#)	Six months ended June 30, 2019 (#)
Weighted average common shares – basic and diluted	173,537,212	169,794,934	172,512,122	168,251,983

(e) Reserves

	Options ($)	Warrants ($)	Other reserves ($)	Cumulative translation ($)	Total ($)
Balance, January 1, 2019	793,080	235,471	592,513	746,332	2,367,396
Stock-based compensation	275,047	-	-	-	275,047
Accumulated comprehensive income	-	-	-	94,993	94,993
Balance at December 31, 2019	**1,068,127**	**235,471**	**592,513**	**841,325**	**2,737,436**
Stock-based compensation	129,005	-	-	-	129,005
Fair value of warrants issued	-	74,466	-	-	74,466
Conversion option of convertible debentures	-	-	70,100	-	70,100
Accumulated comprehensive income	-	-	-	(199,218)	(199,218)
Balance at June 30, 2020	**1,197,132**	**309,937**	**662,613**	**642,107**	**2,811,789**

14. Cost of sales

	Three months ended June 30, 2020 ($)	Three months ended June 30, 2019 ($)	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Produce purchases	1,754,785	28,343	3,000,803	99,406
Materials and transportation	96,438	18,690	268,643	104,587
Other	80,228	7,160	111,348	12,330
	1,931,451	**54,193**	**3,380,794**	**216,323**

15. Selling, general and administration expenses

	Three months ended June 30, 2020 ($)	Three months ended June 30, 2019 ($)	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Administration and office	133,949	103,086	254,329	199,980
Professional fees	53,752	105,913	118,764	168.780
Overhead and operating	1,121	20232	2,223	40,360
	188,822	**229,231**	**375,316**	**409,120**

(Unaudited – expressed in Canadian Dollars)

16. Gain from discontinued operations

The Company sold its shares of Medicannabis in June 2019 (see note 7). The gain from discontinued operations was calculated as:

	Three months ended		Six months ended	
	June 30, 2020 ($)	June 30, 2019 ($)	June 30, 2020 ($)	June 30, 2019 ($)
Xebra shares (7,124,630 shares at $0.30 per share)	-	712,463	-	712,463
Cash	-	321,077	-	321,077
Promissory notes forgiven	-	600,000	-	600,000
Organto shares to be cancelled	-	1,193,846	-	1,193,846
Total proceeds	-	2,827,386	-	2,827,386
Intangible assets sold	-	(1,325,227)	-	(1,325,227)
Gain on sale of subsidiary	-	1,502,159	-	1,502,159
Operating costs:				
Administration and office	-	(30,435)	-	(46,411)
Professional fees	-	(114,577)	-	(242,097)
Overhead and operating	-	(41,948)	-	(53,324)
Labour costs and benefits	-	(14,844)	-	(27,744)
	-	**1,300,355**	**-**	**1,132,583**

17. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended		Six months ended	
	June 30, 2020 ($)	June 30, 2019 ($)	June 30, 2020 ($)	June 30, 2019 ($)
Salaries, consulting and management fees	138,278	139,028	266,318	280,603
Short-term employee benefits	-	4,859	-	9,718
Stock based compensation	48,981	53,610	105,890	112,401
	187,259	**197,496**	**372,208**	**402,722**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended June 30, 2020 and 2019.

(b) Transactions with related parties:

	Three months ended		Six months ended	
	June 30, 2020 ($)	June 30, 2019 ($)	June 30, 2020 ($)	June 30, 2019 ($)
Management and administrative services from companies with common directors or officers	130,546	31,560	256,621	129,537
Product sales to a company with a common officer	40,969	-	40,969	
	171,515	**31,560**	**297,590**	**129,537**

(Unaudited – expressed in Canadian Dollars)

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

	June 30, 2020 ($)	December 31, 2019 ($)
Salaries, consulting and management fees	526,331	502,237
Administration services	132,023	114,108
Expense reimbursements	12,479	76,473
Product purchases	-	2,753
Balance, end of period	**670,833**	**696,571**

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

	June 30, 2020 ($)	December 31, 2019 ($)
Sales of product	65,219	46,139
Balance, end of period	**65,219**	**46,139**

(e) Loans from directors and key management personnel:

	($)
Balance at January 1, 2019	107,648
Loans received	394,737
Loans repaid	(160,107)
Foreign exchange	6,549
Balance at December 31, 2019	**348,827**
Loans received	346,922
Loans repaid	(280,515)
Loans settled with convertible debentures	(316,207)
Foreign exchange	25,413
Balance at June 30, 2020	**124,440**

18. Supplemental cash flow information

	Three months ended		**Six months ended**	
	June 30, 2020 ($)	**June 30, 2019 ($)**	**June 30, 2020 ($)**	**June 30, 2019 ($)**
Changes in non-cash working capital				
Receivables	(246,560)	39,844	(357,341)	(151,171)
Inventories	(34,062)	(17,634)	44,339	(9,329)
Prepaid expenses	18,553	8,669	99,045	(18,566)
Accounts payable and accrued liabilities	(106,151)	66,788	318,456	91,473
	(368,220)	**97,667**	**104,499**	**(87,593)**

(Unaudited – expressed in Canadian Dollars)

Non-cash investing and financing activities includes the following:

	Three months ended June 30, 2020 ($)	Three months ended June 30, 2019 ($)	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Common shares issued:				
to settle short-term loans payable	60,000	-	60,000	-
Convertible debentures issued:				
to settle bank loan	677,500	-	677,500	-
to settle short-term loans payable	315,650	-	315,650	-
to settle accrued interest	1,050	-	1,050	-
to settle accounts payable	84,600	-	84,600	-
Accounts payable settled with short term loans	72,603	-	72,603	-

19. Segmented information

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

Customer	Customer Location	Three months ended June 30, 2020 ($)	%	Three months ended June 30, 2019 ($)	%	Six months ended June 30, 2020 ($)	%	Six months ended June 30, 2019 ($)	%
Customer A	Europe	364,691	17	-	-	386,706	10	-	-
Customer B	Europe	308,022	14	10,398	17	807,401	21	10,398	5
Customer C	Europe	179,952	8	-	-	179,952	5	-	-
Customer D	Europe	125,454	6	-	-	125,454	3	-	-
Others	Europe	1,185,836	55	52,060	83	570,053	61	183,059	95
		2,163,955	**100**	**62,458**	**100**	**3,773,775**	**100**	**193,457**	**100**

Information by geographical areas is as follows:

	June 30, 2020 ($)	December 31, 2019 ($)
Non-current assets		
Canada	2,210,315	2,204,340
Netherlands	10,578	12,226
	2,220,893	**2,216,566**

(Unaudited – expressed in Canadian Dollars)

20. Commitments

At June 30, 2020 the Company had entered into agreements with service providers which call for minimum payments as follows:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management fees	137,853	-	-	137,853
Administration fees	2,298	-	-	2,298
	140,151	**-**	**-**	**140,151**

21. Subsequent events

Stock options

In July 2020 the Company granted 750,000 options to employees with an exercise price of $0.10 per share and a term of five years. These options vest 20% immediately and then 20% annually thereafter.

Warrants

In August 2020 the Company issued 1,500,000 warrants to the lender of the unsecured, interest-bearing loans originally made in 2018. These warrants have an exercise price of $0.065 per share and expire in October 2021 and are subject to the early expiry provisions required by TSX Venture Exchange policies.

Shares for debt

In July 2020 the Company entered into an agreement to settle €45,000 of fees owed to a service provider by issuing 690,795 common shares subject to acceptance by the TSX Venture Exchange.

Global Coronavirus Pandemic

In early 2020 the onset of the coronavirus pandemic began impacting global economies. 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. 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 this is unknown at this time and difficult to predict. An extended pandemic outbreak including the potential of a second wave in many countries already impacted, 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.