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# **ORGANTO FOODS INC.**

## **ANNUAL INFORMATION FORM**

**FOR THE FINANCIAL YEAR ENDED  
DECEMBER 31, 2020**

**April 29, 2021**



**ORGANTO FOODS INC.**

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## INTRODUCTORY NOTES

### Cautionary Note Regarding Forward-Looking Statements

This annual information form (“AIF”) contains “forward-looking information”, as defined by law including without limitation Canadian securities laws and the “safe harbor” provisions of the US Private Securities Litigation Reform Act of 1995 (“forward-looking statements”). Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “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”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on reasonable assumptions that have been made by Organto Foods Inc. as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Organto Foods Inc. to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the impact of general business and economic conditions; dependence on suppliers, partners and contractual counter-parties; cost increases; changes in the business or prospects of Organto; unforeseen circumstances; risks associated with the organic produce business generally, including inclement weather, unfavorable growing conditions, low crop yields, variations in crop quality, spoilage, import and export laws and similar risks; transportation costs and risks; general business and economic conditions; stock market volatility; competition; as well as those factors discussed in the section entitled “Description of the Business – Risk Factors” in this AIF.

Although Organto Foods Inc. has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Organto Foods Inc. does not undertake to update any forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws.

### Currency

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

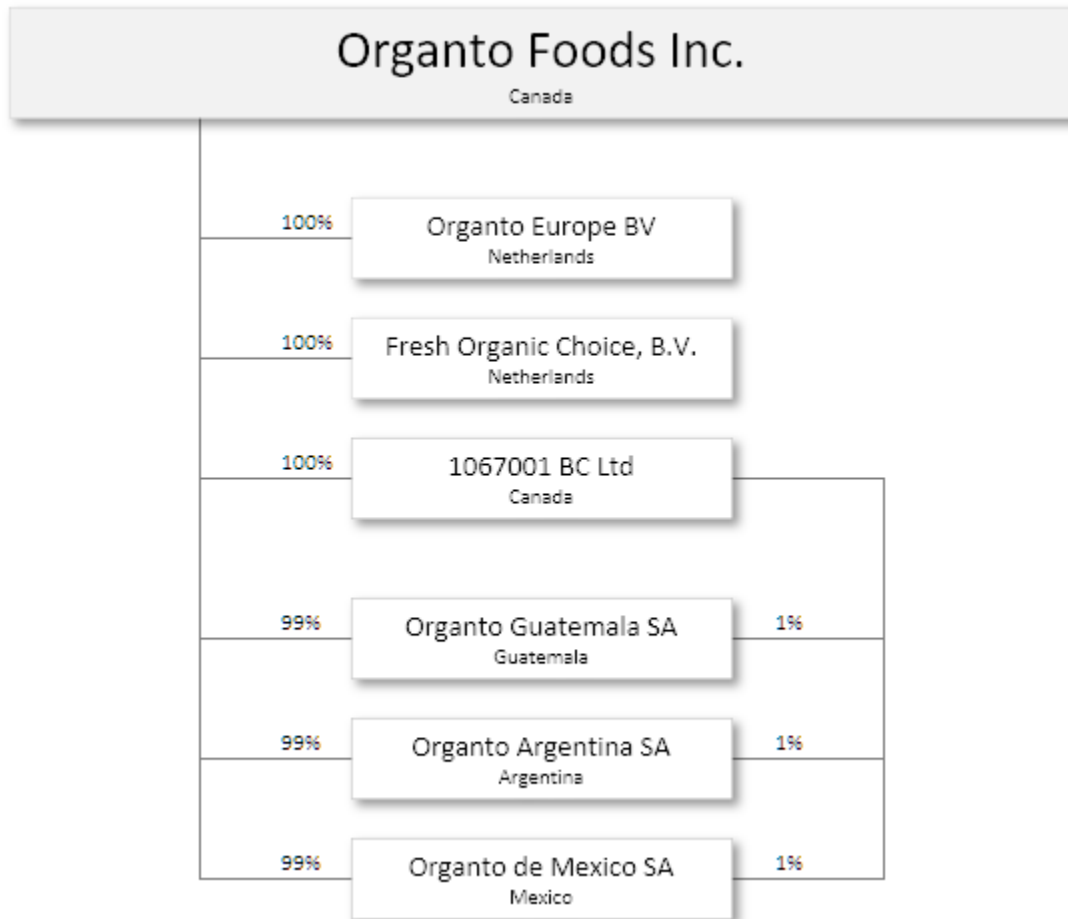
Organto Foods Inc. (“**Organto**” or “the **Company**”) is engaged in the sourcing, processing, packaging, distribution and marketing of organic fresh organic value-added vegetable and fruit products. The Company’s common shares are listed for trading on the TSX Venture Exchange (“**TSXV**”) and are traded under the stock symbol “OGO”.

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

Organto’s head office is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9. 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. Organto’s registered and records office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

## Intercorporate Relationships

The following chart describes the intercorporate relationships amongst Organto’s subsidiaries and the percentage of voting securities held by Organto, either directly or indirectly and the jurisdiction of incorporation, formation, continuation or organization of each subsidiary:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### *Introduction*

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

On November 30, 2015, Agricola completed a reverse takeover (the “**RTO**”) of Columbus Exploration and 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**”).

Organto initially operated its own growing operations in both Guatemala and Argentina, processing operations in Guatemala and packaging operations in the Netherlands, but exited these operations in order to focus on working with strategic third-party growers and service providers in Latin America, Africa, Europe and other growing regions. Initially Organto's product offering was limited to a single revenue stream of high-value branded organic vegetables with a focus on selling into European markets..

Throughout 2018 and into 2019, Organto repositioned its organic foods platform shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model. To do so, it sold its processing facilities in Guatemala and closed its packaging operations in the Netherlands, and moved to strategic sourcing arrangements with growers in Europe, North and South America and Africa and entered into third party processing and packaging arrangements with globally positioned strategic partners. This allowed the Company to streamline its cost base and expand its product offering from only a limited selection of high-value organic vegetables to include other value-added organic fruits and vegetables in bulk, private label and branded formats. Organto offers branded products under the "I AM Organic" trademark and also under the Fresh Organic Choice brand. Organto continues to pursue new strategic supply sources around the globe in order to secure year-round supply of its core product offerings and also add new complimentary products to its existing portfolio. The expanded product portfolio is currently being sold in European markets.

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. This momentum continued in 2020 with new quarterly revenue records realized in each subsequent quarter and achieving an annualized revenue run rate exiting the fourth quarter of approximately \$25 million.

In November 2018 Organto purchased 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. Following an assessment of its strategic focus, together with market opportunities in organic fruits and vegetables, Organto made the decision to divest of its cannabis assets. In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. for a combination of shares of Xebra, cash and forgiveness of debt. 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.

### ***Fiscal Year ended December 31, 2018***

Organto's growing operations in Guatemala wound down in the latter part of 2017 and ceased completely in 2018. While limited growing operations continued for one more year in Argentina, Organto began the transition to an asset light, multi-stream business model and began developing its "I AM Organic" brand and year-round supply capabilities for many of its products. Together with a focus on branded products, work also began with retail partners to provide value-added private label and bulk distributed offerings, with the objective of maximizing efficiencies while creating demand for Organto's offerings. Products were initially rolled out to specific European customers with plans to supply the North American market in the near future.

Organto's financial results for 2018 did not meet expectations, due primarily to supply chain challenges which hampered sales and the necessity to incur costs in order to build-out organizational capabilities to meet anticipated business demand. Retailers did show solid interest and willingness to list the brand, but supply challenges limited Organto's ability to service these accounts. Having exited its own growing

operations, Organto's strategic third-party suppliers struggled in their first year of supply to consistently produce volumes required at acceptable quality levels. These supply challenges were addressed by further diversifying its grower base and by expanding into growing regions with low-cost labor, existing infrastructure, logistics economics and routes to designated markets. Overheads were also reduced throughout the organization, shifting from a fixed cost base structure to a combination of fixed and variable resources, intended to reduce the overhead burden as the business grew.

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 increased as the market developed. The Company continued to expand supply sources to develop year-round market supply capabilities and additional supply from Italy and Argentina was added.

Organic blueberries were Organto's largest selling product in 2018 and represented the Company's first sales of organic soft fruit, a key step in the expansion of its year-round value-added organic fruits and vegetables product offering.

Sales of organic avocados began in October 2018 after the establishment of our Mexican subsidiary. Initial shipments were from Mexico to customers in Germany and the Netherlands and were almost fully sold in advance of shipping, indicative of the strong demand for organic avocado. Even so, while its global avocado program performed well, Organto's avocado program from Mexico did not perform well and Organto experienced quality issues due to shipping problems in late 2018 and early 2019.

In October 2018 sales began 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.

In November 2018 entered into an agreement to acquire Medicannabis SAS, a privately held Colombian medicinal cannabis company that was a late-stage applicant for licenses to enable it to cultivate and process cannabis in Colombia. The acquisition of Medicannabis was done as a logical and complementary extension to Organto's organic vegetables and fruits business. Legalization of cannabis was trending globally and presented significant opportunities, particularly in Latin America with its unique opportunity to establish low-cost natural growing operations.

The cost to acquire Medicannabis was 7,000,000 common shares of Organto and the assumption of \$25,000 of existing Medicannabis debt. Approval to issue the shares was received in April 2019. In addition, the Company issued 461,538 common shares as a finder's fee in accordance with the policies of the TSX Venture Exchange. A value of \$1,194,000 was initially attributed to the shares issued and this amount was included in licenses on our balance sheet. These shares were subject to contractual release limitations over a three-year period.

Private placements to raise \$2,000,000 were completed in 2018 and \$926,000 was raised from short-term loans, with all proceeds used to fund operations. Organto strengthened its balance sheet by entering into agreements in 2018 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.

### ***Fiscal Year ended December 31, 2019***

Organto's strategy continued to evolve and Organto repositioned its organic foods platform, shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model.

Organto exited its packaging operations in the Netherlands in September 2018 and sold its growing operations and processing facilities in Guatemala in March 2019, all in favor of strategic sourcing arrangements with grower partners in Peru, Argentina, Mexico, Morocco, Colombia, Italy, Zimbabwe and others. Packaging arrangements were made for third party processing with globally positioned strategic partners. Organto streamlined its cost base and expanded its 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. In addition, Organto continued to develop new strategic supply sources around the globe in order to ensure year-round supply of its core products and also to add new complimentary products to its 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.

In September 2019 Organto began shipments of avocados out of Colombia for commercial distribution in European markets with shipments running for the duration of the Colombian season which ended in February 2020.

Sales of organic blueberries out of Argentina for sale in European markets began in September 2019 and continued through the end of 2019, although at lower volumes than the prior year due to market conditions.

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 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. Organto received cash proceeds of \$321,000 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 was also granted a right of first refusal (“**ROFR**”) to distribute Xebra's cannabis products throughout Europe. No value was attributed to the ROFR given the uncertainty of when or if the Company can begin profitably distributing Xebra products in Europe. In December 2019 Organto completed the necessary documentation and concluded the sale. With the sale of the cannabis assets, Organto no longer has a cannabis operating division.

Organto's net income in 2019 consisted of a loss from continuing operations of \$2,547,000 which was offset by income from discontinued operations of \$2,558,000. Medicannabis was sold on June 27, 2019 and the gain realized from its sale as well as its operating results were reported as discontinued operations.

Revenues for the year ended December 31, 2019 were \$3,712,000 versus prior year revenues of \$1,537,000, an increase of approximately 142%. During the same period, Organto realized a gross profit of \$220,000 as compared to a gross loss of \$585,000 during the same period last year. These results were indicative of the progress made in repositioning Organto's business from an asset-heavy to asset-light business model. While revenues for the first half of 2019 grew versus the first half of 2018, they were well-below expectation primarily due to the aforementioned business repositioning, and also to quality and supply



challenges experienced with the organic avocado program. This led to limited avocado revenues in these quarters while the Company worked to re-establish supply. Other product revenues were also impacted as company resources were diverted to deal with the avocado program issues and due to lower demand on certain products as a result of local seasonal supply being available in key markets. In the third and fourth quarters of 2019, with an expanded line up of products and streamlined organization structure, Organto realized record revenues and a significant improvement in its gross profits.

Under the terms of the Medicannabis sales agreement, Organto, together with the former shareholders and certain advisers of Medicannabis received a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis and these shares were cancelled. Xebra began financing efforts in the fourth quarter of 2019 and closed numerous tranches of a \$0.30 financing between November 2019 and early 2020. As a result, Organto estimated the fair value of the Xebra shares at CDN\$0.30 per share at December 31, 2019.

In addition to the 7,124,630 Xebra shares, Organto received cash proceeds of \$321,000 from Xebra in 2019 and promissory notes of \$600,000 due by Organto to Xebra were forgiven and Xebra assumed all outstanding debts and obligations of Medicannabis.

During 2019 the Company received \$585,000 in short term loans from a number of parties including officers and directors. Of these loans, \$419,000 were secured by a portion of the Company's investment securities and had an interest rate 12% for a term of six months. The other loans are interest free, unsecured and have no fixed terms of repayment. During 2019 the Company repaid \$94,000 of the interest free loans.

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 totaling \$486,000 in exchange for cash proceeds of \$397,000 and for Xebra making payments of \$13,000 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 the directors noted above and \$21,000 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 Organto 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 a one-time fee of US\$5,000 was paid to establish this facility. During 2019 Organto borrowed US\$1,000,000 and repaid US\$500,000 under this facility.

Cash used in operating activities for the year ended December 31, 2019 was \$1,881,000 of which \$1,511,000 was used in continuing operations and \$370,000 was used in discontinued operations. Cash used in operations consisted of cash used to fund the loss for the period and the impact of non-cash items and changes in non-cash working capital.

### ***Fiscal Year ended December 31, 2020***

Organto's sales continued to grow as it expanded its supply sources and customer base in response to growing demand for fresh organic fruits and vegetables. Organto had sales in 13 countries in Europe, with product sourced from four continents including Europe, North and South America, and Africa. Consumer focus on health and wellness, combined with strong demand for foods sourced in a sustainable and transparent manner, positions Organto's product offering for continued substantial growth. Organto

continued to build an ethics-driven one-stop shop in fresh organic and specialty fruits and vegetables, and prepared for the rollout of its “I AM Organic” branded retail product catalogue in 2021.

Organto continued to realize record quarterly revenues. Fourth quarter revenues were \$4.9 million, an increase of over 200% versus the fourth quarter of the prior year. Third quarter revenues were \$2.7 million, an increase of over 40% versus the third quarter of 2019 and the first and second quarters of 2020 saw increases of 3365% and 1129% over their respective quarters in 2019.

Organto expanded its organic ginger program and added organic turmeric to its product portfolio via the addition of strategic supply from Brazil, in addition to existing supply from Peru. It also expanded its organic lime product portfolio after a successful market test earlier in the year.

Organto also expanded its year-round organic avocado supply program and was able to significantly increase the volume sourced from a strategic supply partner in Morocco. Organic avocado remains the fastest-growing and largest product by sales volume in the Company's product portfolio.

In late 2020 Organto signed a letter of intent to acquire Fresh Organic Choice BV (“**FORC**”), a privately held Dutch corporation, representing the company's first acquisition under its multifaceted growth strategy. FORC provides a wide range of fresh-cut organic herbs, marketed under the Fresh Organic Choice brand to customers throughout Europe. FORC employs a strategic asset-light business model, with sourcing from a diverse group of European and African sources. The acquisition was completed in January 2020.

Organto raised over \$5.6 million in 2020 from two private placements of convertible debentures and one private placement of common shares. Organto received an additional US\$500,000 in June 2020 when its revolving line of credit in Mexico was increased from US\$500,000 to US\$1,000,000. These borrowed amounts were repaid and a new credit facility of US\$750,000 was established in the fourth quarter. In the first part of 2020, Organto received proceeds of \$509,000 by issuing short-term loans and in the latter part of the year a total of \$777,000 of short-term loans was repaid. In addition, proceeds of \$465,000 were received from the exercise of warrants in the fourth quarter.

In 2020, a total of 78.6 million common shares were issued: 30.1 million from the private placement of common shares; 1.0 million in shares for debt settlements; 7.1 million on the exercise of warrants; and 40.4 million on the conversion of convertible debentures.

## **Significant Acquisitions**

In January 2021 Organto acquired 100 per cent of the outstanding shares of Fresh Organic Choice BV, a privately held Dutch corporation. Fresh Organic Choice is a provider of a full range of year-round fresh-cut organic herbs, marketed under the Fresh Organic Choice brand, with sales throughout Europe.

Fresh Organic Choice operates an asset-light business model, enabling a straightforward integration process with Organto. Fresh Organic Choice's fresh-cut packaged herbs portfolio includes mint, oregano, basil, chives, parsley, dill, thyme, rosemary, sage, tarragon and others, which are sold in a wide range of branded package formats. Product is sourced primarily from strategic local growers in the Netherlands, Germany, Spain, Italy, Germany and Portugal, with sourcing programs being developed in Tunisia and Ethiopia.

Fresh Organic Choice has annualized revenues of approximately \$2 million, with strong growth projected in the future. The acquisition of Fresh Organic Choice is expected to be both gross margin and earnings before interest, taxes, depreciation and amortization accretive to Organto. Purchase consideration includes the payment of 150,000 euros in cash, the issuance of 839,570 common shares of Organto and an earn-out

to the former owner of up to 100,000 euros based on pre-established growth targets to be attained over the next three years. The common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

Organto has not filed a Form 51-102F4 on SEDAR as it is not required to do so under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

## DESCRIPTION OF THE BUSINESS

### General

Organto is engaged in the sourcing, processing, packaging, distribution and marketing of organic fresh organic value-added vegetable and fruit products.

Sales of individual products vary from year to year based primarily on available supply. Sales for the two most recently completed financial years were:

	2020		2019	
	\$	%	\$	%
Avocado	6,992,000	61	2,226,000	60
Asparagus	1,449,000	13	651,000	18
Ginger	1,194,000	10	92,000	2
Mango	349,000	3	641,000	17
Other	1,464,000	13	102,000	3
	<b>11,448,000</b>	<b>100</b>	<b>3,712,000</b>	<b>100</b>

Sales in 2019 and 2020 were made to retailers and distributors and were sold as distributed bulk products or under the retailer’s private label brands. Since 2018, Organto has been developing its own “I AM Organic” brand and expects to commence pilot programs with retailers in the Benelux and Germany in the first half of 2021. In addition, Organto has acquired the Fresh Organic Choice brand and intends to continue to offer this brand to the specialty organic retail segment.

### *Production and Services*

The food products sold by Organto are sourced from strategic growers throughout the world. In order to ensure year-round supply and avoid localized production difficulties, products are sourced from multiple sources in different regions. This also reduces Organto’s reliance on specific suppliers. Products are shipped from the growing regions to Organto’s processing partner in Europe where they are inspected for quality and then forwarded to Organto’s customers. Any products sold under Organto’s brand are processed and specially packaged by this processing partner before being sent to retailers.

### *Specialized Skill and Knowledge*

Organto requires specialized skill and knowledge to conduct its operations. In order to be successful in the organic foods industry, Organto requires its personnel to possess a very high level of product knowledge, technological sophistication and industry experience. The officers and directors of Organto are industry professionals and Organto continues to add significant food industry experience and depth to its operations

and management teams as well as to its Board of directors as it executes on its business and strategic growth plan and to govern and support the organization.

### ***Competitive Conditions***

The strong growth in the sale of organic foods is driven by the consumer's focus on health and wellness together with the demand for sustainably produced foods. Fruits and vegetables are the largest and fastest growing organic foods category with 55% of consumers believing that organic produce is healthier and 32% of consumers believing organic produce tastes better.

Organto's sales have historically been concentrated in the European market. The size of the European market is 447.5 million people who spend an average of €24 per year on organic fruits and vegetables and is worth \$16.5 billion. This market is currently made up of mainstream products worth \$14 billion and specialty products worth \$2.5 billion. These categories are expected to continue to grow, due to both the effect of the COVID-19 pandemic increasing demand in healthy eating choices and the European Union's Green Deal plan.

Under the Green Deal plan, the European Union hopes to stimulate organic farming in the European Union, which holds great potential for farmers and consumers alike. The benefits of organic farming are associated with its positive impact on the biodiversity, higher returns for the farmers and growing interest from the consumers who recognise its value. The European Union has set a target of at least 25% of European agricultural land under organic farming by 2030 and aims to stimulate both supply and demand of organic products, ensure consumer's trust through promotion activities and green public procurement, and respond to the challenges in reaching the target.

It will be organised around three key angles: to stimulate demand for organic products while maintaining consumer trust; to encourage the increase of organic farming area in production in the EU and finally, to enhance the role of organic production in the fight against climate change, including sustainable resource management and the protection of biodiversity.

As an experienced and established provider of organic fruits and vegetables, Organto believes it is well positioned to capitalize on the increased demand for organic products being promoted by the European Union and that it will be an attractive partner to European growers looking to market their new or expanded organic production.

### ***New Products***

After successful trials with select retailers, Organto expects it will expand sales of its "I AM Organic" branded products to retailers throughout Europe. In addition, Organto expects to continue to add new organic fruits and vegetable offerings to its product portfolio as supply sources are expanded around the globe. In addition to new sources of supply, Organto intends to expand its product portfolio by adding value-added items such as fresh cut fruits and vegetables for direct consumption and fruits and vegetables with side offering such as sauces or dips.

### ***Components***

Organto's products are sourced from a large number of growers located throughout the world. While sales volumes and values of individual products vary from year to year based on available supply, by sourcing from different geographic regions of the world, supply difficulties concentrated in one region may be avoided by sourcing products from a different region. By having supply agreements with multiple growers,

disruptions to overall supply can be minimized as other growers are available to fill the void created if a grower is experiencing difficulties supplying products to Organto.

The selling prices of Organto's distributed (bulk) products are determined by market conditions at the time of sale. Growers are aware of the ultimate selling price of their products through this channel and consider this when selling to Organto. The risk to Organto from selling a product is mitigated by analysing market pricing and supply trends. If this analysis proves unfavourable to Organto, that product is not purchased or volumes are reduced. Organto does not have material agreements with growers that force Organto to purchase minimum quantities for distributed products. In certain circumstances the reward from selling distributed products is shared with the grower as the cost to Organto of some products is dependent on the final sales value realized for these products.

The selling prices for Organto's private label and branded products are determined by assessing a variety of factors including the incremental commercial value versus distributed (bulk) products, margin expectations of retailers and the cost to get the product to market. Organto will commit to selling prices for a period of time based on expected costs from growers and logistics providers during that period.

### ***Intangible Properties***

Organto holds trademarks for its "I AM Organic" brand of products in Europe and has applied for registration in a number of other regions. It also has a right of first refusal to distribute Xebra's cannabis products throughout Europe. To date, Xebra has yet to begin the sale of cannabis products and Organto has not realized any revenue from this right of first refusal.

### ***Cycles***

The production of organic fruits and vegetables can be cyclical depending on its growing characteristics. Seasonal availability of products is mitigated by sourcing these products from multiple growers in different parts of the world. While consumption of organic fruits and vegetables by consumers is fairly consistent throughout the year, holiday seasons such as Christmas, Easter and Thanksgiving normally have a positive impact volumes consumed. In addition, local supplies of certain organic fruits and vegetables will negatively impact demand for imported alternatives during the local supply seasons. This primarily impacts Organto's business in the summer season – June through August.

### ***Economic Dependence***

Organto currently sells to over 100 active customers in 13 countries in Europe and is not dependent on doing business with any one customer. Organto sources its products from approximately 50 active suppliers and does not believe it is dependent on the supply of any product from any one supplier.

### ***Changes to contracts***

Organto is not a party to any contract or agreement which if cancelled or materially changed, would have a significant affect on Organto's business.

### ***Environmental Protection***

The supply of Organto's organic products is not expected to be impacted by any environmental protection requirements placed upon its grower partners and Organto is not aware of any existing or proposed requirements at this time that could impact the growing of conventional and transitioning products.

### ***Employees***

Organto has 22 full-time employees in Europe, 3 in Latin America and 2 in Canada, and also uses consultants or contract personnel to perform various in order to minimize Organto's costs.

### ***Foreign Operations***

Organto's operations are currently centered in Europe and carried out by Organto Europe BV, and Fresh Organic Choice, both of which are 100% owned subsidiaries of Organto. Staff in Europe are responsible for the purchase and sale of Organto's products with some assistance with sourcing of products from staff in Latin America.

### **Social or Environmental Policies**

Organto is an innovative, fast growing global provider of fresh organic fruits and vegetables focused on serving socially responsible and health-conscious consumer markets around the globe. Organto leverages its in-depth markets knowledge and supply chain expertise to link growers to markets to ensure year-round supply of organic fruits and vegetables that can be traced back to the source.

Organto offers a wide range of branded "I AM Organic" products, concepts and tailor-made private label propositions to meet these needs via an integrated asset light model with diverse global friendly sourcing, logistics, processing and distribution capabilities. Organto works hand in hand with its valued strategic growers and supply chain partners to control and monitor each step in the process, delivering quality product with complete transparency to its valued customers.

Organto uses geographically diverse growing regions including Latin America, Africa and Europe with the goal of providing reliable year-round supply of key products categories.

Organto believes its asset-light business model best leverages its expertise and provides for exceptional flexibility and scalability. Together with its strategic growers and supply chain partners Organto brings global friendly, healthy and organic vegetable and fruit products to its valued customers.

### **Risk Factors**

Organto's 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**

***Organto has 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 \$21.0 million in revenues and operating losses of approximately \$28.2 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, 2020, 2019, 2018, 2017, 2016 and 2015 with respect to our ability to continue as a going concern. We believe that with the financing completed in late 2020 we are well positioned to execute our business plan for the coming year.

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

If we experience unforeseen difficulties in carrying out business, we may 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.

***Consumer food preferences are difficult to predict and may change.***

Our success depends, in part, on our ability and our customers' ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or a failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing focus among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, which could



result in a decrease in the demand for food products that we import from remote growing regions and processing locations. Further, failures by us or our competitors to deliver quality products could erode consumer trust in the organic certification of foods. These changes could lead to, among other things, reduced demand and price decreases, which could 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.

***Information technology failures could disrupt our operations and negatively impact our business.***

In the normal course of business, we rely on information technology systems to process, transmit, and store electronic information that is critical for our business and the operations of our supply chain partners. Information technology systems are also integral to the reporting of our results of operations. Furthermore, a significant portion of the communications between, and storage of personal data of, our personnel, customers, consumers and suppliers depend on information technology. Our information technology systems may be vulnerable to a variety of interruptions beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. These events could compromise our confidential information, impede or interrupt our business operations, and may result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage.

***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.

***We may not be able to effectively manage our growth and integrate acquired companies.***

We expect our business to grow rapidly via internal growth, and from time to time we may pursue acquisition opportunities that are consistent with our overall growth strategy. Our ability to effectively manage our growth and integrate acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner, will have a direct impact on our future results. We may encounter problems in connection with our growth and integration of any new businesses, such as challenges relating to the following: integration of an acquired company's products into our product mix; the amount of cost savings that may be realized as a result of integrating an acquired product or business; integrating acquired operations that have management teams and company cultures that differ from our own; compatibility of financial control and information systems; and others. If we experience any of these problems in the integration of acquisitions, they could have a material and adverse effect on our business, financial condition or results of operations.

***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.

## **DIVIDENDS AND DISTRIBUTIONS**

Organto has not paid any cash dividends or distributions since its incorporation. Organto currently intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends on its common shares in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of Organto's board of directors and will be made taking into account its financial condition and other factors deemed relevant by the board. There are no restrictions that prevent Organto from paying dividends or distributions. Organto is limited in its ability to pay dividends on its common shares by generally applicable restrictions under corporate law referred to "solvency tests".

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

The authorized share capital of Organto consists of an unlimited number of common shares. As of April 28, 2021, there are 251,255,056 common shares issued and outstanding.

Holder of common shares are entitled to receive notice of any meetings of shareholders of Organto, to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by Organto's board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of Organto are entitled to receive on a pro rata basis the net assets of Organto after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

### **Share Options**

The following table sets out the number of common shares issuable pursuant to outstanding share options as of the date hereof, along with the exercise price and expiry of the share options.

<b>Number of Share Options</b>	<b>Exercise Price per Share Option</b>	<b>Expiry Date</b>
400,000	0.10	April 30, 2021
1,545,000	0.18	October 10, 2022
600,000	0.15	November 29, 2023
2,825,000	0.135	December 12, 2023
150,000	0.08	June 3, 2024
5,325,000	0.07	December 4, 2024
400,000	0.07	April 23, 2025
100,000	0.10	April 23, 2025
130,000	0.10	June 15, 2025
750,000	0.10	July 9, 2025
400,000	0.10	September 1, 2025
300,000	0.10	September 8, 2025
200,000	0.10	September 24, 2025
1,000,000	0.10	September 28, 2025
300,000	0.18	December 3, 2025
1,900,000	0.265	December 22, 2025
250,000	0.285	January 13, 2026
450,000	0.285	January 28, 2026
300,000	0.42	February 25, 2026
17,325,000		

### **Restricted Share Units**

The following table sets out the number of common shares issuable pursuant to outstanding restricted share units as of the date hereof, along with the exercise price and expiry date of the restricted share units.

<b>Number of Restricted Share Units</b>	<b>Exercise Price per Restricted Share Unit</b>	<b>Expiry Date</b>
1,225,000	N/A	January 21, 2024
75,000	N/A	January 28, 2024
75,000	N/A	February 25, 2024
1,375,000		

### **Warrants**

The following table sets out the number of common shares issuable pursuant to outstanding share purchase warrants as of the date hereof, along with the exercise price and expiry date of the warrants.

Number of Warrants	Exercise Price per Warrant	Expiry Date
200,800	\$0.10	May 12, 2022
612,910	\$0.30	December 29, 2022
62,000	\$0.30	January 6, 2023
875,710		

### Convertible debentures

The following table sets out the number of common shares issuable pursuant to outstanding and contingent convertible debentures as of the date hereof, along with the exercise price and expiry date of the debentures.

Face value of debentures	Conversion Price per debenture	Expiry Date
3,356,850	\$0.30 <sup>(1)</sup>	December 29, 2022
963,150	\$0.30 <sup>(2)</sup>	December 29, 2022
310,000	\$0.30 <sup>(3)</sup>	January 6, 2023
4,630,000		

- <sup>(1)</sup> The debentures are convertible into shares of Organto at \$0.30 per share. Interest is not convertible. The holder may convert all or part of the debentures at any time. If at any time after April 30, 2021, the closing price of Organto's common shares as traded on the TSX Venture Exchange is equal to or greater than \$0.45 for 10 consecutive trading days or more, Organto may, in its sole discretion, force conversion of the debentures.
- <sup>(2)</sup> These debentures are contingent upon the demand to repay the Company's Mexican subsidiary's US\$750,000 bank loan. The Mexican bank has the right to force repayment of the subsidiary's bank loan at any time and upon such demand, the Company has the right to settle that bank loan by issuing a \$963,150 convertible debenture to the Mexican bank. If issued, the Mexican bank will have the same rights as the other debenture holders and may convert all or part of the debenture at any time. If issued, the Company will have the right to force conversion of the debentures if its common shares trade at \$0.45 or more on the TSX Venture Exchange for at least 10 consecutive trading days.
- <sup>(3)</sup> The debentures are convertible into shares of Organto at \$0.30 per share. Interest is not convertible. The holder may convert all or part of the debentures at any time. If at any time after May 7, 2021, the closing price of Organto's common shares as traded on the TSX Venture Exchange is equal to or greater than \$0.45 for 10 consecutive trading days or more, Organto may, in its sole discretion, force conversion of the debentures.

## MARKET FOR SECURITIES

### Trading Price and Volume

The common shares of the Company are listed and posted for trading in Canada on the TSXV under the symbol "OGO". The following table sets forth information relating to the trading of the common shares on the TSXV for the months indicated since the beginning of the most recently completed financial year.

Month	High (\$)	Low (\$)	Volume
March 2021	0.58	0.34	7,106,331
February 2021	0.44	0.265	10,833,453
January 2021	0.325	0.23	6,064,593
December 2020	0.315	0.15	15,682,098
November 2020	0.22	0.145	6,780,411
October 2020	0.18	0.08	3,989,184
September 2020	0.095	0.075	1,154,209
August 2020	0.08	0.07	799,740
July 2020	0.08	0.07	682,500
June 2020	0.08	0.06	1,949,000
May 2020	0.07	0.04	1,765,000
April 2020	0.05	0.035	1,167,263
March 2020	0.06	0.02	1,463,663
February 2020	0.06	0.05	607,210
January 2020	0.075	0.045	869,500

## Prior Sales

Since the beginning of the most recently completed financial year, Organto has issued the following securities that are not listed or quoted on any marketplace:

Date of Issuance	Type of Security	Exercise Price	Number of Securities
March 2, 2020	Warrant	0.065	1,130,892
April 23, 2020	Stock option	0.07	400,000
April 23, 2020	Stock option	0.10	100,000
May 1, 2020	Warrant	0.10	205,800
May 4, 2020	Convertible debenture	0.05	720,300
May 12, 2020	Warrant	0.10	17,500
May 19, 2020	Warrant	0.10	7,000,000
June 15, 2020	Stock option	0.10	130,000
June 19, 2020	Convertible debenture	0.05	1,355,000
June 25, 2020	Warrant	0.10	3,387,500
July 9, 2020	Stock option	0.10	750,000
September 1, 2020	Stock option	0.10	400,000
September 8, 2020	Stock option	0.10	300,000
September 24, 2020	Stock option	0.10	200,000
September 28, 2020	Stock option	0.10	1,000,000
December 3, 2020	Stock option	0.18	300,000
December 22, 2020	Stock option	0.265	1,900,000
December 29, 2020	Warrant	0.30	612,910
December 29, 2020	Convertible debenture	0.30	3,356,850
January 4, 2021	Convertible debenture	0.30	310,000
January 13, 2021	Stock option	0.285	250,000
January 21, 2021	Restricted Share Unit	n/a	1,225,000
January 28, 2021	Stock option	0.285	450,000
January 28, 2021	Restricted Share Unit	n/a	75,000

Date of Issuance	Type of Security	Exercise Price	Number of Securities
February 25, 2021	Stock option	0.42	300,000
February 25, 2021	Restricted Share Unit	n/a	75,000

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at December 30, 2020 and as at the date of this AIF, there were 1,357,667 common shares of Organto subject to a contractual restriction on transfer, representing less than 1% of the Company's issued and outstanding shares.

Description	Number of shares	Date issued	Restriction period end
Issued in a shares-for-debt settlement	172,699	October 15, 2020	April 16, 2021
Issued in a shares-for-debt settlement	172,699	October 15, 2020	July 16, 2021
Issued in a shares-for-debt settlement	172,699	October 15, 2020	October 16, 2021
Issued for the acquisition of Fresh Organic Choice	279,856	January 29, 2021	January 1, 2022
Issued for the acquisition of Fresh Organic Choice	279,856	January 29, 2021	January 1, 2023
Issued for the acquisition of Fresh Organic Choice	279,858	January 29, 2021	January 1, 2024
	1,357,667		

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

The following table sets forth the name, province/state and country of residence, position held with Organto and principal occupation for the past five years of each person who is a director and/or an officer of Organto.

Name and residence	Position with Organto	Principal occupation during the five preceding years
Steve Bromley <i>Ontario, Canada</i>	Chair of the Board of Directors since October 2017; President since June 2018; Co-CEO since September 2020	President and CEO of Bromley Consulting & Advisory Inc. since February 2016; CEO of SunOpta Inc. from February 2007 to December 2015;
Peter Gianulis <i>Florida, USA</i>	Director since December 2018; Strategic Advisor since November 2020	CEO of Allegiant Gold Ltd. Since September 2019; Executive VP of Organto from June 2017 until September 2020; CEO of Organto from April 2015 to May 2017



<b>Name and residence</b>	<b>Position with Organto</b>	<b>Principal occupation during the five preceding years</b>
Jeremy Kendall <i>Ontario, Canada</i>	Director since January 2021	Retired Executive
Alejandro Maldonado <i>Los Reyes, Mexico</i>	Director since December 2019	President and Chairman of Alpasa Farms.
Joe Riz	Director since February 2021	Principal, Tricapital Management
Joost Verrest <i>the Netherlands</i>	Director since September 2020	CEO/Owner of Linnenatwork BV Since March 2020; CEO/Owner of Everrest BV since April 2005; CEO of Green Protein BV from October 2015 to May 2019
Gert van Noortwijk <i>the Netherlands</i>	Director since December 2020	CEO Agriser BV, an investment and management company since 1992; Board member of AgFlow SA since 2018; Board member of GrainComEvents since 2020; Supervisory board member of GMP+ since 2019
Rients van der Wal <i>the Netherlands</i>	Co-CEO since September 2020. CEO of Organto Europe BV since April 2018	CEO of Brandal Holding BV since October 2015; CEO of Organto Europe BV November 2015 – July 2017; CEO Organto Europe Bv April 2018 – present; COO Oranto Foods INC April 2018 – September 2020- present; Co-CEO Organto Organto Foods Inc.
Ralf Langner <i>British Columbia, Canada</i>	CFO since September 2020; Corporate Secretary since January 2018	CFO of Organto since September 2020; Corporate Secretary of Organto since January 2018; CFO of Zazu Metals Corp. from January 2007 to July 2017.

Directors of Organto hold office until the conclusion of each annual general meeting. Officers are appointed by the Board and serve at the discretion of the Board.

Organto currently only has one standing committee – the Audit Committee. The Audit Committee is comprised of Joe Riz (Chair), Jeremy Kendall and Steve Bromley.

As at April 29, 2021, the directors and executive officers of Organto, as a group, beneficially owned, directly and indirectly, or exercised control or direction over 21,102,521 common shares, representing approximately 8% of the total number common shares outstanding before giving effect to the conversion of convertible debentures, the exercise of share options, or restricted share units held by such directors and executive officers.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

The information related to cease trade orders and bankruptcies, not being within the knowledge of the Company, has been furnished by the directors. Except as disclosed below, none of its directors, chief executive officer or chief financial officers:

- 1) is, as at the date of this Circular, or was within 10 years before the date of this Circular, a director or chief executive officer or chief financial officer of any company (including the Company) that:
  - a. was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - b. was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or
- 2) is at the date hereof, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Company) that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- 3) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On May 1, 2019, due to a delay in filing audited financial statements for the year ended December 31, 2018, Steve Bromley, CEO, and the CFO at the time, were party to a cease trade order pursuant to Section 164 of the Securities Act, R.S.B.C. 1996, c418. All required financial statements and related records were subsequently filed and the cease trade order was revoked on May 31, 2019.

In 2010 Steve Bromley agreed to an administrative order (“Order”) with the SEC related to the restatement of SunOpta Inc.’s 2007 quarterly financial statements. At the time Mr. Bromley was President and Chief Executive Officer of SunOpta Inc. SunOpta Inc. and the CFO at the time were also subject to similar Orders. Under the settlement, SunOpta Inc. agreed to cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-11 and 13a-13 thereunder. The Order did not require the Company to make any payment. Mr. Bromley and the CFO also agreed to the Order, which directed that they cease and desist from committing and causing any violations and any future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, 13a-13 and 13a-14 thereunder. Completion of the Order finalized all matters with SEC related to this matter.

## **Conflicts of Interest**

Some of the proposed directors and officers of Organto or a subsidiary of Organto are or may be engaged in business activities on their own behalf and on behalf of other corporations, and situations may arise where some of the directors may be in potential conflict of interest with Organto. Conflicts, if any, will be

subject to the procedures and remedies under the BCBCA. This legislation states that where a director has such a conflict, that director must, at a meeting of Organto directors, disclose his or her interest and refrain from voting for or against the approval of such participation or such terms unless otherwise permitted. In accordance with the laws of the Province of British Columbia, the directors and officers of Organto are required to act honestly, in good faith and in the best interests of shareholders.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

Organto is not aware of any actual or pending material legal proceedings to which the Company is or is likely to be a party or of which any of its property is or is likely to be the subject.

### **Regulatory Actions**

No penalties or sanctions were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year December 31, 2020.

No penalties or sanctions were imposed by a court or regulatory body against Organto that would likely be considered important to a reasonable investor in making an investment decision.

Organto did not enter into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2020.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, none of the directors, executive officers, or shareholders beneficially owning or exercising control or direction over, directly or indirectly, common shares of the Company carrying more than 10% of the voting rights attached to all common shares outstanding, and no associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect Organto or any of its subsidiaries.

Accendo Banco S.A. was issued 27,100,000 common shares in 2020 as full payment of the Company's Mexican subsidiary's US\$1,000,000 bank loan. Accendo Banco has since loaned the Company's Mexican subsidiary an additional US\$750,000 and this loan has been guaranteed by the Company who can settle the loan by issuing a convertible debenture for up to 3,210,500 common shares. Until repaid, the loan bears interest at 8%, payable monthly and has a maturity date in December 2022.

Pursuant to a consulting agreement with Bromley Consulting & Advisory Inc. ("Bromley Consulting"), a private Ontario company controlled by Steve Bromley, effective January 1, 2021 the Company engaged Bromley Consulting to provide co-CEO services to the Company for a fee of \$23,250 per month. The agreement has a term of one month, and renews automatically unless terminated by either party with 90 days' notice.

Pursuant to a consulting agreement with Bromley Consulting & Advisory Inc. ("Bromley Consulting"), a private Ontario company controlled by Steve Bromley, effective January 1, 2021 the Company engaged Bromley Consulting to provide co-CEO services to the Company for a fee of \$23,250 per month. The agreement has a term of one month, and renews automatically unless terminated by either party with 90

days' notice. Organto declared a bonus of 1,500,000 common shares payable to Bromley Consulting in December 2020 and these shares were issued in 2021.

Pursuant to a consulting agreement with Brandal B.V. ("Brandal"), a private Netherlands company controlled by Rients van der Wal, effective July 31, 2020 the Company engaged Brandal to provide co-CEO services to the Company and CEO services to the Company's European subsidiary for a fee of €15,000 per month. The agreement has a term of three years and can be terminated by either party with six months' notice. Effective February 1, 2021 a new consulting agreement was signed with Brandal which revised the monthly fee to €20,000 per month. Organto declared a bonus of 500,000 common shares payable to Brandal in January 2021 and these shares were issued in 2021.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

## **INTEREST OF EXPERTS**

Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, of Vancouver, British Columbia are the auditors of the Company and have confirmed that they are independent with respect to Organto within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business and described elsewhere in this AIF (see "Significant Acquisitions"), Organto did not enter into any material contract (i) during the most recently completed financial year, or (ii) before the most recently completed financial year if such material contract is still in effect.

## **AUDIT COMMITTEE**

Organto's audit committee (the "**Audit Committee**") is responsible for monitoring Organto's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of Organto's external auditors. The committee is also responsible for reviewing Organto's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of Organto.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to Organto's board of directors. The text of the Company's Audit Committee Charter is attached hereto as Schedule "A".

The current members of the Company's Audit Committee are Joe Riz (Chair), Jeremy Kendall and Steve Bromley. Of the three members of the Audit Committee, Joe Riz and Jeremy Kendall are "independent"

and all three members are “financially literate” as those terms are defined by National Instrument 52-110 *Audit Committees*. Joe Riz serves as Chair of the Audit Committee.

### **Relevant Education and Experience**

Each member of the Audit Committee has:

- a) an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Company’s financial statements, and/or experience actively supervising individuals engaged in such activities; and
- c) an understanding of internal controls and procedures for financial reporting.

**Joe Riz** – Mr. Riz. has held a number of financial and operating leadership positions across a number of industries including consumer products, technology and entertainment, and served as Managing Director of a boutique merchant banking firm involved in numerous acquisitions, divestitures and financings. Mr. Riz was a founding director of SunOpta Inc., a leading organic food company with global reach. From 2007 to 2009 he served as Executive Vice President and Chief Operating Officer of SunOpta, leading daily business operations through a period of rapid growth. Mr. Riz has served as a director of a number of public companies, including roles as both Chair of the Board and Chair of the Audit Committee, in addition to serving on a number of private company boards. Mr. Riz is a Chartered Professional Accountant.

**Jeremy Kendall** – Mr. Kendall founded SunOpta Inc., a leading organic foods company with global reach, focused on plant-based foods and beverages. Over the course of his tenure at SunOpta Mr. Kendall served as chair and chief executive officer, and led the business through a combination of strong internal growth and numerous acquisitions to over \$1-billion in both revenues and market capitalization. Mr. Kendall currently serves as chair of the board of Jemtec Inc. and also is director of a number of private and charitable organizations.

**Steve Bromley** – Mr. Bromley is also President and CEO of Bromley Consulting and has been in that position since March, 2016. Bromley Consulting provides consulting and advisory services to small and medium sized businesses, with a focus on food and agriculture. From 2001 through 2015 Mr. Bromley held a number of senior roles with SunOpta Inc., including serving as a Director and CEO from February 2007 through December 2015. SunOpta Inc. is a global leader in non-GMO, organic and specialty foods. Mr. Bromley serves on a number of private boards and is a Chartered Professional Accountant.

### **Pre-Approval Policies and Procedures**

The Audit Committee’s charter sets out responsibilities regarding the provision of non-audit services by Organto’s external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor’s independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

### **External Auditor Service Fees**

The aggregate fees billed by Organto's external auditors for audit fees in the previous two fiscal years are

as follows:

<b>Nature of Services</b>	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Audit Fees <sup>(1)</sup>	\$ 77,500	\$ 77,500
Audit-Related Fees <sup>(2)</sup>	\$ Nil	\$ Nil
Tax Fees <sup>(3)</sup>	\$ 5,000	\$ 6,500
All Other Fees <sup>(4)</sup>	\$ Nil	\$ Nil
<b>Total</b>	<b>\$ 82,500</b>	<b>\$ 84,000</b>

### **Exemption in Section 6.1 of NI 52-110**

Section 6.1 of NI 52-110 provides an exemption for a venture issuer from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110. Organto is voluntarily filing this AIF.

### **ADDITIONAL INFORMATION**

Additional information relating to Organto can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Organto's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular of Organto filed on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in Organto's audited financial statements and management's discussion and analysis for the financial year ended December 31, 2020.

## **SCHEDULE “A”**

### **ORGANTO FOODS INC. (the “Company”)**

#### **AUDIT COMMITTEE CHARTER (Updated - January, 2021)**

#### **1. Purpose**

To assist the board of directors (the “Board”) of the Company to fulfill its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Company’s process for monitoring compliance with the applicable laws and regulations that govern the Company’s operations and this code of conduct (the “Charter”)

This Charter defines the Audit Committee’s range of authority, objectives, the scope of its activities and its duties and responsibilities. It is intended to give Audit Committee members, management and external auditors a clear understanding of their respective roles. The Audit Committee and the Board will review the adequacy of this Charter annually.

#### **2. Mandate**

The Audit Committee will assist the Board in fulfilling its financial oversight responsibilities. The Audit Committee will review and consider in consultation with management and the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform their role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company’s business, operations and related risks.

#### **3. Composition**

The Board will appoint from among their membership an Audit Committee after each Annual General Meeting of the shareholders of the Company. The Audit Committee will consist of a minimum of three directors and maximum of four directors.

##### *3.1 Independence*

A majority of the members of the Audit Committee must not be officers, employees or control persons of the Company.

##### *3.2 Expertise of Committee Members*

Each member of the Audit Committee must be financially literate or must become financially literate within a reasonable period of time after their appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

#### **4. Meetings**

The Audit Committee shall meet in accordance with a schedule established each year by the Board, and at other times that the Audit Committee may determine. The Audit Committee shall meet at least

quarterly with the Company's Chief Financial Officer and no less than once per year with the Company's external auditors, each in separate executive sessions.

## **5. Roles and Responsibilities**

The Audit Committee shall fulfill the following roles and discharge the following responsibilities:

### *5.1 External Audit*

The Audit Committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the Audit Committee shall

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of -the- external- auditors- and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

### *5.2 Internal Control*

The Audit Committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the Audit Committee shall ensure that the external auditors discuss with the Audit Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

### *5.3 Financial Reporting*

The Audit Committee shall review financial statements, related financial information and the Management Discussion & Analysis prior to its release to the public. In carrying out this duty, the Audit Committee shall:

#### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing the financial statements are appropriate.

#### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and



- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

*Interim Financial Statements (Quarterly)*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

*Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

*5.4 Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the Audit Committee.

*Delegation of Authority*

- (a) The Audit Committee may delegate to one or more independent members of the Audit Committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the Audit Committee at its next scheduled meeting.

*De-Minimis Non-Audit Services*

- (b) The Audit Committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; and
  - (ii) the fees paid by the Company and its subsidiaries to the external auditor were not recognized as non-audit services at the time of the engagement; and
  - (iii) the services are brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (c) The Audit Committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;

- (ii) the Audit Committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the Audit Committee's responsibilities to management.

### 5.5 *Other Responsibilities*

The Audit Committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the findings of any examinations by regulatory agencies;
- (e) review and approve hiring procedures and policies regarding partners, employees, former partners and employees of present and former external auditors on the Company or its subsidiaries;
- (f) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (g) perform other oversight functions as requested by the Board; and
- (h) review and update this Charter on an annual basis and receive approval of changes to this Charter from the Board.

### 5.6 *Reporting Responsibilities*

The Audit Committee shall regularly update the Board about committee activities and make appropriate recommendations, including recommendations regarding all publicly disclosed financial information.

## **6. Resources and Authority of the Audit Committee**

The Audit Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Audit Committee; and
- (c) communicate directly with the external auditors.

## **7. Guidance – Roles & Responsibilities**

The following guidance is intended to provide the Audit Committee members with additional guidance for the fulfilment of their roles and responsibilities:

## 7.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

## 7.2 *Financial Reporting*

### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges, acquisitions and divestitures, and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

### *Interim Financial Statements (Quarterly)*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the company's operations and financing practices;

- (iii) generally accepted accounting principles have been consistently applied;
- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial agreements; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

*7.3 Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

*7.4 Other Responsibilities*

- a) Review, with the company's counsel, any legal matters that could have a significant impact on the Company's financial statements and ensure disclosure is appropriate.
- b) Approve the Business Conduct and Ethics Policy on an annual basis.