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

Phone: +1 604 634-0970
Fax: +1 604 634-0971
Toll Free: 1 888 818-1364
www.organto.com

ORGANTO FOODS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the Year Ended
December 31, 2020**

(Stated in Canadian Dollars)

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides an overview of the business and operations of Organto Foods Inc. for the three months and year ended December 31, 2020. This report should be read in conjunction with the Company's December 31, 2020 audited annual consolidated financial statements and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

All currency amounts are expressed in Canadian dollars unless noted otherwise. In addition, "this quarter" or "current quarter" refers to the three months ended December 31, 2020.

This MD&A is dated April 29, 2021.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about our ability to carry out our plans and objectives; our ability to open up and sell through traditional and specialty retailers, distributors and other channels in Europe and other markets; our ability to build out our branded products portfolio, our ability to procure required volumes of both organic and specialty produce from strategic third party suppliers; our ability to meet import and export requirements; our ability to attract and retain skilled personnel and professionals; our ability to operate and/or partner with suppliers in The Netherlands, Europe, North America, South America, Africa and elsewhere; the impact of changes in foreign exchange rates on costs and results; transportation and logistics costs; market competition; ongoing relations with our personnel and with our business partners; the availability of equity and other financing on reasonable terms; our ability to realize a return on our investment in the cannabis business; and general business and economic conditions.

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

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

- if we do not manage our supply chain effectively, our operating results may be adversely affected;
- our international operations expose us to risks inherent with the countries where we are doing business;
- information technology failures could disrupt our operations and negatively impact our business;
- our business is subject to numerous environmental and food safety regulations and policies;
- the COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition;
- we may not be able to effectively manage our growth and integrate acquired companies;
- our investment in a cannabis business indirectly exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment
- our stock price may be volatile, which may impact returns to our shareholders;
- our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all;
- we do not anticipate paying any cash dividends to our common shareholders and as a result, shareholders may only realize a return when their shares are sold; and
- our business is subject to changing regulations related to corporate governance and public disclosure that may increase both our costs and risk of non-compliance.

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

STRATEGY

Organto is an integrated provider of organic and specialty produce focused on serving a growing socially responsible and health-conscious consumer around the globe. Our purpose is “to bring healthy and nutritious fresh organic fruits and vegetables to market by creating sustainable and transparent linkages between growers and end markets.” In hand with this our vision is “to be a leading global provider of fresh organic fruits and vegetables utilizing an integrated business model, trusted for driving equitable returns to all parties in the value chain.” Our mission is to “make fresh organic fruits and vegetables available for every consumer”.

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

As our strategy has evolved, we have repositioned from an asset-heavy, single revenue stream business model to an asset-light, multi-stream revenue model. In doing so we have exited our own growing, processing and packaging operations in favor of strategic third-party relationships, streamlined our cost base, and expanded our organic foods go-to-market channels with additional organic vegetables plus the addition of organic soft, exotic and tropical fruits sold both branded and on a private label and bulk distributed basis. This channel expansion has increased our revenue streams and our presence in key markets, while at the same time significantly deepening our relationships with strategic third-party supply partners.

We believe that the demand for healthy and organic foods will continue to grow for many years and supply availability will be key to this growth being realized. According to the US Organic Trade Association (OTA) sales of organic foods grew 5.0% in 2019 to approximately US$50.1 billion, growing at a rate that is significantly faster than that of conventional products, and now represents approximately 6% of total food sales. The OTA estimates that 82% of Americans buy organic food at least some of the time and fresh produce continues to be the primary gateway by which consumers enter the organic foods space. Furthermore, over half of all households in the US have purchased organic produce and the fresh produce segment is the largest within the organic segment, representing approximately 15% of all the produce that Americans eat, and approximately 36% of total US organic foods spend. And this is not just a US phenomenon. The organic market in Europe continues to grow. In 2016 the market increased by approximately 11% and reached approximately Euro 33.5 billion in 2017, it increased another 11%, reaching approximately Euro 37.3 billion, in 2018 it increased by almost 8% and reached total turnover of Euro 40.7 billion and in 2019 it also grew another 8% to Euro 45.0 billion, of which Euro 41.4 billion were in the European Union. In fact, retail sales of organic products in the European Union have grown from Euro 18 billion in 2009 to Euro 41.4 billion in 2019, an increase of over 145%. Today the European Union is the second largest market for organic products behind only the United States. Globally European countries account for the highest share of organic food sales as a percentage of total food sales, with demand for organic foods increasing around the globe. Further, according to a research report completed by Zion Market Research, the global organic food and beverage market is expected to grow to US $323.1 billion by 2024, a CAGR of 14.56% over the period of 2017-2024.

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

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

* *Supply* – development of efficient and reliable year-round integrated supply chain capabilities;
* *Brand* – building the Organto "I AM Organic" brand as a leading brand with large retailers and food consumers; and
* *Infrastructure* – responsibly building-out the organization to allow the business to scale as required.

In hand with our private label and distributed product capabilities, we have developed a branded go-to-market strategy for our organic vegetables and fruits. Our "I AM Organic" brand has been developed for major retail channels with the objective of linking consumer demand for visibility, transparency and convenience with our product offering, utilizing an innovative digital passport technology which is being launched in 2021. Our Fresh Organic Choice brand serves the specialty retail segment with quality and trusted products desired by niche segment consumers. Our ability to drive a differentiated branded products strategy for our food product offerings is based on our assessment of market demand, our year-round supply capabilities and our intention to provide a differentiated value-added product offering. In hand with our branded products focus, we also work with retail and distribution partners to provide value-added private label and bulk distributed offerings, with the objective of maximizing efficiencies while creating category demand for our brand. Our organic foods products are initially being marketed to specific European customers and will be followed by introduction to other food markets as deemed appropriate.

HISTORY AND OPERATIONS

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

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

The name change to Organto Foods Inc. was completed to better reflect our focus on strategic sourcing and marketing of healthy and organic fresh vegetables and fruits, along with our commitment to sustainable and socially conscious business practices. While we have operated our own growing operations in the past in both Guatemala and Argentina, processing operations in Guatemala and packaging operations in the Netherlands, we have exited these operations in favor of working with strategic third-party growers and service providers in North and South America, Africa, Europe and other growing regions in order to grow our business and drive an asset light business model. Our organic and specialty fruits and vegetables are currently being sold in numerous European markets.

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

Following an assessment of our strategic focus and market opportunities in organic fruits and vegetables, the decision was taken to divest of our cannabis assets. As a result, in June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. ("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. Xebra intends to seek a public listing when market conditions prevail. We received shareholder approval and TSX-V acceptance of this transaction in October 2019.

In late 2020 we signed a letter of intent to acquire Fresh Organic Choice BV (“FORC”), a privately held Dutch corporation, representing the first acquisition under our 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 2021.

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

OUTSTANDING SHARE DATA

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

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and December 31, 2020:

	April 29, 2021	**December 31, 2020**
Common shares issued *	251,255,056	243,647,951
Share purchase options outstanding ($0.07-$0.42)	17,325,000	16,325,000
Restricted share units	1,375,000	-
Warrants ($0.10-$0.30)	875,710	12,354,602

* Included in issued common shares at December 31, 2020 are 5,873,257 common shares which were cancelled in January 2021 upon completion of the final documentation necessary to complete the sale of our processing plant in Guatemala.

See “Liquidity and Capital Resources” for further information.

RECENT DEVELOPMENTS

Corporate

In April 2021 we announced the resignation of Robert Giustra from our Board of Directors. Mr. Giustra was a co-founder of Organto and served on our Board since the company's inception. Mr. Giustra stepped down in order to accommodate successful food industry executives who can take Organto to the next level in its development. Organto has added four new directors over the past year, each bringing extensive food industry experience and expertise to the company.

In March 2021 we announced that we entered into a five-year exclusive supply agreement with a Mexican-based supplier of organic avocados. The agreement provides for supply beginning in 2021 and through the end of calendar 2025 with an estimated revenue potential over the contract period of approximately $65.0 million. Under the terms of the exclusive supply agreement, Organto will have the right to market all production from the supplier for the next five years running through Dec. 31, 2025. The supplier currently has approximately 100 hectares under production in the Nayarit region of Mexico, with harvests expected to increase as the existing orchards mature and additional capacity is added in the coming years. Products are currently Global GAP, SMETA and European Union organic certified, and the supplier has undertaken to work with Organto to obtain fair trade certification by the start of the 2021 season and Bio Suisse certification by the start of the 2022 season. Supply over the contract period is estimated to be in the range of 12.5 million to 14 million kilograms. In order to obtain exclusive distribution rights, we agreed to issue up to one million common shares to the supplier over the term of the agreement based on the delivery of minimum annual volume targets. The issue of these shares under the supply agreement is subject to the acceptance of the TSX Venture Exchange. Our year-round supply chain for organic avocado includes supply from four continents including sources in Morocco, Spain, Columbia, Peru, Mexico, South Africa, Tanzania and Kenya. Mexican supply is key in the August to November time periods. We are continually working to develop additional sources of supply in order to meet the increasing demand from our customer base located throughout Europe.

In March 2021 we announced the appointment of Joe Riz to the Organto Board of Directors. Mr. Riz brings extensive operating, business building, capital markets and governance expertise to the board, having served in a number of leadership and board positions during his business career. Mr. Riz was a founding director of SunOpta Inc., a leading organic food company with global reach, focused on plant-based foods and beverages. 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 also 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 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 has been appointed Chair of the Audit Committee.

In February 2021 we announced the appointment of Jeremy Kendall, a natural and organic food industry pioneer with deep operating and business building experience, to the Organto Board of Directors. Mr. Kendall brings extensive business building, operating and governance experience to the board, with deep expertise in natural and organic foods. Amongst a number of business ventures over his distinguished career, 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.

In January 2021 we 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, 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 had annualized revenues of approximately $2 million in 2020, 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 included 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 issued are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In December 2020 we announced the appointment of Gert Jan van Noortwijk, a seasoned agribusiness executive with over 30 years of global supply chain experience, to the Organto Board of Directors. Mr. van Noortwijk brings extensive strategic global agribusiness and supply chain expertise to Organto with deep expertise in raw material procurement, product handling, logistics, currency and commodity hedging, and business development -- all key activities for Organto as we continue to build out our global organic fruit and vegetable platform. During his career, Mr. van Noortwijk has served in progressively responsible leadership roles with a number of agribusinesses, including Continental Grain, Groupe Soufflet, Allgrain and Agribrokers International, responsible for the sourcing, supply and commercialization of a wide variety of globally sourced food products. Mr. van Noortwijk has served on a number of industry associations over his career, including as president of the international Grains and Feed Trade Association, and he also has extensive board-level experience as he continues to serve on the boards of a number of privately held agribusiness organizations. Mr. van Noortwijk is fluent in Dutch, English, French and German and resides in the Netherlands.

In September 2020 we made a number of changes to our leadership team. Steve Bromley, who has served as Interim Chief Executive Officer (CEO) since April, 2018, assumed the role of Co-CEO in addition to his continuing service as Chair of the Board of Directors of Organto, a role he has held since October, 2017. Mr. Bromley has over 35 years of foods industry experience with a focus on integrated natural and organic foods businesses. Rients van der Wal, Organto's current Chief Operating Officer, assumed the role of Co-CEO, in addition to his role as CEO of Organto Europe BV, a role he has held since April, 2018. Mr. van der Wal is based in Breda, the Netherlands, and has extensive global organic fruits and vegetable supply chain and go-to-market experience and has played a leading role as Organto's business has been repositioned from an asset-heavy, single-revenue-stream business model to an asset-light, multi revenue stream business, now well positioned for continued growth having realized six consecutive quarters of record revenue and gross profit growth. Ralf Langner assumed the role of Chief Financial Officer and Corporate Secretary. Mr. Langner is a CPA, CGA, based in Vancouver, B.C., who has served as Organto's Interim Corporate Secretary since January, 2018. Peter Thibaudier transitioned to Chief Financial Officer for Organto Europe BV, based in Breda, the Netherlands. Mr. Thibaudier had served as Organto's Chief Financial Officer prior to this transition. Mr. Thibaudier brings extensive experience in financial reporting and analysis to this role, including an in-depth understanding of the Company's operations. He is responsible for all aspects of operational reporting and business control, working closely with Organto's global operating team to drive accurate and timely management information.

In September 2020 we announced the appointment of Joost Verrest, a seasoned executive with over 20 years of experience in developing impactful and sustainable businesses, to the Organto Board of Directors. Mr. Verrest brings extensive strategic global fruits and vegetables and consumer packaged goods experience to Organto, from both a supply chain and go-to-market perspective. During his career, he served as chief executive officer of Total Produce Direct BV, where he restructured its European exotic fruits and vegetables division from an internally focused trading company to a growing retail company with value-added branded product offerings. He was also responsible for the European fresh fruit division of Chiquita Brands where he led the transformation of the European trading division to a consumer-driven Chiquita branded business. In addition, he spent time with Green Protein BV, a company focused on utilizing vegetable by-products to enhance consumer goods with plant-based proteins in both Europe and North America, and with Sara Lee and Fromagerie Bel. Mr. Verrest is fluent in Dutch, English and French, resides in The Netherlands

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

In July 2019 we announced that Alejandro Maldonado, an agricultural veteran in Mexico had agreed to join the Organto Board of Directors, and this appointment was subsequently confirmed in December 2019. Jeff Klenda, a member of the Board of Directors stepped down on the same date. Mr. Alejandro Maldonado is President and Chairman of Alpasa Farms, a strategic supply partner of Organto, and one of the largest exporters of blueberries, blackberries and figs from Mexico. Alpasa is also a strategic investor in Organto. He is the President of the Berry Growers Association of Mexico and his family has deep roots in the Mexican avocado industry, being one of the largest producers of avocados from the Michoacán region of Mexico. He is a current delegate for the Association of Producers and Packers of Avocado in Mexico (APEAM), a private, non-profit association made up of avocado exporters and packers; and the only cooperative recognized by the USDA and SAGARPA. Mr. Maldonado's appointment became effective in December 2019.

In March 2019 we entered into an agreement to sell our processing plant and related assets, including land, buildings and processing equipment, in Guatemala, to Organizacion de Marcadeo SA (Omega), a company controlled by Arturo Bickford and Jorge Guzman Efrain. Under the terms of the agreement Omega acquired the assets in an arm's-length transaction on an as-is basis for consideration of $935,450. Consideration was paid through the discharge of certain loans from Omega and related parties to the Company in the amount of $428,782 (US$314,647), agreement to cancel 5,873,257 common shares of the Company, and the assumption of an interest-free note payable from Omega in the amount of $67,174 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. At March 31, 2019 the fair value of the shares to be cancelled was determined to be $440,494 and the fair value of the interest-free note payable was determined to be $66,174. Shareholder approval was received for this transaction.

Operations

As our strategy has evolved, we have repositioned our organic foods platform shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model. We believe we have made important progress in this regard, exiting Company-owned growing operations, selling our processing facilities in Guatemala and exiting Company operated packaging operations in the Netherlands, all in favor of strategic sourcing arrangements with grower partners in Europe, North and South America and Africa and others and third-party processing and packaging arrangements with globally positioned strategic partners. We have also streamlined our cost base and expanded our product offering from high-value organic vegetables including organic green beans, sugar snaps and snow peas to other value-added organic vegetables and fruits including asparagus, avocado, blueberries, ginger, mango and other products. We continue to pursue new strategic supply sources around the globe as we work to complete year-round supply of our core product offerings and also bring new complimentary products to our existing portfolio. We have also continued to develop our branded products portfolio, preparing to relaunch our I AM Organic brand in 2021 to European major retail grocers using a unique digital product passport, and acquiring the Fresh Organic Choice brand for distribution to European speciality retail channels.

With our repositioning essentially completed late in the first half of 2019, commercial operations were 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 North and South America, Africa and Europe. And this momentum continued in 2020.

In the first quarter of 2020 we realized revenues of $1,609,820, a first quarter revenue record for the Company and an increase of approximately 1,200% versus the same quarter in the prior year. In the second quarter of 2020 we realized revenues of $2,163,955, a quarterly revenue record for the Company and an increase of approximately 3,300% versus the same quarter in the prior year. And in the third quarter we realized revenues of $2,737,081, an increase of approximately 40% versus the same quarter in the prior year and another quarterly record. In the fourth quarter we generated $4,937,180 in revenue, the largest in the Company's history. We finished 2020 with a revenue run rate of approximately $25 million based on December revenues.

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

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

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

FINANCIAL RESULTS

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

Critical Accounting Estimates

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

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

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

Changes in Accounting Policies and Standards

We did not adopt any new accounting standard changes or amendments in the current year that had a material impact on our financial statements.

Selected Annual Information

The following information is for the years ended December 31, 2020, 2019 and 2018:

	2020 ($)	2019 ($)	2018 ($)
Sales	11,448,036	3,712,167	1,536,577
Gross profit (loss)	1,072,942	220,421	(584,608)
Income (loss) from continuing operations	(7,054,745)	(2,547,098)	(5,252,339)
Income (loss) from discontinued operations	-	2,557,509	(249,841)
Net income (loss)	(7,054,745)	10,411	(5,502,180)
Income (loss) per share			
Basic and diluted – continuing operations	(0.04)	(0.02)	(0.04)
Basic and diluted – discontinued operations	-	0.02	(0.00)
Comprehensive income (loss)	(7,158,818)	105,404	(5,416,717)
Total assets	6,771,068	2,727,982	3,341,850
Total non-current financial liabilities	3,858,581	-	-
Cash dividends declared	-	-	-

Review of Financial Results – Current Year

We realized a net loss of $7,054,745 during the year ended December 31, 2020, compared to a net income of $10,411 during the same period in the prior year. The net income in the prior year was due to a one time gain we realized on the sale of our Colombian subsidiary. Excluding this gain, the Company would have realized a net loss of $2,547,098. The larger net loss in 2020 was primarily driven by a number of one-time non-cash losses including i) a non-cash loss of $2,933,022 resulting from the settlement of our bank loan through the issuance of shares as per the term of the conversion feature in the loan in the amount of $3,116,500 , offset by gains realized on the settlement of other debts in the amount of $183,478, ii) a non-cash loss of $1,096,807 from the revaluation of investment securities at year-end, and iii) non-cash share bonuses of $512,500 issued to our co-CEO's which were accrued in 2020 and issued in 2021. Excluding these one-time non-cash losses, the Company would have realized a net loss of $2,512,416. Increased revenues and gross profit in 2021 during the year were offset by labour and non-cash stock compensation costs, investments in developing our branded and on-line product platforms, increased investor relations costs, costs related to the acquisition of Fresh Organic Choice as well as increased interest and financing costs as the business grows.

Product revenues for the year ended December 31, 2020 were $11,448,036 as compared to $3,712,167 during the same period in the prior year, an increase of more than 200%. The increase in revenues was driven by a combination of new customers, new product introductions and increased supply of core product offerings.

We realized a gross profit of $1,072,942 or approximately 9.4% of revenues as compared to $220,421 or approximately 5.9% of revenues during the prior year. This is indicative of the solid progress made as our asset light operating model has been expanded via new customers, new sources of supply and new product offerings, in hand with a rationalized cost base.

Selling, general and administration expenses of $838,212 for the year were lower than the $874,822 for prior year. The largest decrease was from reduced professional fees although this was offset by an increase in administration and office costs, costs related to brand platform development plus financing and acquisition related costs. Bad debts expense increased slightly in dollar terms, but decreased when considered as a percentage of revenues. 2020 costs include approximately $109,500 related to the development of our retail branded and on-line product platforms and approximately $20,000 of costs related to the acquisition of Fresh Organic Choice.

Management fees for the year were $636,165 and while higher than the $592,627 recorded in the prior year, they are in line with expectations and increased 7.3% versus 2019.

Labour costs and benefits were $1,137,100 up substantially from the $506,858 for the prior year but within expectations given the increased volume of commercial activity and platform development within the Company. While higher than the previous year, labour costs decreased over the last number of years as staffing levels were scaled back as the business was repositioned. Labour costs and benefits in 2020 have increased 7.5% versus fiscal 2017 when costs were $1,057,850, while at the same time annual revenues have increased from $592,354 to $11,448,036. Included in labour costs and benefits are approximately $213,400 of costs related to the development of our branded and on-line product platforms which are expected to start to generate a return commencing in 2021 and beyond.

As detailed above, in 2020 we realized costs of approximately $291,100 related to the development of our retail branded product offering and on-line go-to-market capabilities. While the benefits of these activities have yet to translate into top and bottom-line contribution, we believe these are prudent investments for the future of the Company,

We recognized $912,532 in stock-based compensation for 2020 compared to $275,047 for 2019. Stock based compensation in 2020 includes non-cash share bonuses of $512,500 issued to our co-CEOs. These bonuses were accrued in 2020 and the shares were issued in 2021. The balance of our stock based compensation is an estimate of the value of the stock options we have issued and is calculated using the Black-Scholes option pricing model which requires the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Stock based compensation for our options in 2020 was based on fair values of $0.01 - $0.20 per share for the 5,880,000 options granted in 2020 versus $0.04 - $0.05 per share for the 5,475,000 options granted in 2019 and $0.06 per share for the 6,350,000 options granted in 2018.

Net interest and accretion expense for the year ended December 31, 2020 was $424,371 as compared to $127,654 for the prior year. Interest in 2020 consists of interest on our bank loan, interest-bearing short-term loans and convertible debentures, plus factoring costs. Accretion of the convertible debentures was $67,186 and was offset by $5,535 of accretion of the loan receivable from Omega. The addition of the convertible debentures in 2020, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2020. See "Liquidity and Capital Resources" for further information.

We recognized $74,966 in financing costs for the year ended December 31, 2020 which was made up of $4,466 from the issuance of warrants to the finders of our May convertible debenture financing and $70,500 from the issuance of warrants to the lender of the unsecured, interest-bearing loans. This non-cash amount was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24-0.44%, expected life of 1.5-2 years and no dividend yield. There were no financing costs in the same period of the prior year. The fair value of the warrants issued for the May convertible debenture financing was deemed immaterial and expensed in the year. The fair value of the warrants issued for the December convertible debenture financing, together with other costs associated with this financing, have been offset against the carrying value of the convertible debentures and bank loan and will be amortized over their expected two-year life.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. In 2020 we realized a foreign exchange loss of $26,269 compared to a loss of $994 during the prior year. Foreign exchange rates have experienced large fluctuations since March 2020 as part of the market turmoil caused by the global coronavirus pandemic, particularly the Canadian dollar and the Mexican peso versus the US dollar. We received some of the proceeds of our December convertible debenture financing in US dollars and Euros, and together with our US dollar denominated bank loan, these are the largest foreign currency items affecting our foreign exchange gains and losses.

We recognized a net other loss of $38,575 for the year ended December 31, 2020 as compared to a loss of $295,718 in 2019. Other income of $37,331 from the partial settlement of certain of our insurance claims receivable and the sale of an unused subsidiary in Europe was offset by losses of $28,555 from the write off of certain prepaid expenses and advances and $47,351 from the revaluation of the net receivable remaining from the sale of our processing plant in Guatemala in 2019.

We realized a non-cash loss of $2,933,022 from the settlement of debt in the year ended December 31, 2020 as compared to a net gain of $2,684 in 2019. Our original bank loan was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the bank loan. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the bank loan. The market value of the 27,100,000 common shares issued was $4,471,500 and the difference of $3,116,500 between the market value of the shares and the face value of the debentures was recorded as a loss on the settlement of the bank loan. The loss from settling the bank loan was offset by $183,478 in gains from settling certain accounts payable.

During 2020 we recognized a non-cash impairment charge of $9,668 on the write down of our office equipment to $nil. The impairment loss in 2019 was due to our write down of our packaging equipment.

During 2020 we recognized an unrealized loss of $1,096,807 on the revaluation of our investment securities. We received 7,124,630 common shares of Xebra Brands in 2019 on the sale of Medicannabis. Since Xebra is not yet publicly traded, we have to estimate the value of these shares. The fair value of the Xebra shares is estimated using a combination of the price of the most recent funding by Xebra involving financing from external investors and our expected proceeds for a total carrying value of $1,040,582 at December 31, 2020 versus a carrying value of $2,137,389 at December 31, 2019.

Selected Quarterly Information

	Q4 2020 ($)	Q3 2020 ($)	Q2 2020 ($)	Q1 2020 ($)	Q4 2019 ($)	Q3 2019 ($)	Q2 2019 ($)	Q1 2019 ($)
Sales	4,937,180	2,737,081	2,163,955	1,609,820	1,583,616	1,935,094	62,458	130,999
Gross profit (loss)	394,010	285,951	232,504	160,477	69,627	173,660	8,265	(31,131)
Income (loss) from continuing operations	(5,545,356)	(509,967)	(355,724)	(643,698)	(944,223)	(438,378)	(556,381)	(608,116)
Income (loss) from discontinued operations	-	-	-	-	1,424,926	-	1,300,355	(167,772)
Net income (loss)	(5,545,356)	(509,967)	(355,724)	(643,698)	480,703	(438,378)	743,974	(775,888)
Income (loss) per share:								
Basic and diluted – continuing operations	(0.03)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	0.00	(0.00)
Basic and diluted – discontinued operations	-	-	-	-	0.01	(0.00)	0.01	(0.00)
Comprehensive income (loss)	(5,424,245)	(535,933)	(522,152)	(676,488)	471,223	(374,325)	770,953	(762,447)

	Dec 31, 2020 ($)	Sep 30, 2020 ($)	Jun 30, 2020 ($)	Mar 31, 2020 ($)	Dec 31, 2019 ($)	Sep 30, 2019 ($)	Jun 30, 2019 ($)	Mar 31, 2019 ($)
Cash	4,133,730	884,227	1,577,017	74,894	54,565	78,904	48,444	53,025
Total assets	6,771,068	4,486,711	4,468,718	2,707,230	2,727,982	2,517,310	2,182,522	2,526,456
Total non-current financial liabilities	3,858,581	2,015,600	2,007,500	-	-	-	-	-

Review of Financial Results – Fourth Quarter

	Three months ended December 31, 2020 ($)	Three months ended December 31, 2019 ($)
Sales	4,937,180	1,583,616
Cost of sales	(4,543,170)	(1,513,989)
Gross profit	394,010	69,627
Selling, general and administrative expenses	(299,646)	(263,341)
Management fees	(154,095)	(128,744)
Labour costs and benefits	(432,440)	(161,580)
Stock-based compensation	(685,836)	(64,157)
	(1,178,007)	(548,195)
Interest and accretion, net	(191,242)	(38,302)
Other loss	(28,611)	(289,587)
Gain (loss) on settlement of debt	(2,937,757)	(18,383)
Impairment of property, plant and equipment	(9,668)	(96,483)
Impairment of investment securities	(1,096,807)	-
Foreign exchange gain (loss)	(103,264)	46,727
Loss from continuing operations	(5,545,356)	(944,223)
Gain from discontinued operations	-	1,424,926
Net income (loss)	(5,545,356)	480,703

We realized a net loss of $5,545,356 during the fourth quarter, compared to a net income of $480,703 during the same period in the prior year and a loss of $944,223 after accounting for a gain on discontinued operations. The larger net loss in the fourth quarter of 2020 was primarily driven by a number of one-time non-cash losses including i) a non-cash loss of $2,937,757 resulting from the settlement of our bank loan through the issuance of shares as per the term of the conversion feature in the loan in the amount of $3,116,500 , offset by gains realized on the settlement of other debts in the amount of $178,743, ii) a non-cash loss of $1,096,807 from the revaluation of investment securities at year-end, and iii) non-cash share bonuses of $512,500 issued to our co-CEO's which were accrued in 2020 and issued in 2021. Excluding these one-time non-cash losses, the Company would have realized a net loss in the fourth quarter of $998,292. Increased revenues and gross profit in the current year were offset by increases in labour costs, interest expense and non-cash stock-based compensation. Included in these categories are retail and on-line platform development costs of $197,500 and acquisition related costs of $20,000.

Product revenues for the three months ended December 31, 2020 were $4,937,180 as compared to $1,583,616 during the same period in the prior year, an increase of over 210%, a quarterly revenue record for the Company and sixth consecutive quarter of record revenue growth versus the same period in the prior year. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, ginger, mango and others, continued to grow and were sold to a variety of customers throughout Europe.

We realized a quarterly gross profit of $394,010 or approximately 8.0% of revenues in the fourth quarter of 2020 as compared to a gross profit of $69,627 during the same quarter of the prior year. The gross profit for the fourth quarter of 2020 was a quarterly record for the Company in dollar terms, though not in percentage terms. Fourth quarter gross margins as a percentage of revenues were impacted by reduced margins on organic avocado in the first half of the quarter due to seasonal market conditions combined with increased supply chain costs due in part to the effects of the COVID-19 pandemic.

Selling, general and administration expenses were $299,646 this quarter as compared to $263,341 in the same quarter of the prior year. Decreases in professional fees, amortization and bad debt expense in the fourth quarter of 2020 versus the same quarter of 2019 were offset by incremental costs of approximately $75,400 related to the development of our retail branded and on-line product platforms and approximately $20,000 of costs related to the acquisition of Fresh Organic Choice.

Management fees in the current quarter were $154,095 and while higher than the $128,744 recorded in the same quarter of the prior year, they are in line with expectations.

Labour costs and benefits during the fourth quarter were $432,440, a significant increase versus the same quarter of the prior year but well within expectations given the increased volume of commercial activity. Labour costs decreased over the last two years as staffing levels were scaled back as the business was repositioned. With commercial activities now quickly ramping up, operating personnel have been added to support this growth as well as develop new products and revenue opportunities. Included in fourth quarter labour costs and benefits are approximately $122,100 of costs related to the development of our branded and on-line product platforms which are expected to start to generate a return commencing in 2021 and beyond.

As detailed above, during the fourth quarter we recognized costs of $197,500 related to the development of our retail branded product offering and on-line go-to-market capabilities. While the benefits of these activities have yet to translate into top and bottom-line contribution, we believe these are prudent investments for the future of the Company,

We recognized $685,836 in stock-based compensation in the fourth quarter of 2020 compared to $64,157 in the same quarter of 2019. Stock based compensation in the fourth quarter of 2020 includes non-cash share bonuses of $512,500 issued to our co-CEOs. These bonuses were accrued in 2020 and the shares were issued in 2021. The balance of our stock based compensation is an estimate of the value of the stock options we have issued and is calculated using the Black-Scholes option pricing model which requires the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Stock based compensation in the fourth quarter of 2020 was based on fair values of $0.01 - $0.20 per share for the 5,880,000 options granted in 2020, $0.05 per share for the 5,475,000 options granted in 2019, and $0.06 per share for the 600,000 options granted in 2018.

Net interest and accretion expense for the fourth quarter of 2020 was $191,242 as compared to $38,302 for the prior year. Interest in 2020 consists of interest on our bank loan, interest-bearing short-term loans and convertible debentures, plus factoring costs. Accretion of the convertible debentures was $56,786 and was offset by $1,374 of accretion of the loan receivable from Omega. The addition of the convertible debentures in 2020, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2020. See "Liquidity and Capital Resources" for further information.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We realized a foreign exchange loss of $103,264 this quarter as compared to a gain of $46,727 during the same quarter last year. Foreign exchange rates have experienced large fluctuations since March 2020 as part of the market turmoil caused by the global coronavirus pandemic, particularly the Canadian dollar and the Mexican peso versus the US dollar. A significant portion of our cash balance at year-end was held in US dollars and, together with our US dollar denominated bank loan, can be materially impacted by changes in foreign currency exchange rates.

We recognized an other loss of $28,611 in the fourth quarter compared to a loss of $289,587 in the same quarter of the prior year. Other income from the partial settlement of certain of our insurance claims receivable was offset by losses from the write off of certain prepaid expenses and advances and the revaluation of the net receivable remaining from the sale of our processing plant in Guatemala in 2019.

We realized a non-cash loss of $2,937,757 from the settlement of debt in the fourth quarter of 2020 as compared to a loss of $18,383 in the same quarter of 2019. Our original bank loan was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the bank loan. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the bank loan. The market value of the 27,100,000 common shares issued was $4,471,500 and the difference of $3,116,500 between the market value of the shares and the face value of the debentures was recorded as a loss on the settlement of the bank loan. The loss from settling the bank loan was offset by $178,743 in gains from settling certain accounts payable.

In the fourth quarter of 2020 we recognized an impairment charge of $9,668 on the write down of our office equipment to $nil. The loss in impairment loss in 2019 was due to our write down of certain packaging equipment.

In the fourth quarter of 2020 we recognized an unrealized loss of $1,096,807 on the revaluation of our investment securities. We received 7,124,630 common shares of Xebra Brands in 2019 on the sale of Medicannabis and since Xebra is not yet publicly traded, we have to estimate the value of these shares. The fair value of the Xebra shares is estimated using a combination of the price of the most recent funding by Xebra involving financing from external investors and our expected proceeds for a total carrying value of $1,040,582 at December 31, 2020 versus a carrying value of $2,137,389 at September 30, 2020.

Liquidity and Capital Resources

At December 31, 2020, we had cash of $4,133,730 and working capital of $2,580,088 as compared to cash of $54,565 and a working capital deficiency of $4,027,352 as at December 31, 2019.

We raised over $5.6 million in 2020 from two private placements of convertible debentures and one private placement of common shares. We received an additional US$500,000 in June 2020 when our 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 bank loan of US$750,000 was established in the fourth quarter. In the first part of 2020, we received proceeds of $484,070 by issuing short-term loans and in the latter part of the year a total of $974,314 of short-term loans was repaid. In addition, proceeds of $465,000 were received from the exercise of warrants in the fourth quarter.

Private placement of common shares

We issued 14,000,000 units for proceeds of $700,000 in May 2020 and 16,077,900 units for proceeds of $803,895 in June 2020. Each unit consisted of one common share and one-half common share purchase warrant and each full warrant entitled the holder thereof to acquire one common share at a price per warrant share of $0.10. These warrants were originally exercisable for a period of two years at an exercise price of $0.10 per share and were subject to an accelerated expiry provision. This provision was applied in December 2020, changing the expiry date to January 2021. 4,651,450 of these warrants were exercised in 2020 and the balance of 10,387,500 warrants were exercised in January 2021.

Private placement of convertible debentures – May/June

In May and June 2020 we completed a private placement of convertible debentures with a total face value of $2,075,300. The debentures were secured and had a term of two years, bearing interest at 10% annually, payable in arrears beginning one year after their date of issuance. Certain of the convertible debentures were issued to settle accounts payable and short-term loans payable. $1,355,000 of the convertible debentures were to guarantee the repayment of the Company’s US$1,000,000 Mexican bank loan and would only be issued to settle amounts borrowed under the facility. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the bank loan. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the bank loan. Under IFRS we are required to record the value of the shares issued on the conversion of the convertible debenture that was issued to guarantee the bank loan at the shares’ market value. The difference between the market value of the shares when issued of $4,471,500 and the face value of the convertible debenture of $1,355,000 was $3,116,500 and this amount has been recognized as a loss on the settlement of debt in the current year.

Gross cash proceeds of $319,000 was raised from this series of debentures.

The May/June debentures were convertible into shares of Organto at $0.05 per share in the first 12 months and $0.10 thereafter. Interest was not convertible. The holders could convert all or part of the debentures at any time and the Company had the right to force conversion of the debentures.

A total of $2,020,300 face value of the May/June debentures were converted in 2020 resulting in the issuance of 40,406,000 common shares and the payment of $29,336 of accrued interest. The balance of $55,000 was converted in the first quarter of 2021.

Organto paid a finder's fee of $22,330 in cash and issued 223,300 broker warrants in connection with these convertible debentures. The broker warrants are for a term of two years with an exercise price of $0.10 per share.

Private placement of convertible debentures – December

In December 2020 we completed a private placement of convertible debentures with a total face value of $4,320,000. These debentures are unsecured and have a term of two years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance. Certain of the convertible debentures were issued to settle accounts payable and short-term loans payable. $963,150 of the convertible debentures are to guarantee the repayment of the Company’s US$750,000 Mexican bank loan and will only be issued to settle amounts borrowed. Gross cash proceeds of $3,198,457 was raised from this series of debentures.

The December debentures are convertible into shares of Organto at $0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2021, the closing price of the Company’s shares exceeds $0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

Organto paid a finder's fee of $279,673 of which $126,084 was paid in cash and $57,789 was accrued at December 31, 2020 and paid in 2021. The finders were also issued 674,910 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.30 for a period of two years. The fair value of the warrants issued for the December convertible debenture financing, together with other costs associated with this financing, have been offset against the carrying value of the convertible debentures and will be amortized over their expected two-year life.

Short-term loans

During the year ended December 31, 2018 we received $818,740 in bridge loans from insiders and certain shareholders. Interest rates ranged from 0% to 8% with interest paid in equal monthly payments totalling $5,000 per month on all interest-bearing loans. Two of these loans were settled in March 2019 when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of the loans from Omega with maturity dates of March 27, 2019 and April 5, 2019. All loans were unsecured and had a term of one year. At December 31, 2020 for presentation purposes, the Company has offset the amount owing to Omega of $23,443 against the amount owing from Omega of $70,794 and expensed the net balance of $47,351 in other income (loss) in 2020.

In April 2019 we entered into an agreement to extend the remaining bridge loans. Under the terms of the extension all outstanding amounts were extended one-year from the date of the initial loan and were payable on the new expiry date. Commencing May 15, 2019 and each month thereafter, we made equal monthly payments of $8,632 consisting of principal and interest and were to make lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from potential funds raised in relation to our medicinal cannabis assets. Included in the extension agreement was a provision that should we completely exit our cannabis investment, any outstanding amounts due under these short-term loans will be immediately due and payable. In April 2020 we entered into an agreement to further extend the unsecured, interest bearing loans through March 15, 2021. In June 2020 the maturity date was further extended to October 1, 2021. The interest rate on these loans changed to 12% and was subject to monthly principal and interest payments in the amount of $12,500 commencing in July 2020. These loans were subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of our investment securities. In July 2020, we granted 1,500,000 warrants to the lender for an initial period of 18 months with an exercise price of $0.065 per share. In October 2020 the lenders of the remaining bridge loans exercised the 1,500,000 warrants and 1,500,000 common shares were issued. We agreed to apply the proceeds due to the Company on the exercise of the warrants towards the principal amount of the loans and the outstanding balance was reduced by $97,500. At December 31, 2020 the balance owing on these loans was $295,954 of principal and $2,919 in accrued interest and these amounts were paid in January 2021.

During 2018 and 2019 we received $364,785 in short term loans from a number of parties including officers and directors, some of which were denominated and repayable in US dollars and Euros. These loans had no fixed terms of repayment. During 2019 we repaid $94,085 of the interest free loans, $55,000 were assumed by Xebra, $91,500 were settled by issuing convertible debentures and we recognized a $4,474 gain on loans denominated in foreign currencies. In 2020 an additional $449,920 in cash was received and accounts payable of $72,603 was converted into a loan. $383,513 was repaid in cash, $284,150 was settled by issuing convertible debentures and we recognized a $25,415 loss on loans denominated in foreign currencies.

During 2019 we received $419,100 in short term loans from a number of parties including officers and directors. These loans were secured by a portion of our investment securities and accrued interest at an annual rate 12% for a term of six months. In February 2020 we issued 2,135,764 warrants in connection with these secured interest-bearing loans. $133,500 of these loans were settled with convertible debentures from the May/June series. The balance of $285,600 was repaid. Concurrent with the repayment of these loans, the lenders exercised their warrants and 1,004,872 common shares were issued. The lenders agreed to offset the amount due to the Company on the exercise of the warrants of $65,317 against the principal and interest being paid.

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

Bank loan

In January 2019 we established a revolving line of credit with a Mexican bank for up to US$500,000. Interest was payable monthly at 12% on funds borrowed and we paid a one-time fee of US$5,000 to establish this facility. The limit under this facility was increased to US$1,000,000 in May 2020. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. By the start of the fourth quarter, the full amount of the facility had been borrowed and was fully repaid by issuing convertible debentures which were immediately converted into 27,100,000 common shares in the fourth quarter. A new bank loan was established in December 2020 for US$750,000 and is guaranteed by $963,150 of the December series convertible debentures and will only be issued to settle amounts borrowed under the facility. The fair value of the warrants issued for the convertible debenture guaranteeing the loan, together with other costs associated with obtain this loan, have been offset against the carrying value of the bank loan and will be amortized over its expected two-year life.

Shares for debt

In October 2020 we completed shares-for-debt transactions and issued 990,795 common shares of the Company at prices ranging from $0.05 to $0.10 per share to settle debt in the amount of $84,080. Of this debt, $15,000 was for management fees to an employee incurred during the period November 2019 to April 2020. The balance of $69,080 was for products and services provided to the company in 2018. The shares issued under these shares-for-debt settlements have hold periods ending between February 2021 and October 2021.

Cash used in operating activities for 2020 was $1,985,655, all in continuing operations. Cash used in operating activities in 2019 was $1,881,033 of which $1,511,457 was used in continuing operations and $369,576 was used in discontinued operations. Cash used in operating activities for the fourth quarter of 2020 was $709,348 and all in continuing operations.

Cash used in operations consists of cash used to fund the loss for the period and the impact of non-cash items and changes in non-cash working capital. A large use of working capital in late 2020 was for deposits on product orders that won't be received until 2021.

At December 31, 2020, we had current liabilities of $3,150,398 (December 2019 - $4,538,768). Settlement of the bank loan and settlement and conversion of certain of the short-term loans into convertible debentures reduced current liabilities.

At December 31, 2020, we had long-term liabilities of $3,858,581 (December 2019 - nil) consisting of our bank and Government of Canada loans and convertible debentures. The bank loan has been recorded net of costs incurred to obtain the loan and issue the convertible debenture guaranteeing the loan. These costs will be amortized, and the carrying value of the loan will be increased, over the two-year term of the loan. The convertible debentures have been recorded at their discounted fair value and net of issue costs. The convertible debentures will be accreted to face value over their two-year term and their issue costs will be amortized, and the carrying value of the convertible debentures will be increased, over their two-year term.

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.

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

Financial instruments

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

Financial instrument	Basis of measurement	Associated risks	Fair value at December 31, 2020 ($)
Cash	Fair value through profit or loss	Credit, currency and concentration	4,133,730
Accounts receivable	Amortized cost	Credit, currency and concentration	915,203
Investment securities	Fair value through profit or loss	Other price	1,040,582
Accounts payable	Amortized cost	Currency	(2,455,583)
Short-term loans payable	Amortized cost	n/a	(295,954)
Bank loan	Fair value through profit or loss	n/a	(829,454)
CEBA loan	Amortized cost	n/a	(60,000)
Convertible debentures	Fair value through profit or loss	n/a	(2,969,127)
			(520,603)

The fair value of our financial instruments including cash, accounts receivables, loan receivable, accounts payable, bank loan (net of issue costs), short-term and CEBA loans payable approximates their carrying value due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's investment securities, which are not publicly traded, was estimated using the price of recent or in-progress funding involving significant financing from external investors. The fair value of our convertible debentures (net of issue costs) is based on the effective rate method with the residual balance allocated to the conversion component in equity.

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

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

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our financial instruments at December 31, 2020 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

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

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

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

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. We manage liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. At December 31, 2020, we had working capital of $2,580,088 (December 31, 2019 – deficiency of $4,027,352). Liquidity risk is assessed as high.

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

(c) Other price risk

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

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

Sensitivity Analysis

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

As our functional currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Argentine Peso, Mexican Peso and Guatemalan Quetzal are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on our profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net income by approximately $195,000.

Capital Management

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

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

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

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

Related Party Transactions

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

(a) Directors and key management personnel compensation:

	Three months ended December 31		Year ended December 31	
	2020 ($)	**2019 ($)**	**2020 ($)**	**2019 ($)**
Salaries, consulting and management fees	138,241	122,632	561,061	509,198
Short-term employee benefits	-	4,951	-	19,779
Stock based compensation	618,896	119,658	770,573	238,427
	757,137	**247,241**	**1,331,634**	**767,404**

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

(b) Transactions with related parties:

	Three months ended December 31		Year ended December 31	
	2020 ($)	**2019 ($)**	**2020 ($)**	**2019 ($)**
Management and administrative services from companies with common directors or officers	167,577	78,799	562,705	270,674
Product purchases from a company with a common officer	23,606	-	23,606	12,449
Product sales to a company with a common officer	42,471	37,453	83,441	257,472
	233,655	**116,252**	**669,752**	**540,595**

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

	December 31, 2020 ($)	December 31, 2019 ($)
Salaries, consulting and management fees	895,953	503,237
Administration services	111,227	114,108
Expense reimbursements	598	76,473
Product purchases	-	2,753
Balance, end of period	**1,007,777**	**696,571**

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

	December 31, 2020 ($)	December 31, 2019 ($)
Sales of product	-	46,139
Balance, end of period	**-**	**46,139**

(e) Loans from directors and key management personnel:

	Three months ended December 31		Year ended December 31	
	2020 ($)	2019 ($)	2020 ($)	2019 ($)
Balance, beginning	197,043	122,251	348,827	107,648
Loans received	-	248,858	346,922	394,737
Loans repaid	(155,600)	-	(436,115)	(160,107)
Loans settled with convertible debentures	(41,443)	-	(285,047)	-
Foreign exchange	-	793	25,413	6,549
Balance, ending	**-**	**371,902**	**-**	**348,827**

Commitments

At December 31, 2020 the Company had entered into agreements with service providers which call for minimum payments as follows:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management fees	140,625	-	-	140,625
Administration fees	2,344	-	-	2,344
	142,969	**-**	**-**	**142,969**

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 2020 and up to the date of this report, the Company had no off-balance sheet transactions.

PROPOSED TRANSACTIONS

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

RISKS AND UNCERTAINTIES

Risk factors

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

Risks Related to Our Business

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

Agricola began carrying on business in 2014 and since that time we have built out our operating platform and generated approximately $21.1 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 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. As discussed in Note 1 to our financial statements for the current year, we have generated operating losses since inception, cash resources are currently insufficient to meet planned business objectives, and thus additional financing will be required to realize the carrying value of our assets and continue operations, which together raises doubt about our ability to continue as a going concern.

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

We 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 branded, private label or bulk distributed 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. Even with recent increases in trading volumes, 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.

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 a relatively 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, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous trades without an adverse effect on share price. We cannot be assured that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

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

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

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

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

DISCLOSURE AND INTERNAL CONTROLS

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

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

Management regularly evaluates the effectiveness of the Company's internal controls and as of December 31, 2020 have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company in a timely manner.

ADDITIONAL INFORMATION

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

CORPORATE INFORMATION

Head Office:	1090 Hamilton Street Vancouver, BC, V6B 2R9
Directors:	Steve Bromley (Chair) Peter Gianulis Jeremy Kendall Alejandro Maldonado Joe Riz (Chair, Audit Committee) Joost Verrest Gert van Noortwijk
Officers:	Steve Bromley, Co-Chief Executive Officer & President Rients van der Wal, Co-Chief Executive Officer & CEO Organto Europe BV Ralf Langner, Chief Financial Officer & Corporate Secretary Peter Thibaudier, Chief Financial Officer – Organto Europe BV
Auditor:	DMCL LLP 1500 – 1140 West Pender Street Vancouver, BC, V6E 4G1
Legal Counsel:	McMillan LLP Suite 1500 - 1055 West Georgia Street Vancouver, BC, V6E 4N7
Transfer Agent:	Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

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

Phone: +1 604 634-0970
Fax: +1 604 634-0971
Toll Free: 1 888 818-1364
www.organto.com

ORGANTO FOODS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended
December 31, 2020

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Organto Foods Inc.

Opinion
We have audited the consolidated financial statements of Organto Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), cash flows and changes in shareholders' deficit for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 28, 2021

Organto Foods Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2020 ($)	December 31, 2019 ($)
Assets		
Current assets		
Cash	4,133,730	54,565
Receivables (note 5 and 22 (d))	915,203	202,923
Inventories (note 6)	40,163	78,401
Prepaid expenses (note 7)	641,390	175,527
	5,730,486	511,416
Non-current assets		
Property, plant and equipment (note 8)	-	12,226
Investment securities (note 9)	1,040,582	2,137,389
Loan receivable (note 10)	-	66,951
	6,771,068	**2,727,982**
Liabilities and shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 22(c))	2,854,444	2,766,900
Bank loan (note 13)	-	650,894
Loan due to Omega S.A. (note 11)	-	23,950
Short-term loans payable (notes 12 and 22(e))	295,954	1,097,024
	3,150,398	4,538,768
Non-current liabilities		
Bank loan (note 13)	829,454	-
CEBA loan (note 14)	60,000	-
Convertible debentures (note 15)	2,969,127	-
Total liabilities	**7,008,979**	**4,538,768**
Shareholders' deficit		
Share capital (note 16)	24,344,434	17,061,697
Shares to be issued (returned) (note 10 and 28)	72,006	(440,494)
Reserves (note 16(e))	3,569,819	2,737,436
Deficit	(28,224,170)	(21,169,425)
Total shareholders' deficit	**(237,911)**	**(1,810,786)**
	6,771,068	**2,727,982**

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

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

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

	Year ended December 31 2020 ($)	Year ended December 31 2019 ($)
Sales (note 24)	11,448,036	3,712,167
Cost of sales (note 17)	10,375,094	3,491,746
Gross profit	1,072,942	220,421
Selling, general and administration expenses (note 18)	838,212	874,822
Management fees (note 22(a))	636,165	592,627
Labour costs and benefits	1,137,100	506,858
Stock-based compensation (note 16(b))	912,532	275,047
	(2,451,067)	(2,028,933)
Interest expense and accretion, net	(424,371)	(127,654)
Other loss (note 19)	(38,575)	(295,718)
Financing costs (note 12 and 15)	(74,966)	-
Gain (loss) on settlement of debt (note 20)	(2,933,022)	2,684
Impairment of property, plant and equipment (note 8)	(9,668)	(96,483)
Unrealized loss on investment securities (note 9)	(1,096,807)	-
Foreign exchange loss	(26,269)	(994)
Loss from continuing operations	(7,054,745)	(2,547,098)
Gain from discontinued operations (note 21)	-	2,557,509
Net income (loss) for the year	(7,054,745)	10,411
Other comprehensive income (loss) for the year:		
Foreign currency translation	(104,073)	94,993
Comprehensive income (loss) for the year	**(7,158,818)**	**105,404**
Loss per share (note 16(d))		
Basic and diluted – continuing operations	(0.04)	(0.02)
Basic and diluted – discontinued operations	-	0.02

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

Organto Foods Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31 2020 ($)	2019 ($)
Operating activities		
Net loss for the year from continuing operations	(7,054,745)	(2,547,098)
Items not involving cash		
Amortization	4,520	57,226
Bad debt expense	35,174	33,169
Stock-based compensation	912,532	275,047
Interest expense and accretion	424,323	127,920
Other loss	59,533	432,342
Warrants issued for financing costs	74,966	-
Loss (gain) on settlement of debt	2,933,022	(2,684)
Unrealized loss on investment securities	1,096,807	-
Impairment of property, plant and equipment	9,668	96,483
Foreign currency translation	91,716	127,052
Cash used in operating activities before changes in non-cash working capital	(1,412,484)	(1,400,543)
Changes in non-cash working capital (note 23)	(573,171)	(110,914)
Cash used in operating activities from continuing operations	(1,985,655)	(1,511,457)
Cash used in discontinued operations	-	(369,576)
Cash used in operating activities	(1,985,655)	(1,881,033)
Investing activities		
Intangible assets	-	(1,520)
Proceeds from sale of subsidiary	-	321,077
Cash from investing activities	-	319,557
Financing activities		
Proceeds from private placement of shares, net of issue costs	1,443,895	-
Proceeds from convertible debentures, net of issue costs	3,368,943	-
Proceeds from exercise of warrants	465,145	-
Proceeds from bank loan, net of issue costs	2,198,865	1,310,663
Repayments of bank loan	(672,913)	(662,500)
Proceeds from short term loans	449,920	1,095,469
Repayments of short term loans	(777,323)	(183,288)
Proceeds from CEBA loan	60,000	-
Loan and interest payments to Omega	-	(3,936)
Interest paid	(316,397)	(126,282)
Cash from financing activities	6,220,135	1,430,126
Effect of foreign exchange on cash	(155,315)	(3,105)
Increase (decrease) in cash	4,079,165	(134,455)
Cash, beginning of year	54,565	189,020
Cash, end of year	**4,133,730**	**54,565**

Supplemental cash flow information (note 23)

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

(Expressed in Canadian Dollars)

	Number of shares	Share capital ($)	Shares to be issued (cancelled) ($)	Reserves ($)	Deficit ($)	Total ($)
Balance at January 1, 2019	162,989,355	16,919,767	1,193,846	2,367,396	(21,179,836)	(698,827)
Stock-based compensation (note 16(b))	-	-	-	275,047	-	275,047
Shares issued to settle accounts payable (note 16)	2,027,579	141,930	-	-	-	141,930
Shares issued on receipt of cultivation license (note 9)	7,461,538	1,193,846	(1,193,846)	-	-	-
Shares cancelled on sale of subsidiary (note 9)	(7,461,538)	(1,193,846)	-	-	-	(1,193,846)
Shares to be cancelled as part of sale of processing plant (note 10)	-	-	(440,494)	-	-	(440,494)
Comprehensive income for the year	-	-	-	94,993	10,411	105,404
Balance at December 31, 2019	**165,016,934**	**17,061,697**	**(440,494)**	**2,737,436**	**(21,169,425)**	**(1,810,786)**
Stock-based compensation (note 16(b))	-	-	512,500	400,032	-	912,532
Shares issued in private placement (note 16)	30,077,900	1,503,895	-	-	-	1,503,895
Warrants issued on loan extension (note 16)	-	-	-	70,500	-	70,500
Warrants issued on 8% credit facility (note 16)	-	-	-	30,109		30,109
Warrants issued in private placement (note 16)	-	(70,000)	-	140,157	-	70,157
Exercise of warrants (note 16)	7,156,322	627,962	-	-	-	627,962
Shares issued on conversion of debentures (note 15)	27,100,000	4,471,500	-	-	-	4,471,500
Shares issued to settle bank loan (note 13)	13,306,000	665,300				665,300
Conversion option of convertible debentures	-	-	-	295,658	-	295,658
Shares issued to settle accounts payable (note 16)	990,795	84,080	-	-	-	84,080
Comprehensive loss for the year	-	-	-	(104,073)	(7,054,745)	(7,158,818)
Balance at December 31, 2020	**243,647,951**	**24,344,434**	**72,006**	**3,569,819**	**(28,224,170)**	**(237,911)**

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

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging, distribution and marketing of fresh organic and value-added vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and specialty fruit and vegetable products to a growing base of socially responsible and health conscious consumers. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the stock symbol "OGO" and on the Frankfurt Stock Exchange under the stock symbol "OGF".

The Company's head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. Since then million of cases of the disease have been identified around the world, including regions that are important to the Company's business in terms of sales, product supply and other aspects of its supply chain. The Company has continued to operate during the outbreak. Essential food supply chains have been maintained in these difficult times, although not without their issues due to logistics and labor challenges, and the Company has continued to work with its supply partners and customers to bring product to market. As the coronavirus pandemic plays out around the world, the full impact on the Company's business from this is unknown at this time and difficult to predict. An extended pandemic outbreak including the potential of additional waves in many countries already impacted, or dramatic increase in actions taken by Governments to control transmission of the virus could cause the Company's key third party suppliers or the Company itself to temporarily close, which could lead to a shortage of raw materials and finished products. Also, if one or more of the Company's key customers were required to close for an extended period, the Company might not be able to ship products to them, and consumers may decrease their level of purchasing activity, which would also adversely impact the Company's net sales. Any of the foregoing events or other unforeseen consequences could materially adversely affect the Company's business, results of operations, financial condition and/or cash flows.

These consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At December 31, 2020, the Company had working capital of $2,580,088 (December 31, 2019 deficiency of$4,027,352) and an accumulated deficit of $28,224,170 (December 31, 2019 - $21,169,425). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 28, 2021.

(b) Basis of measurement

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

(c) Basis of consolidation

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

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

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

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

During 2019, the Company sold its former subsidiary, Medicannabis S.A.S. ("Medicannabis"), a Columbian company, and recognized income from discontinued operations of $2,557,509. See note 9 and 21.

(d) Use of estimates and judgments

Significant estimates and assumptions

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

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

Significant judgments

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

3. Significant accounting policies

(a) Revenue recognition

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

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

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

(b) Inventory

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

(c) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars. The functional currencies are as follows:

Entity	**Functional currency**
Organto Foods Inc.	Canadian dollar
Organto Europe B.V.	European euro
Organto de Mexico, S.A.	Mexican peso
Organto Argentina S.A.	Argentine peso
Organto Guatemala, S.A.	Guatemalan quetzal
Medicannabis, S.A.S.	Colombian peso

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:
The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed

(d) Impairment of long-lived assets

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

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

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

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

(e) Property, plant and equipment

Recognition and measurement

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

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

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

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

Amortization

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

The estimated useful lives used for amortization calculations were as follows:

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

(f) Financial instruments

Classification

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

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

Financial assets/liabilities	**IFRS 9 Classification**
Cash	FVTPL
Accounts receivables	Amortized cost
Loans receivable	Amortized cost
Investment in securities	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost

Measurement

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

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

Impairment of financial assets at amortized cost

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

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.
Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(g) Finance income and expenses

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

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

(h) Income taxes

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

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

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

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

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

(i) Loss per share

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

(j) Share-based payments

(Expressed in Canadian Dollars)

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

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

4. New accounting standards

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements.

5. Receivables

	December 31,	
	2020	**2019**
	($)	**($)**
Trade receivables	861,446	98,254
VAT recoverable	2,471	13,811
Insurance claims receivable	35,973	76,107
Other	15,313	14,751
	915,203	**202,923**

6. Inventories

	December 31,	
	2020	**2019**
	($)	**($)**
Finished goods	40,163	78,401
	40,163	**78,401**

7. Prepaid expenses

	December 31,	
	2020	**2019**
	($)	**($)**
Advances to third-party producers	635,223	161,369
Prepaid insurance	6,167	5,833
Other advances and retainers	-	8,325
	641,390	**175,527**

(Expressed in Canadian Dollars)

8. Property, plant and equipment

	Machinery & equipment ($)	Furniture and other ($)	Total ($)
Cost			
At January 1, 2019	282,832	800	283,632
Impairment	(240,299)	-	(240,299)
Foreign exchange	(18,150)	-	(18,150)
At December 31, 2019	**24,383**	**800**	**25,183**
Impairment	(26,170)	-	(26,170)
Foreign exchange	1,787	-	1,787
At December 31, 2020	**-**	**800**	**800**
Accumulated amortization			
At January 1, 2019	(106,361)	(778)	(107,138)
Amortization for the year	(57,203)	(22)	(57,226)
Impairment	143,816	-	143,816
Foreign exchange	7,591	-	7,591
At December 31, 2019	**(12,156)**	**(800)**	**(12,956)**
Amortization for the year	(4,520)	-	(4,520)
Impairment	16,502	-	16,502
Foreign exchange	174	-	174
At December 31, 2020	**-**	**(800)**	**(800)**
Net book value			
At December 31, 2019	**12,226**	**-**	**12,226**
At December 31, 2020	**-**	**-**	**-**

9. Investment securities

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

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis, received a total of 10,000,000 common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction occurred in December 2019. Upon receipt of Xebra shares in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis in November 2018 and these shares were cancelled.

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

As they are not publicly traded, the fair value of the Xebra shares is estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds for a total carrying value of $1,040,582 at December 31, 2020. An unrealized loss of $1,096,807 (2019 - $ NIL) was recognized in 2020.

(Expressed in Canadian Dollars)

10. Loan receivable

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

Under the terms of the agreement, Omega acquired the assets on an as-is basis for consideration of $935,450. Consideration was paid through the discharge of certain loans (see note 11) from Omega and related parties to Organto in the amount of $428,782 (US$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of $77,185 (US$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. The fair value of the shares to be cancelled was determined to be $440,494, and the fair value of the loan payable was determined to be $66,174. The loan receivable was being accreted to face value over the 2 year term.

For presentation purposes, the Company has offset the amount owing to Omega (see note 11) against the amount owing from Omega and expensed the net balance of $47,351 in other income (loss) in 2020.

A continuity of the balance is shown below:

	($)
Balance at January 1, 2019	-
Loan issued	66,174
Accretion	3,843
Foreign exchange	(3,066)
Balance at December 31, 2019	**66,951**
Accretion	5,534
Foreign exchange	(1,691)
Offset of amount payable to Omega (note 11)	(23,443)
Expensed during year (note 19)	(47,351)
Balance at December 31, 2020	**-**

11. Loan due to Omega S.A.

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

This loan was partially settled when the Company sold its processing plant in Guatemala (see note 10). Under the terms of the sale agreement, part of the consideration paid was the discharge of US$175,348 of the loan from Omega leaving a balance owing of $30,320 (US$22,900). The Company made a payment of US$3,000 in October 2019 and a Company director paid US$1,500 in December 2019 leaving a balance of US$18,400 which is payable upon satisfaction of all terms of the sales agreement and within 5 business days after the Company completes an equity financing of at least $200,000.

For presentation purposes, the Company has offset this amount owing to Omega against the amount owing from Omega (see note 10) and expensed the net balance of $47,351 in other income (loss) in 2020 (Note 19).

(Expressed in Canadian Dollars)

A continuity of the balance is shown below:

	($)
Balance at January 1, 2019	270,212
Loan settled	(238,999)
Payments made by the Company	(3,936)
Payments made by a related party	(1,952)
Foreign exchange	(1,375)
Balance at December 31, 2019	**23,950**
Foreign exchange	(507)
Offset against receivable from Omega	(23,443)
Balance at December 31, 2020	**-**

12. Short-term loans payable

Secured interest-bearing loans

During 2019 the Company received $419,100 in short term loans from a number of parties including officers and directors. These loans were secured by a portion of the Company's investment securities bearing interest at an annual rate 12% for a term of six months. In February 2020 the Company issued 2,135,764 warrants in connection with the $419,100 of these secured interest-bearing loans. These warrants were exercisable for a period of 12 months at an exercise price of $0.065 per share.

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

The Company issued convertible debentures (note 15) to settle $73,500 and 1,200,000 common shares (note 16) to settle $60,000 of these loans. The remaining loans of $285,600 were repaid with cash.

Unsecured interest- bearing loans

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

In April 2019 the Company entered into an agreement to extend the remaining unsecured, interest bearing bridge loans for one year. In April 2020 the Company entered into a new agreement to extend these loans through March 15, 2021 and in June 2020 the maturity date was further extended to October 1, 2021. These loans now carry an annual interest rate of 12% and are subject to monthly principal and interest payments in the amount of $12,500 commencing July 2020. These loans are also subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company's investment securities.

As part of the April 2020 extension, the Company agreed to grant 1,500,000 warrants to the lender for a period of eighteen months with an exercise price of $0.065 per share, subject to the policies of the TSX-V related to payments of principal amounts to which the warrants apply. These warrants were issued in July 2020 and have a total fair value of $70,500 which was expensed as a financing cost in the current period. The fair value was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield. Accrued interest of $2,919 is recorded in accrued liabilities.

Combined regular and lump sum payments in 2020 totalled $213,783 with $167,650 applied to principal and $46,133 for interest. In October 2020, the lender exercised the 1,500,000 warrants issued in July 2020 and the cost to exercise these warrants of

$97,500 was applied towards the principal amount of the outstanding loans. A foreign exchange loss of $2,174 was realized on the loan payments made during the year.

As at December 31, 2020, $295,954 of unsecured interest-bearing loans remain outstanding. See note 28.

Unsecured non-interest-bearing loans

During 2018 and 2019 the Company received $364,785 in short term loans from a number of parties including officers and directors, some of which were denominated and repayable in US dollars and Euros. These loans had no fixed terms of repayment. During 2019 $55,000 of the loans were assumed by Xebra (note 9) and the Company repaid $94,085 and converted $91,500 of the loans into secured interest bearing loans. A foreign exchange loss of $4,475 was realized on these loans in 2019.

During 2020 the Company received $484,070 in cash and converted $72,603 of accounts payable into short term loans, some of which were denominated in US dollars and Euros. These loans had no fixed terms of repayment. During 2020 the Company repaid $410,700 and settled $284,150 of the loans by issuing convertible debentures (note 15). A foreign exchange loss of $25,415 was realized on these loans in 2020.

Xebra promissory notes

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

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

		December 31,	
		2020	2019
Maturity date	**Interest rate**	**($)**	**($)**
Secured interest-bearing loans			
April 24, 2020	12%	-	55,000
July 3, 2020	12%	-	196,500
October 3, 2020	12%	-	95,000
December 13, 2020	12%	-	72,600
		-	419,100
Unsecured interest-bearing loans			
October 1, 2021	12%	295,954	558,199
Unsecured non-interest-bearing loans			
No fixed maturity date	0%	-	119,725
Total short-term loans payable		**295,954**	**1,097,024**

(Expressed in Canadian Dollars)

A continuity of loan balances is shown below:

	($)
Balance at December 31, 2018	926,387
New loans	1,129,737
Loans settled	(171,338)
Principal repaid	(183,288)
Loans forgiven (note 9)	(600,000)
Foreign exchange	(4,474)
Balance at December 31, 2019	**1,097,024**
New loans	484,070
Principal repaid	(974,314)
To settle accounts payable	72,603
Convertible debenture issued	(357,650)
Common shares issued	(60,000)
Foreign exchange	34,221
Balance at December 31, 2020	**295,954**

13. Bank loan

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US$500,000. Interest was payable monthly at 12% on any funds borrowed. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. In June 2020 the credit facility was increased to US$1,000,000. The credit facility was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the credit facility. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the credit facility. The market value of the 27,100,000 common shares issued was $4,471,500 and the difference between the market value of the shares and the face value of the debentures of $3,116,500 was recorded as a loss on the settlement of the bank loan (Note 16).

In December 2020, a new revolving credit facility with a term of 2 years was established with the same bank for US$750,000 and the full amount was drawn. Interest is payable monthly at 8% annually. This credit facility is guaranteed by a convertible debenture which may be issued at the Company's option in order to settle the principal amount borrowed. Costs incurred to issue the loan and associated security have been deducted from proceeds and will be amortized during the two year life of the loan. A total of 3,210,500 common shares can be issued under the security in order to settle the principal amount borrowed.

A continuity of the balance is shown as follows:

	($)
Balance at January 1, 2019	-
Proceeds from 12% credit facility	1,325,063
Payments made for 12% credit facility	(660,220)
Foreign exchange	(13,949)
Balance at December 31, 2019	**650,894**
Proceeds from 12% credit facility	1,362,369
Payments made to 12% credit facility	(672,916)
Settled with shares by way of convertible debentures	(1,355,000)
Proceeds from 8% credit facility	962,625
Loan issue costs	(126,129)
Foreign exchange	7,608
Carrying value at December 31, 2020	**829,454**

14. CEBA loan

The Company received proceeds of $40,000 in September 2020 and an additional $20,000 in December 2020 under the Canada Emergency Business Account ("CEBA") program. The loan is a 0% interest bearing loan with no principal payments required. The loan can be repaid at any time and $20,000 of the loan will be forgiven if repaid in full before December 31, 2022. If not repaid by December 31, 2022, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2023.

15. Convertible debentures

May 2022 series

In May 2020 the Company completed a private placement of convertible debentures with a total face value of $720,300. The debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures are convertible into shares of Organto at $0.05 per share in the first 12 months and $0.10 thereafter. Interest is not convertible. The holder may convert all or part of the debentures at any time. The Company has the right to force conversion of the debentures.

The Company calculated $684,254 as the fair value of the debt component of the debentures, with the residual amount of $36,046 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two year term.

Certain of the debentures were issued to settle the Company's accounts payable and short-term loans payable and accrued interest. A total of $22,430 in finders fees was paid in cash and was allocated to the liability and the equity components of the debentures. The finders were also issued 223,300 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.10 for a period of two years. The total fair value of these finders warrants was insignificant.

Debentures with a face value of $665,300 were converted in 2020 resulting in the issuance of 13,306,000 common shares. Accrued interest of $29,336 was paid in cash. Accrued interest of $8,366 is recorded in accrued liabilities.

December 2022 series

In December 2020 the Company completed a private placement of convertible debentures with a total face value of $3,356,850. The debentures are unsecured and have a term of two years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance

The debentures are convertible into shares of Organto at $0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2021, the closing price of the Company's shares exceeds $0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company initially recorded $3,076,872 as the fair value of the debt component of the debentures, with the residual amount of $279,978 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two year term.

A total of $191,775 in finder's fees was allocated to the liability and the equity components of the debentures, of which $126,084 was paid in cash. The finders were also issued 420,280 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.30 for a period of two years. These finder warrants have a total fair value of $65,691 which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield.

Accrued interest of $1,472 is recorded in accrued liabilities.

(Expressed in Canadian Dollars)

A summary of the convertible debt is as follows:	($)
Convertible debentures issued for:	
Cash	3,517,457
To settle accounts payable	201,550
To settle short term loans	357,093
To settle accrued interest	1,050
	4,077,150
Allocated to equity component	(298,907)
Transaction costs	(197,088)
Accretion	61,652
Converted	(673,680)
Balance at December 31, 2020	**2,969,127**

See note 28.

16. Share capital

(a) Common shares

The Company is authorized to issue an unlimited common shares without par value. At December 31, 2020 the Company had 243,647,951 (December 31, 2019 – 165,016,934) common shares issued and outstanding. Included in issued common shares are 5,873,257 common shares to be cancelled upon the completion of documentation pertaining to the sale of the Company's processing plant and related assets in Guatemala (see note 10).

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

In December 2019, upon receipt of Xebra shares (note 9), the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued and these shares were cancelled.

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

In May 2020 the Company initiated a non-brokered private placement of 30,077,900 units in two tranches. Each unit consisted of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.10 for a period of two years. If, at any time after four months from the date of issue, the closing price of the Company's common shares as traded on the TSX-V was equal to or greater than $0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate expiry of the warrants to the earlier of: (i) the 30th day after the date on which such notice is given; and the original expiry date of the warrants.

In May 2020 the Company closed the first tranche of its non-brokered private placement and issued 14,000,000 units for gross proceeds of $700,000. The Company applied the residual method to account for the issuance of the warrants and recorded $70,000 in reserves (note 16 (e)).

In June 2020 the Company closed the second and final tranche of its non-brokered private placement and issued 16,077,900 units for gross proceeds of $803,895 of which 1,200,000 units were issued to settle short term loans of $60,000 (note 12). The Company applied the residual method to account for the issuance of the warrants and recorded $nil in reserves as the full value of the proceeds have been allocated to share capital.

(Expressed in Canadian Dollars)

In October 2020 the Company settled $84,080 of accounts payable by issuing 990,795 common shares.

In October 2020 the Company issued 2,204,872 common shares on the exercise of warrants. No cash proceeds were received, instead the $143,317 proceeds were applied to the principal amounts of certain short-term loans. In December 2020 the Company issued 4,951,450 common shares on the exercise of warrants. Cash proceeds of $465,145 were received and $19,500 was applied to settle certain accounts payable.

Debentures with a face value of $665,300 were converted in 2020 resulting in the issuance of 13,306,000 common shares (note 15).

In November and December 2020 the bank loan of $1,355,000 was settled by way of convertible debentures and 27,100,000 common shares with a fair value of $4,471,500 were issued (note 13).

In December 2020 the Company agreed to issue 2,000,000 shares to certain officers as a signing bonus. These shares having a fair value of $512,500 were issued subsequent to December 31, 2020.(Note 28)

See note 28.

(b) Share options

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

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

5,880,000 share options were granted during the year ended December 31, 2020. 1,391,000 share options vested in 2020, 1,866,000 share options will vest in 2021, 1,191,000 in 2022, and 716,000 in both 2023 and 2024.

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

	Total options		Exercisable options	
	Total options	**Weighted average exercise price ($)**	**Exercisable options**	**Weighted average exercise price ($)**
Balance, January 1, 2019	12,430,000	0.16	6,422,917	0.18
Granted	5,475,000	0.07	1,361,250	0.07
Forfeited	(4,321,666)	0.156	(3,016,250)	0.167
Expired	(573,334)	0.146	(573,334)	0.142
Vested	-	-	1,909,167	0.136
Balance at December 31, 2019	**13,010,000**	**0.124**	**6,103,750**	**0.147**
Granted	5,880,000	0.155	1,191,000	0.158
Vested	-		3,158,750	0.087
Forfeited	(1,000,000)	0.18	-	-
Expired	(1,565,000)	0.191	(1,565,000)	0.191
Balance at December 31, 2020	**16,325,000**	**0.125**	**8,888,500**	**0.119**

(Expressed in Canadian Dollars)

A summary of the Company's share options outstanding and exercisable at December 31, 2020 is as follows:

Exercise price ($)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	3.96	5,725,000	3,617,500
0.08	3.42	150,000	60,000
0.10	4.12	3,280,000	841,000
0.135	2.95	2,825,000	1,995,000
0.15	2.49	600,000	360,000
0.18	2.29	1,845,000	1,620,000
0.265	4.98	1,900,000	395,000
	3.69	**16,325,000**	**8,888,500**

The Company recognizes stock based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in 2020 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 119-123%, risk free interest rates of 0.30%-0.52%, expected lives of 1-5 years and no dividend yield. The fair value of the options granted in 2019 was calculated using the Black-Scholes Options Pricing model with the following inputs: expected price volatility of 117-120%, risk free interest rates of 1.31%-1.57%, expected lives of 5 years and no dividend yield. The fair value of the options granted in 2018 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 121-128%, risk free interest rate of 1.90%, expected life of 5 years and no dividend yield.

The fair value of the options granted in 2020 was $628,060 (2019 - $266,625) and the Company recognized $400,032 in 2020 (2019 - $275,047) as stock based compensation expense.

(c) Warrants

In February 2020, the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants were exercisable for a period of 12 months at an exercise price of $0.065 per share (note 12). The fair value of these warrants was nominal.

In May 2020, the Company issued 223,300 warrants in connection with the convertible debentures issued in May 2020 (note 15). These warrants are exercisable for a period of two years at an exercise price of $0.10 per share. The fair value of these warrants of $4,466 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield. The value of these warrants was expensed as a financing cost during the year.

In May 2020 the Company issued 7,000,000 warrants in connection with the first tranche of the non-brokered private placement of shares completed in May 2020 (note 16 (a)). These warrants were originally exercisable for a period of two years at an exercise price of $0.10 per share and were subject to an accelerated expiry provision. This provision was applied in December 2020, changing the expiry date to January 2021. The Company applied the residual method to account for the issuance of the warrants and recorded their fair value of $70,000 in reserves (note 16 (e)).

In June 2020 the Company issued 8,038,950 warrants in connection with the second and final tranche of the non-brokered private placement of shares completed in June 2020 (note 16 (a)). These warrants were originally exercisable for a period of two years at an exercise price of $0.10 per share and were subject to an accelerated expiry provision. This provision was applied in December 2020, changing the expiry date to January 2021. The Company applied the residual method to account for the issuance of the warrants and calculated their fair value of $nil.

(Expressed in Canadian Dollars)

In July 2020, the Company issued 1,500,000 warrants as part of the agreement reached in April 2020 to extend the unsecured interest-bearing loans originally issued in 2018. These warrants are exercisable for a period of 18 months at an exercise price of $0.065 per share (note 12). The fair value of these warrants of $70,500 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield. The value of these warrants was expensed as a financing cost during the year.

In December 2020, the Company issued 420,280 warrants in connection with the convertible debentures issued in December 2020 (note 15) and 192,630 warrants in connection with the 8% credit facility established in December 2020 (note 13). These warrants are exercisable for a period of two years at an exercise price of $0.30 per share. The fair value of these warrants of $95,800 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield. The value of these warrants was recorded as issue costs for the debentures and bank loan and is recorded as offsets to the bank loan and convertible debenture balances and will be amortized over their expected two year terms.

Warrants outstanding and exercisable at December 31, 2020 as follows:

Grant date	Number of warrants	Exercise price ($)	Expiry Date
March 2020	1,130,892	0.065	March 2021
May 2020	223,300	0.10	May 2022
May 2020	7,000,000	0.10	January 2021
June 2020	3,387,500	0.10	January 2021
December 2020	612,910	0.30	December 2022
	12,354,602	**0.107**	

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

	Number of warrants	Weighted average exercise price ($)
Balance at January 1, 2019	51,590,378	0.17
Expired	(46,090,378)	0.16
Balance at December 31, 2019	**5,500,000**	**0.20**
Issued	19,510,924	0.10
Exercised	(7,156,322)	0.088
Expired	(5,500,000)	0.20
Balance at December 31, 2020	**12,354,602**	**0.107**

See note 28.

(d) Loss per share

	Year ended December 31, 2020 (#)	2019 (#)
Weighted average common shares – basic and diluted	186,075,100	168,257,538

(Expressed in Canadian Dollars)

(e) Reserves

	Options ($)	Warrants ($)	Other reserves ($)	Cumulative translation ($)	Total ($)
Balance, January 1, 2019	793,080	235,471	592,513	746,332	2,367,396
Stock-based compensation	275,047	-	-	-	275,047
Accumulated comprehensive income	-	-	-	94,993	94,993
Balance at December 31, 2019	**1,068,127**	**235,471**	**592,513**	**841,325**	**2,737,436**
Stock-based compensation	400,032	-	-	-	400,032
Fair value of warrants issued	-	240,766	-	-	240,766
Conversion option of convertible debentures	-	-	295,658	-	295,658
Accumulated comprehensive loss	-	-	-	(104,073)	(104,073)
Balance at December 31, 2020	**1,468,159**	**476,237**	**888,171**	**737,252**	**3,569,819**

17. Cost of sales

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Produce purchases	9,211,920	2,977,917
Materials and transportation	1,033,993	485,663
Other	129,181	28,166
	10,375,094	**3,491,746**

18. Selling, general and administration expenses

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Administration and office	555,881	387,148
Professional fees	241,059	382,554
Overhead and operating	6,098	71,951
Bad debt expense	35,174	33,169
	838,212	**874,822**

19. Other loss (income)

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Revaluation of advances to third-party producers and service providers	17,575	48,053
Revaluation of insurance claim receivable	(31,279)	317,031
Revaluation (recovery) of GST and VAT	10,980	(37,695)
Sale of dormant subsidiary	(6,052)	-
Revaluation of net receivable from Omega (notes 10 and 11)	47,351	-
Revaluation of packing material inventory	-	58,524
Refund of management fees	-	(90,195)
	38,575	**295,718**

(Expressed in Canadian Dollars)

20. Gain (loss) on settlement of debt

	Year ended December 31, 2020 ($)	2019 ($)
Loss on shares for bank loan settlement (note 13)	(3,116,500)	-
Loss on shares for debt settlement (note 16(a))	-	(18,382)
Gain on settlement of accounts payable	183,478	6,000
Forgiveness of accrued interest on partial settlement of Omega loan (note 11)	-	15,066
	(2,933,022)	**2,684**

21. Gain from discontinued operations

The Company sold its shares of Medicannabis in June 2019 (see note 9). The gain from discontinued operations was calculated as:

	Year ended December 31, 2020 ($)	2019 ($)
Xebra shares (7,124,630 shares at $0.30 per share)	-	2,137,389
Cash	-	321,077
Promissory notes forgiven	-	600,000
Organto shares to be cancelled	-	1,193,846
Total proceeds	-	4,252,312
Intangible assets sold	-	(1,325,227)
Gain on sale of subsidiary	-	2,927,085
Operating costs:		
Administration and office	-	(46,411)
Professional fees	-	(242,097)
Overhead and operating	-	(53,324)
Labour costs and benefits	-	(27,744)
	-	**2,557,509**

22. Related party transactions

(a) Directors and key management personnel compensation:

	Year ended December 31, 2020 ($)	2019 ($)
Salaries, consulting and management fees	561,061	509,198
Short-term employee benefits	-	19,779
Stock based compensation	770,573	238,427
	1,331,634	**767,404**

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

(Expressed in Canadian Dollars)

(b) Transactions with related parties:

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Management and administrative services from companies with common directors or officers	562,705	270,674
Product purchases from a company with a common officer	23,606	12,449
Product sales to a company with a common officer	83,441	257,472
	669,752	**540,595**

(c) Outstanding balances included in accounts payable:

	December 31, 2020 ($)	December 31, 2019 ($)
Salaries, consulting and management fees	895,953	503,237
Administration services	111,227	114,108
Expense reimbursements	598	76,473
Product purchases	-	2,753
Balance, end of year	**1,007,777**	**696,571**

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

	December 31, 2020 ($)	December 31, 2019 ($)
Sales of product	-	46,139
Balance, end of year	-	**46,139**

(e) Loans from directors and key management personnel:

	($)
Balance at January 1, 2019	107,648
Loans received	394,737
Loans repaid	(160,107)
Foreign exchange	6,549
Balance at December 31, 2019	**348,827**
Loans received	346,922
Loans repaid	(436,115)
Loans settled with convertible debentures	(285,047)
Foreign exchange	25,413
Balance at December 31, 2020	**-**

(Expressed in Canadian Dollars)

23. Supplemental cash flow information

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Changes in non-cash working capital		
Receivables	(749,808)	12,933
Inventories	38,238	(69,204)
Prepaid expenses	(475,739)	(148,912)
Accounts payable and accrued liabilities	614,138	94,269
	(573,171)	**(110,914)**

Non-cash investing and financing activities includes the following:

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Common shares issued:		
to settle accounts payable	84,080	-
to settle bank loan	4,471,500	-
to settle short-term loans payable	162,817	-
as part of Medicannabis acquisition	-	1,193,846
Common shares to be cancelled:		
as part of the sale of the processing plant in Guatemala	-	(440,494)
as part of the sale of Medicannabis	-	(1,193,846)
Convertible debentures issued		
to settle short-term loans payable	357,093	-
to settle accrued interest	1,050	-
to settle accounts payable	201,550	141,930
Accounts payable settled with short term loans	72,603	-
Loans settled:		
as part of the sale of the processing plant in Guatemala	-	428,782
as part of the sale of Medicannabis	-	600,000

24. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging and distribution of organic and specialty food products. One significant customer accounts for 14% of sales (year ended December 31, 2019 – 60%). All of the Company's sales and customers are in Europe.

Information by geographical areas is as follows:

	December 31, 2020 ($)	December 31, 2019 ($)
Non-current assets		
Canada	1,040,582	2,204,340
Europe	-	12,226
	1,040,582	**2,216,566**

(Expressed in Canadian Dollars)

25. Commitments

At December 31, 2020 the Company had entered into agreements with service providers which call for minimum payments as follows:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
	140,625	-	-	140,625
Administration fees	2,344	-	-	2,344
Management fees	**142,969**	**-**	**-**	**142,969**

26. Financial risk and capital management

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at December 31, 2020 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

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

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

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2020, the Company had working capital of $2,580,088 (2019 – deficiency of $4,027,532). Liquidity risk is assessed as high.

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

(c) Market risks – interest rate

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

<u>Sensitivity analysis</u>

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

As the Company's presentation currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Guatemalan Quetzal and Argentine Peso are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on the Company's profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net loss by approximately $195,000.

Capital management

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

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

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

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

Fair value

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

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

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

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

- the fair value of cash is based on level 1 inputs and approximates its carrying value due to the immediate or short-term maturity of these financial instruments;
- the fair value of the Company's investment securities, which are not publicly traded, was estimated using level 2 inputs being the price of recent or in-progress funding involving financing from external investors; and
- the fair value of the liability component of the Company's convertible debentures was based on level 2 inputs.

(Expressed in Canadian Dollars)

27. Income taxes

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

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Net income (loss) for the year	(7,054,745)	10,411
Statutory tax rate	27%	27%
Income taxes (recovery) computed at statutory rates	(1,904,800)	2,800
Foreign tax differences, rate changes, foreign exchange	1,500	57,900
Expiry of non-capital losses carried forward	1,500	150,500
Non-deductible items	263,000	(692,700)
Share issue costs and other	(12,000)	(24,600)
Change in valuation allowance of deferred taxes	1,650,800	506,100
	-	-

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant component of unrecognized deferred income tax assets at December 31, 2020 and 2019 are as follows:

	December 31, 2020 ($)	December 31, 2019 ($)
Net operating losses carried forward	5,680,400	3,981,800
Share issue costs	13,700	43,200
Equipment and other	746,300	764,600
Total unrecognized deferred income tax assets	**6,440,400**	**4,789,600**

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

	December 31, 2020 ($)
Canada - expires between 2029 and 2040	13,526,500
Netherlands - expires between 2022 and 2026	7,035,200
Argentina - expires between 2021 and 2025	379,300
Mexico - expires between 2028 and 2030	519,200
	21,460,200

28. Subsequent events

Acquisition of Fresh Organic Choice

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

Unsecured interest-bearing loans

In January 2021 the Company paid the remaining amount owing for the unsecured interest-bearing loans of $295,954 together with $2,919 in accrued interest (note 12).

Exercise of warrants

In January and February 2021 a total of 11,540,892 common shares were issued on the exercise of warrants for proceeds of $1,114,508.

Convertible debentures

In January 2021 convertible debentures with a face value of $310,000 were issued for net proceeds of $291,400 after finders fees. These debentures are unsecured and have a term of two years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance. The debentures are convertible into common shares of Organto at $0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after 4 months from the date of issuance, the closing price of the Company's shares exceeds the conversion price by $0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures. In connection with these debentures, the Company issued 62,000 finders warrants with each warrant entitling the holder to purchase one common shares at a price of $0.30 for a period of two years.

In February 2021 convertible debentures originally issued in May 2020 with a face value of $55,000 were converted and 1,100,000 common shares were issued (Note 15).

Cancellation of shares

In January 2021 the Company completed the documentation related to the sale of the Company's former processing assets located in Guatemala and 5,873,357 common shares were cancelled. Part of the proceeds from the sale of these processing assets included the cancellation and return to treasury of 5,873,357 common shares of the Company (Note 10).

Stock options

In January and February 2021 the Company granted a total of 1,000,000 options at prices between $0.285 and $0.42 and with terms of five years. 230,000 of these options vested immediately and the balance will vest between 2021 and 2025.

Restricted share units

At its annual general meeting of shareholders in December 2020 the Company's disinterested shareholders approved the implementation of the Company's Restricted Share Unit plan. In January and February 2021 the Company issued 1,300,000 restricted share units to directors. These units vest 25% immediately and 25% each six months thereafter.

Bonus shares

In April 2021 the Company issued 2,000,000 common shares to certain officers as a signing bonus (Note 16)