

ORGANTO FOODS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**For the Three Months Ended
March 31, 2021**

(Stated in Canadian Dollars)

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-102 Continuous Disclosure Obligations of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three months ended March 31, 2021, which follow this notice, have not been reviewed by an auditor.

Organto Foods Inc.Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)

	March 31, 2021 (\$)	December 31, 2020 (\$)
Assets		
Current assets		
Cash	3,629,677	4,133,730
Receivables (note 3)	1,299,181	915,203
Inventories (note 4)	65,565	40,163
Prepaid expenses (note 5)	1,161,170	641,390
	6,155,593	5,730,486
Non-current assets		
Investment securities (note 6)	1,040,582	1,040,582
Goodwill (note 7)	478,272	-
	7,674,447	6,771,068
Liabilities and shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 15(c))	3,344,212	2,854,444
Short-term loans payable (note 8)	-	295,954
	3,344,212	3,150,398
Non-current liabilities		
Bank loan (note 9)	833,969	829,454
CEBA loan (note 10)	60,000	60,000
Convertible debentures (note 11)	3,258,768	2,969,127
	7,496,949	7,008,979
Shareholders' deficit		
Share capital (note 12(a))	25,306,510	24,344,434
Shares to be issued (note 12(a) and 19)	512,500	72,006
Reserves (note 12(e))	3,830,422	3,569,819
Deficit	(29,471,934)	(28,224,170)
	177,498	(237,911)
	7,674,447	6,771,068

Nature of operations and going concern (note 1)

Commitments (note 18)

Subsequent events (note 19)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited - expressed in Canadian Dollars)

	Three months ended	
	March 31	
	2021	2020
	(\$)	(\$)
Sales (note 17)	4,773,062	1,609,820
Cost of sales (note 13)	4,315,247	1,449,343
Gross profit	457,815	160,477
Selling, general and administration expenses (note 14)	363,905	186,494
Management fees (note 15(a))	232,468	148,449
Labour costs and benefits	561,369	187,622
Stock-based compensation (notes 12(b) and 12(c))	296,697	63,764
	(996,624)	(425,852)
Interest expense and accretion, net	(216,341)	(64,941)
Other income	7,000	5,821
Foreign exchange loss	(41,799)	(158,726)
Net loss for the period	(1,247,764)	(643,698)
Other comprehensive loss for the period:		
Foreign currency translation	(41,141)	(32,790)
Comprehensive loss for the period	(1,288,905)	(676,488)
Loss per share (note 12(e))		
Basic and diluted	(0.01)	(0.00)

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

Organto Foods Inc.Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian Dollars)

	Three months ended March 31	
	2021	2020
	(\$)	(\$)
Operating activities		
Net loss for the period	(1,247,764)	(643,698)
Items not involving cash		
Amortization	-	1,102
Stock-based compensation	296,697	63,764
Interest expense and accretion	216,341	40,563
Foreign currency translation	(50,836)	40,759
Cash used in operating activities before changes in non-cash working capital	(785,562)	(497,510)
Changes in non-cash working capital (note 16)	(648,664)	472,719
Cash used in operating activities	(1,434,226)	(24,791)
Investing activities		
Cash paid to purchase Fresh Organic Choice BV	(228,200)	-
Net assets acquired on purchase of Fresh Organic Choice BV	119,060	-
Cash used in investing activities	(109,140)	-
Financing activities		
Proceeds from convertible debentures, net of issue costs	292,000	-
Proceeds from exercise of warrants	1,114,508	-
Proceeds from bank loan, net of issue costs	-	680,367
Repayments of bank loan	-	(680,367)
Proceeds from short term loans	-	349,920
Repayments of short term loans	(295,954)	(288,328)
Interest paid	(69,686)	(20,715)
Cash from financing activities	1,040,868	40,877
Effect of foreign exchange on cash	(1,555)	4,243
Increase (decrease) in cash	(504,053)	20,329
Cash, beginning of period	4,133,730	54,565
Cash, end of period	3,629,677	54,565

Supplemental cash flow information (note 16)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2020	165,016,934	17,061,697	(440,494)	2,737,436	(21,169,425)	(1,810,786)
Stock-based compensation	-	-	-	63,764	-	63,764
Comprehensive income for the period	-	-	-	(32,790)	(643,698)	(676,488)
Balance at March 31, 2020	165,016,934	17,061,697	(440,494)	2,768,410	(21,813,123)	(2,423,510)
Balance at January 1, 2021	243,647,951	24,344,434	72,006	3,569,819	(28,224,170)	(237,911)
Stock-based compensation	-	-	-	296,697	-	296,697
Exercise of warrants	11,540,892	1,114,508	-	-	-	1,114,508
Shares issued on purchase of Fresh Organic Choice BV	839,570	233,062	-	-	-	233,062
Shares issued on conversion of debentures	1,100,000	55,000	-	(2,809)	-	52,191
Shares cancelled as part of sale of processing plant	(5,873,357)	(440,494)	440,494	-	-	-
Conversion option of convertible debentures	-	-	-	7,856	-	7,856
Comprehensive loss for the period	-	-	-	(41,141)	(1,247,764)	(1,288,905)
Balance at March 31, 2021	251,255,056	25,306,510	512,500	3,830,422	(29,471,934)	177,498

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

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging, distribution and marketing of fresh organic and non-GMO vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and non-GMO 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 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. In addition, consumers may decrease their level of purchasing activity, which would also adversely impact the Company's 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 condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At March 31, 2021, the Company had working capital of \$2,811,381 (December 31, 2020 - \$2,580,088) and an accumulated deficit of \$29,471,934 (December 31, 2020 - \$28,224,170). 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2020.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 27, 2021.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

3. Receivables

	March 31, 2021 (\$)	December 31, 2020 (\$)
Trade receivables	1,259,583	861,446
VAT recoverable	33,642	2,471
Insurance claims receivable	-	35,973
Other	5,956	15,313
	1,299,181	915,203

4. Inventories

	March 31, 2020 (\$)	December 31, 2019 (\$)
Finished goods	65,565	40,163
	65,565	40,163

5. Prepaid expenses

	March 31, 2020 (\$)	December 31, 2019 (\$)
Advances to third-party producers	1,070,403	635,223
Prepaid insurance	36,667	6,167
Other advances and retainers	54,101	-
	1,161,170	641,390

6. 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.

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 March 31, 2021 (December 31, 2020 - \$1,040,582).

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

7. Goodwill

In January 2020, the Company purchased 100% of the outstanding shares of Fresh Organic Choice BV ("Fresh Organic Choice"), a privately held Dutch corporation and a provider of a wide range of year-round fresh cut organic herbs, marketed under the Fresh Organic Choice brand and sold throughout Europe. Purchase consideration was made up of 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.

The allocation of the purchase price is as follows:

	(\$)
Cash paid	228,200
Shares issued	233,063
Fair value of earn-out payments	136,069
Total consideration	597,332
Net assets acquired:	
Cash	68,114
Accounts receivable	290,647
VAT receivable	47,312
Inventories	33,748
Goodwill	478,272
Accounts payable and accrued liabilities	(320,761)
	597,332

The financial statements of Fresh Organic Choice are included in the consolidated financial statements of the Company from January 15, 2021, that date being the date that Organto's control of Fresh Organic Choice commenced. As a result of the purchase price allocation for the Fresh Organic Choice acquisition, the Company recognized goodwill of \$478,272. Fair value of the earn-out payments was calculated using the present value of the anticipated future payments, discounted at 13% and is recorded in accrued liabilities. Carrying value of the earn-out payments will be accreted over the next three years or until fully paid.

The purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed based on management's best estimates taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared. The Company will continue to review information and perform further analysis with respect to these assets, prior to finalizing the allocation of the purchase price.

Legal costs related to the acquisition of \$17,700 have been charged to professional fees in selling, general and administrative expenses and employee costs of \$27,900 have been charged to labour and benefits in the consolidated income statement for the three months ended March 31, 2021.

The acquisition method of accounting was used to account for the acquisition of Fresh Organic Choice. Under this method, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date and the excess of the cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

8. Short-term loans payable

During the year ended December 31, 2018 the Company received \$647,402 in interest-bearing loans from insiders and certain shareholders. These loans were unsecured and bore interest at rates between 0 and 8%. In 2019 the interest rate was changed to 8% on these loans and in 2020 the interest rate was again changed to 12% on these loans. At December 31, 2020 the balance remaining on these loans totalled \$295,954 and this amount, together with accrued interest, was paid in January 2021.

A continuity of loan balances is shown below:

	(\$)
Balance at January 1, 2020	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
Principal repaid	(295,954)
Balance at March 31, 2021	-

9. Bank loan

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

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:

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

	<u>(\$)</u>
Balance at January 1, 2020	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
Balance at December 31, 2020	829,454
Amortization of loan issue costs	15,765
Foreign exchange	(11,250)
Carrying value at March 31, 2021	833,969

10. 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.

11. 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 were unsecured and had a term of two years and bore interest at 10% annually, payable in arrears beginning one year after their date of issuance. The 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 holder could convert all or part of the debentures at any time and the Company had the right to force conversion of the debentures.

Debentures with a face value of \$665,300 were converted in 2020 resulting in the issuance of 13,306,000 common shares. The remaining debentures with a face value of \$55,000 were converted in January 2021 resulting in the issuance of 1,100,000 common shares.

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 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.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

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.

January 2023 series

In January 2021 the Company completed a private placement of convertible debentures with a total face value of \$310,000. 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 May 5, 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 recorded \$284,144 as the fair value of the debt component of the debentures, with the residual amount of \$25,856 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.

Transaction costs associated with the January 2023 debentures were recorded in 2020 together with the costs associated with the December 2022 series.

Accrued interest on all outstanding debentures of \$76,760 is recorded in accrued liabilities.

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
	<hr/> 4,077,150
Allocated to equity component	(298,907)
Transaction costs	(197,088)
Accretion	61,652
Converted	(673,680)
	<hr/>
Balance at December 31, 2020	2,969,127
Convertible debentures issued for cash	310,000
Allocated to equity component	(25,856)
Accretion	57,688
Converted	(52,191)
	<hr/>
Balance at March 31, 2021	3,258,768

See note 19.

12. Share capital

(a) Common shares

The Company is authorized to issue an unlimited common shares without par value. At March 31, 2021 the Company had 251,255,056 (December 31, 2020 - 243,647,951) common shares issued and outstanding.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

In March 2021 the Company signed an exclusive supply agreement with a Mexican supplier of organic avocados and in order to obtain exclusive rights, a total of 1,000,000 common shares may be issued to the supplier over the term of the agreement based on the delivery of minimum annual volume targets. The issuance of these shares under the supply agreement is subject to the acceptance of the TSX Venture Exchange.

In January 2021 the Company completed the documentation related to the 2019 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.

In December 2020 the Company agreed to issue 2,000,000 shares to certain officers as a signing bonus. These shares had a fair value of \$512,500 and were issued subsequent to March 31, 2021 (note 19).

(b) Share options

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

1,000,000 share options were granted during the three months ended March 31, 2020. 230,000 of these share options vested immediately on grant and 150,000 will vest later in 2021, 380,000 will vest in 2022 and 80,000 will vest in each of 2023, 2024 and 2025.

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, 2020	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
Granted	1,000,000	0.326	230,000	0.329
Vested	-	-	425,000	0.10
Balance at March 31, 2021	17,325,000	0.137	9,543,500	0.124

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

A summary of the Company's share options outstanding and exercisable at March 31, 2021 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	3.71	5,725,000	3,617,500
0.08	3.18	150,000	60,000
0.10	3.87	3,280,000	1,266,000
0.135	2.70	2,825,000	1,995,000
0.15	2.25	600,000	360,000
0.18	2.04	1,845,000	1,620,000
0.265	4.73	1,900,000	395,000
0.285	4.82	700,000	155,000
0.42	4.91	300,000	75,000
	3.52	17,325,000	9,543,500

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 2021 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 120%, risk free interest rates of 0.33%-0.58%, expected lives of 5 years and no dividend yield.

The fair value of the options granted in the first three months of 2020 was \$267,600 (2019 - nil) and the Company recorded \$208,541 in stock based compensation expense in 2020 (2019 - \$63,764).

(c) Restricted share units

In January 2021 the Company adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company has 2,500,000 RSUs reserved for issuance and the Company's Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors.

During the three months ended March 31, 2021 the Company granted 1,375,000 RSUs and recorded a stock based compensation expense of \$352,625. The fair value of each RSU is determined using the closing price of the common shares of the Company on the date of grant. The RSUs vest 25% immediately and 25% every six months thereafter.

At March 31, 2021 a total of 1,375,000 RSUs were outstanding, of which 343,750 had vested.

(d) Warrants

In January 2021, the Company issued 62,000 warrants in connection with the convertible debentures issued in January 2021 (note 11). 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 \$8,800 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

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

warrants was included with the issue costs for the debentures issued in December 2020. These costs were recorded in 2020 as an offset to the convertible debenture balances and will be amortized over their expected two year terms.

Warrants outstanding and exercisable at March 31, 2021 as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiry Date
May 2020	223,300	0.10	May 2022
December 2020	612,910	0.30	December 2022
January 2021	62,000	0.30	January 2023
	875,710	0.254	

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

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2020	5,500,000	0.17
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	0.20
Issued	62,000	0.30
Exercised	(11,540,892)	0.097
Balance at March 31, 2021	875,710	0.254

(e) Loss per share

	Three months ended March 31,	
	2021	2020
	(#)	(#)
Weighted average common shares – basic and diluted	251,255,056	165,016,934

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

(f) Reserves

	Options (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2020	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 income	-	-	-	(104,073)	(104,073)
Balance at December 31, 2020	1,468,159	476,237	888,171	737,252	3,569,819
Stock-based compensation	296,697	-	-	-	296,697
Conversion option of convertible debentures	-	-	5,047	-	5,047
Accumulated comprehensive income	-	-	-	(41,141)	(41,141)
Balance at March 31, 2021	1,764,856	476,237	893,218	696,111	3,830,422

13. Cost of sales

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Produce purchases	3,936,135	1,246,018
Materials and transportation	184,898	172,205
Labour costs and benefits	169,228	-
Other	24,987	31,120
	4,315,247	1,449,343

14. Selling, general and administration expenses

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Administration and office	282,175	120,380
Professional fees	81,730	65,012
Overhead and operating	-	1,102
	363,905	186,494

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended March 31, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

15. Related party transactions

- (a) Directors and key management personnel compensation:

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Salaries, consulting and management fees	213,439	128,040
Stock based compensation	224,222	56,909
	437,661	184,949

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three months ended March 31, 2021 and 2020.

- (b) Transactions with related parties:

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Management and administrative services from companies with common directors or officers	39,756	126,075
Product purchases from a company with a common officer	202,152	-
	241,908	126,075

- (c) Outstanding balances included in accounts payable:

	March 31,	December 31,
	2021 (\$)	2020 (\$)
Salaries, consulting and management fees	296,497	597,026
Administration services	5,622	143,451
Expense reimbursements	7,610	57,634
Product purchases	33,133	2,940
	342,862	801,050

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

	March 31,	December 31,
	2021 (\$)	2020 (\$)
Sales of product	-	49,266
	-	49,266

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

(e) Loans from directors and key management personnel:

	(\$)
Balance at January 1, 2020	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	-
Balance at March 31, 2021	-

16. Supplemental cash flow information

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Changes in non-cash working capital		
Receivables	(383,978)	(110,781)
Inventories	(25,402)	78,401
Prepaid expenses	(519,780)	80,492
Accounts payable and accrued liabilities	280,496	424,607
	(648,664)	472,719

Non-cash investing and financing activities includes the following:

	Three months ended March 31,	
	2021 (\$)	2020 (\$)
Common shares issued:		
as part of Fresh Organic Choice acquisition	233,063	-
Common shares cancelled:		
as part of the sale of the processing plant in Guatemala	(440,494)	-

17. 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 accounted for 12% of sales (2020 - 31%). All of the Company's sales and customers are in Europe.

Information by geographical areas is as follows:

	March 31, 2021 (\$)	December 31, 2020 (\$)
Non-current assets		
Canada	1,518,854	1,040,582
	1,518,854	1,040,582

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian Dollars)

18. Commitments

At March 31, 2021 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	178,346	-	-	178,346
Administration services	2,215	-	-	2,215
	180,561	-	-	180,561

19. Subsequent events

Stock options

In April 2021 a total of 235,000 options at prices between \$0.07 and \$0.18 were exercised for proceeds of \$31,350 and 400,000 options expired unexercised.

Bonus shares

In April 2021 the Company issued 2,000,000 common shares to certain officers as a signing bonus (note 12(a)).

Conversion of debentures

In May 2021 convertible debentures with a face value of \$87,000 were converted and 289,999 common shares were issued.