

## **ORGANTO FOODS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**For the Six Months Ended  
June 30, 2021**

**(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 and six-month periods ended June 30, 2021. This report should be read in conjunction with the Company's June 30, 2021 unaudited condensed interim consolidated financial statements and its December 31, 2020 audited annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and our website at [www.organto.com](http://www.organto.com).

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 June 30, 2021.

This MD&A is dated August 30, 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," "targets", "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;
- we have a history of negative cash flows from operating activities and may need to raise additional financing to fund 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;
- adverse weather conditions and/or natural disasters could impact costs and availability of our products;
- 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;
- impairment charges related to long-lived assets or goodwill could adversely affect our business;
- 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 bulk distributed products to meet these needs via an integrated business model with diverse sourcing, logistics, processing, packaging, 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 exited our own growing, processing and packaging operations in favor of strategic third-party growing, processing and packaging relationships, expanded our organic foods portfolio with the addition of a variety of organic fruits and vegetables, and increased our go-to-market channels to include branded, private label and bulk distributed product offerings.

This product and 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 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 and another 12.8% in 2020 to approximately US\$56.0 billion, growing at rates that are significantly faster than that of conventional products, and now represents approximately 6% of total food sales. It is estimated that 83% 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 global provider of fresh organic fruits and vegetables utilizing an integrated asset-light business model, serving a growing socially responsible and health-conscious consumer around the globe.

Our long-term growth strategy is to build an ethics driven “one-stop shop” in fresh organic and specialty fruits and vegetables fueled by a combination of strong internal growth and acquisitions. This long-term growth strategy is anchored by three core operational strategies: *Build Supply, Build Brands and Build Infrastructure*.

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

In hand with our private label and bulk 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 with the objective of linking consumer demand for visibility, transparency, sustainability and convenience with our product offering, utilizing an innovative digital passport technology which is planned to be 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 brands. 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 a number of 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 January 2021 we acquired 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 and in private label formats to customers throughout Europe. FORC employs a similar asset-light business model, with sourcing from a diverse group of European and African sources.

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 June 30, 2021:

	August 30, 2021	June 30, 2021
Common shares issued	258,813,591	254,361,427
Share purchase options outstanding (\$0.07-\$0.42)	16,795,000	16,645,000
Restricted share units	1,375,000	1,375,000
Warrants (\$0.10-\$0.30)	747,670	772,670

See “Liquidity and Capital Resources” for further information.

## RECENT DEVELOPMENTS

### Corporate

In July 2021 we announced that we have filed a final short-form base shelf prospectus with the securities regulators in each province and territory of Canada. The final shelf prospectus allows us to make offerings of common shares, debt securities, convertible securities, warrants and subscription receipts, or any combination thereof, of up to \$50-million for a period of 25 months from the date of filing. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which will be set forth in a prospectus supplement to be filed in connection with any offering of securities pursuant to the final shelf prospectus. We have filed this final shelf prospectus with a view to maintaining financial flexibility as we advance our organic and value-added fruits and vegetables platform, but we have no immediate intentions to undertake an offering.

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 joining the Board to guide 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 and in private label formats, 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 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, processing and packaging operations, 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 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, herbs, limes, 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, with plans to relaunch our I AM Organic brand in 2021 to the European retail and out-of-home convenience channels 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 of 2019 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 into 2020.

In the first quarter of 2020 we realized revenues of \$1,609,820, a first quarter revenue record for the Company and an increase of approximately 1,200% versus the same quarter in the prior year and in 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. 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. And in the fourth quarter we generated revenues of \$4,937,180, the largest quarterly revenues in the Company's history

In the first quarter of 2021 we realized revenues of \$4,773,062, a first quarter revenue record for the Company and an increase of approximately 200% versus the same quarter in the prior year. In the second quarter of 2021 we realized revenues of \$5,372,162, the largest quarterly revenues in our history and an increase of approximately 150% versus the same quarter in the prior year.

In May and June 2020, we completed equity and convertible debenture financings for total proceeds of \$3,579,195 and announced that these proceeds would be used to finance business expansion opportunities, expand our supply and range of product offerings and for general working capital purposes. The actual use of these proceeds was:

	<u>(\$)</u>
Settle bank loan	677,500
Settle short-term loans	567,386
Settle accounts payable	84,600
Pay interest	297,232
	<u><b>1,626,718</b></u>

The remainder of the proceeds were used in our operations to increase both the volume and the types of products we offered for sale as well as fund investments in brand development, personnel and related costs to support the growth of our business. The funds from these financings allowed us to more than double our sales from \$1.6 million in the first quarter of 2020 to \$4.9 million in the fourth quarter of 2020.

In December 2020 and January 2021, we issued convertible debentures for \$3,666,850 and announced that proceeds from this financing would be used to finance Organto's planned business development initiatives plus capitalize on further accelerating growth opportunities. During the six months ended June 30, 2021 an additional \$1,061,910 was received from the exercise of warrants issued as part of the May/June 2020 and December 2020/January 2021 financings. The actual use of the proceeds to June 30, 2021 was:



	<u>(\$)</u>
Settle short-term loans	295,954
Purchase Fresh Organic Choice	230,475
Pay interest	123,795
	<u><b>650,224</b></u>

The remainder of the proceeds are in our June 30, 2021 cash balance or were used in our operations and to fund investments in brand development, personnel and related costs to support the growth of our business. The funds from these financings allowed us to increase our sales from \$4.9 million in the fourth quarter of 2020 to \$5.4 million in the second quarter of 2021.

## **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 valuation of investment securities, 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 Quarterly Information

	Q2 2021 (\$)	Q1 2021 (\$)	Q4 2020 (\$)	Q3 2020 (\$)	Q2 2020 (\$)	Q1 2020 (\$)	Q4 2019 (\$)	Q3 2019 (\$)
Sales	5,372,162	4,773,062	4,937,180	2,737,081	2,163,955	1,609,820	1,583,616	1,935,094
Gross profit (loss)	648,987	457,815	394,010	285,951	232,504	160,477	69,627	173,660
Income (loss) from continuing operations	(1,155,758)	(1,247,764)	(5,545,356)	(509,967)	(355,724)	(643,698)	(944,223)	(438,378)
Income (loss) from discontinued operations	-	-	-	-	-	-	1,424,926	-
Net income (loss)	(1,155,758)	(1,247,764)	(5,545,356)	(509,967)	(355,724)	(643,698)	480,703	(438,378)
Income (loss) per share:								
Basic and diluted – continuing operations	(0.00)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Basic and diluted – discontinued operations	-	-	-	-	-	-	0.01	(0.00)
Comprehensive income (loss)	(1,137,976)	(1,288,905)	(5,424,245)	(535,933)	(522,152)	(676,488)	471,223	(374,325)

  

	Jun 30, 2021 (\$)	Mar 31, 2021 (\$)	Dec 31, 2020 (\$)	Sep 30, 2020 (\$)	Jun 30, 2020 (\$)	Mar 31, 2020 (\$)	Dec 31, 2019 (\$)	Sep 30, 2019 (\$)
Cash	2,760,506	3,629,677	4,133,730	884,227	1,577,017	74,894	54,565	78,904
Total assets	6,909,182	7,674,447	6,771,068	4,486,711	4,468,718	2,707,230	2,727,982	2,517,310
Total non-current financial liabilities	4,070,323	4,152,737	3,858,581	2,015,600	2,007,500	-	-	-

## Review of Financial Results – Second Quarter

We realized a net loss of \$1,155,758 during the second quarter, compared to a net loss of \$355,724 during the same period in the prior year. Increased revenues and gross profit in the current year were offset by increases in all cost categories as we expanded our workforce and built out our internal infrastructure to accommodate the expected increase in our business. Second quarter 2021 results included \$436,900 of costs not related to day-to-day operations including investments in retail and on-line platform development, acquisition related costs and costs incurred to prepare and file our shelf prospectus.

Revenues for the three months ended June 30, 2021 were \$5,372,162 as compared to \$2,163,955 during the same period in the prior year, an increase of 148%, a quarterly revenue record for the Company and eighth 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. While volumes of most products sold continued to grow as expected, sales were impacted in the quarter by a combination of lower selling prices than expected for avocados due to an earlier than anticipated start to the Peruvian export season, and logistics challenges resulting from the COVID-19 pandemic which impacted the timing and availability of containers required to deliver supplies to Europe.

We realized a quarterly gross profit of \$648,987 or approximately 12.1% of revenues in the second quarter of 2021 as compared to a gross profit of \$232,504 during the same quarter of the prior year. The gross profit in the second quarter of 2021 was a quarterly record for the Company both in dollar terms and as a percentage of revenues. Gross profit increased 250 basis points versus the first quarter of 2021, driven in part by a higher mix of value-added private label and branded products. Even with the record results, second quarter gross margins as a percentage of revenues were impacted by reduced margins on organic avocado due to seasonal market conditions as previously noted combined with increased supply chain costs due in part to the effects of the COVID-19 pandemic.

Selling, general and administration expenses were \$586,515 or 11% of sales this quarter as compared to \$188,822 or 9% of sales in the same quarter of the prior year. Included are non-recurring costs associated with the preparation and filing of our shelf prospectus of \$155,700 and \$69,500 related to the development of our retail branded and on-line product platforms.

Management fees in the current quarter were \$235,077 and while higher than the \$158,441 recorded in the same quarter of the prior year, they are in line with expectations. Beginning with the first quarter of 2021, remuneration began for a co-CEO who was not previously compensated for his services.

Labour costs and benefits during the second quarter were \$590,798, 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 previous 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, develop new products and revenue opportunities and support the organization for expected future growth. Included in second quarter labour costs and benefits are labour costs incurred by Fresh Organic Choice as well as approximately \$184,300 of costs related to the development of our branded and on-line product platforms and \$27,400 for costs associated with our acquisition program.

As detailed above, during the second quarter we incurred costs of \$253,800 related to the development of our retail branded product offering and on-line go-to-market capabilities and \$183,100 of costs related to growing the organization including acquisition, listing and future financing related costs. While the benefits of these activities have yet to translate into bottom-line contribution, we believe these are prudent investments for the future of the Company and will start to generate benefits later in 2021 and beyond.

We recognized \$308,781 in stock-based compensation in the second quarter of 2021 which consists of \$159,216 for restricted share units and \$149,565 for stock options. Stock-based compensation in the second quarter of 2020 was for stock options only. With the approval of the Company's Restricted Share Unit Plan in December, 2020, restricted share units are now included as part of compensation for directors who are currently not paid cash fees for their service on the board of directors. Stock based compensation for restricted share units is based on the market value of our shares on the day the restricted share units are granted. Stock based compensation for stock options 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 stock options in the second quarter of 2021 was based on fair values of \$0.23 - \$0.35 per share for the 1,200,000 options granted in 2021, \$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 second quarter of 2021 was \$227,512 as compared to \$76,423 for the prior year. Interest in 2021 consists of interest on our bank loan and convertible debentures, plus accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures, bank loan and earn-out payments accrued in relation to the Fresh Organic Choice acquisition. The addition of the convertible debentures in December 2020 and January 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021. 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 gain of \$8,492 this quarter as compared to a gain of \$156,853 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 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.

As part of the sale of our cannabis operations to Xebra Brands Inc. in June 2019, we received a first right of refusal (ROFR) to distribute Xebra products in Europe. In the second quarter we sold this ROFR back to Xebra for 200,000 shares of Xebra. We valued these shares at \$0.17 which is our estimate of their fair value. 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. In addition to the \$34,000 gain from the sale of the ROFR, other income includes the \$8,035 we received as net proceeds from an insurance claim. Other income in the second quarter of 2020 was the gain on the settlement of a prior year's commercial contract.

At June 30, 2021 we revalued the shares we own in Xebra and recorded an unrealized gain of \$93,411.

#### **Review of Financial Results – Six months ended June 30, 2021**

We realized a net loss of \$2,403,522 during the six months ended June 30, 2021, compared to a net loss of \$999,422 during the same period in the prior year. Increased revenues and gross profit in the current year were offset by increases in all cost categories as we

expanded our workforce and built out our internal infrastructure to accommodate the expected increase in our business. Results for the six months ended June 30, 2021 included \$770,800 of costs not related to day-to-day operations including investments in retail and on-line platform development, acquisition related costs, severance costs and costs incurred to prepare and file our shelf prospectus.

Revenues for the six months ended June 30, 2021 were \$10,145,224 as compared to \$3,773,775 during the same period in the prior year, an increase of 169%. 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. While volumes of most products sold continued to grow as expected sales in the second quarter were impacted by a combination of lower selling prices than expected for avocados due to an earlier than anticipated start to the Peruvian export season, and logistics challenges resulting from the COVID-19 pandemic which impacted the timing and availability of containers required to deliver supplies to Europe.

We realized a gross profit of \$1,106,802 or approximately 10.9% of revenues in the six months ended June 30, 2021 as compared to a gross profit of \$392,981 or 10.4% of revenues during the same period of the prior year, driven in part by a higher mix of value-added private label and branded products. Even with the record results, gross margins as a percentage of revenues were impacted by reduced margins on organic avocado 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 \$950,420 or 9% of sales for the first six months of 2021 as compared to \$375,316 or 10% of sales in the same period of the prior year. Included are non-recurring costs associated with the preparation and filing of our shelf prospectus of \$155,700 and \$127,400 related to the development of our retail branded and on-line product platforms as well as \$17,700 in costs related to our acquisition of Fresh Organic Choice and \$23,800 in additional listing fees for shares to be issued on the conversion of our debentures.

Management fees in the first six months of 2021 were \$467,545 and while higher than the \$306,890 recorded in the same period of the prior year, they are in line with expectations. Beginning with the first quarter of 2021, remuneration began for a co-CEO who was not previously compensated for his services.

Labour costs and benefits during the first six months of 2021 were \$1,152,167, a significant increase versus the same period 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, develop new products and revenue opportunities and support the organization for expected future growth. Included in labour costs and benefits are labour costs incurred by Fresh Organic Choice as well as approximately \$358,700 of costs related to the development of our branded and on-line product platforms, \$31,800 in severance payments to former employees and \$55,700 for costs associated with our acquisition program.

As detailed above, during the first six months of 2021 we recognized costs of \$486,100 related to the development of our retail branded product offering and on-line go-to-market capabilities and \$284,700 of costs related to growing the organization including acquisition, listing, severance and future financing related costs. While the benefits of these activities have yet to translate into bottom-line contribution, we believe these are prudent investments for the future of the Company and will start to generate benefits later in 2021 and beyond.

We recognized \$605,478 in stock-based compensation in the first six months of 2021 which consists of \$247,372 for restricted share units and \$358,106 for stock options. Stock-based compensation in the first six months of 2020 was for stock options only. With the approval of the Company's Restricted Share Unit Plan in December, 2020, restricted share units are now included as part of compensation for directors who are currently not paid cash fees for their service on the board of directors. Stock based compensation for restricted share units is based on the market value of our shares on the day the restricted share units are granted. Stock based compensation for stock options 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 stock options in 2021 was based on fair values of \$0.23 - \$0.35 per share for the 1,200,000 options granted in 2021, \$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 first six months of 2021 was \$443,853 as compared to \$141,364 for the same period of the prior year. Interest in 2021 consists of interest on our bank loan and convertible debentures, plus accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures, bank loan and earn-out payments accrued in relation to the

Fresh Organic Choice acquisition. The addition of the convertible debentures in December 2020 and January 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021. 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 \$33,307 in the first six months of 2021 as compared to a loss of \$1,873 during the same period last year. Foreign exchange rates have experienced large fluctuations since March 2020 as part of the market turmoil caused by the global coronavirus pandemic, particularly the Canadian dollar and the Mexican peso versus the US dollar. A significant portion of our cash balance 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.

Other income in the first six months of 2021 consists of the gain from the sale of the Xebra ROFR of \$34,000 and the \$8,035 of net insurance proceeds received in the second quarter as well as a financing fee of \$7,000 that we received in the first quarter. Other income of \$8,576 in first six months of 2020 consists primarily of proceeds from the sale of an unused subsidiary in Europe.

At June 30, 2021 we revalued the shares we own in Xebra and recorded an unrealized gain of \$93,411.

### **Liquidity and Capital Resources**

At June 30, 2021, we had cash of \$2,760,506 and working capital of \$1,996,710 as compared to cash of \$4,133,730 and working capital of \$2,580,088 as at December 31, 2020.

During the first six months of 2021 we raised \$1,145,420 from the exercise of warrants issued in 2020 and broker warrants issued in 2021 and \$292,000 from a private placement of convertible debentures in the first quarter of 2021. We also received proceeds of \$55,250 from the exercise of stock options and \$10,292 from the sale of 514,625 Xebra shares in the second quarter. No gain or loss was recorded on the sale of these Xebra shares as we have used their expected sales value as their carrying value since December 31, 2020.

We repaid \$295,954 of short-terms loans and paid interest of \$150,147 during the first six months of 2021.

#### *Private placement of convertible debentures – January*

In January 2021 we completed a private placement of convertible debentures with a total face value of \$310,000. 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. Together with the debentures issued in December 2020 \$3,666,850 was raised.

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.

Given their immaterial nature, the transaction costs associated with the debentures in January 2021 were included with the costs associated with the debentures issued in December 2020. These costs have been offset against the carrying value of the convertible debentures and will be amortized over their expected two-year life.

#### *Short-term loans*

The Company originally received \$647,402 in bridge 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.

#### *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.

During the first six months of 2021 a total of 16,586,833 common shares were issued: 480,000 from the exercise of stock options; 11,643,932 from the exercise of warrants; 1,623,331 on the conversion of convertible debentures; 839,570 as part of the consideration paid for the acquisition of Fresh Organic Choice.; and 2,000,000 as payment of a 2020 signing bonus to certain officers. 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 these common shares of the Company.

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.

In July 2021 we announced that we have filed a final short-form base shelf prospectus with the securities regulators in each province and territory of Canada. The final shelf prospectus allows us to make offerings of common shares, debt securities, convertible securities, warrants and subscription receipts, or any combination thereof, of up to \$50-million for 25 months following the date of filing. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which will be set forth in a prospectus supplement to be filed in connection with any offering of securities pursuant to the final shelf prospectus. We have filed this final shelf prospectus with a view to maintaining financial flexibility as we advance our organic and value-added fruits and vegetables platform, but we have no immediate intentions to undertake an offering.

### Financial instruments

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

<b>Financial instrument</b>	<b>Basis of measurement</b>	<b>Associated risks</b>	<b>Fair value at June 30, 2021 (\$)</b>
Cash	Fair value through profit or loss	Credit, currency and concentration	2,760,506
Accounts receivable	Amortized cost	Credit, currency and concentration	1,027,635
Investment securities	Fair value through profit or loss	Other price	1,157,701
Accounts payable	Amortized cost	Currency	(2,962,615)
Bank loan	Fair value through profit or loss	n/a	(835,034)
CEBA loan	Amortized cost	n/a	(60,000)
Convertible debentures	Fair value through profit or loss	n/a	(3,175,289)
			<b>(2,087,096)</b>

The fair value of our financial instruments including cash, accounts receivables, loan receivable, accounts payable, bank loan (net of issue costs) 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 June 30, 2021 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

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

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

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

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. We manage liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. At June 30, 2021, we had working capital of \$1,996,710 (December 31, 2020 –\$2,580,088). 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 to 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 \$175,000.

*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

We incur fees and expenses with related parties in the ordinary course of business, on terms that are similar to those of transactions with unrelated parties.

<b>Related party</b>	<b>Nature of transactions</b>
Brandal B.V. <sup>(1)</sup>	Management fees
Bromley Consulting & Advisory Inc. <sup>(1)</sup>	Management fees
Share! Marketing & Management Services BV <sup>(1)</sup>	Administrative services
Thibaudier Financial Consulting BV <sup>(1)</sup>	Management fees
ZMS B.V <sup>(1)</sup>	Product purchases

<sup>(1)</sup> A company owned or controlled by one of the Company's officers

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

(a) Directors and key management personnel compensation:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2021 (\$)</b>	<b>2020 (\$)</b>	<b>2021 (\$)</b>	<b>2020 (\$)</b>
Salaries, consulting and management fees	216,706	138,278	430,145	266,318
Stock based compensation	204,096	48,981	428,318	105,890
	<b>420,802</b>	<b>187,529</b>	<b>858,463</b>	<b>372,208</b>

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended June 30, 2021 and 2020.

(b) Transactions with related parties:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2021 (\$)</b>	<b>2020 (\$)</b>	<b>2021 (\$)</b>	<b>2020 (\$)</b>
Administrative services from companies with common directors or officers	169,177	130,546	208,933	256,621
Product purchases from a company with a common officer	160,579	40,969	362,732	40,969
	<b>329,756</b>	<b>171,515</b>	<b>571,664</b>	<b>297,590</b>

(c) Outstanding balances included in accounts payable:

	<b>June 30, 2021 (\$)</b>	<b>December 31, 2020 (\$)</b>
Salaries, consulting and management fees	326,915	895,953
Administration services	58,484	111,227
Expense reimbursements	334	598
Product purchases	61,558	-
	<b>447,291</b>	<b>1,007,777</b>



(d) 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
<b>Balance at December 31, 2020</b>	<b>-</b>
<b>Balance at June 30, 2021</b>	<b>-</b>

### Commitments

At June 30, 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	178,088	-	-	178,088
Administration fees	2,208	-	-	2,208
	<b>180,296</b>	<b>-</b>	<b>-</b>	<b>180,296</b>

### OFF-BALANCE SHEET ARRANGEMENTS

During the quarter ended June 30, 2021 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 \$31.2 million in revenues and operating losses of approximately \$30.6 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.

*We have a history of negative cash flows from operating activities and may need to raise additional financing to fund operations.*

We have a history of negative cash flows from operating activities. To the extent that we have negative cash flow in future periods, we may to allocate a portion of proceeds from future financings to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when needed, or that these financings will be on terms that are acceptable to the Company, or at all.

*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.

*Adverse weather conditions and/or natural disasters could impact costs and availability of our products;*

Raw materials for our products are vulnerable to adverse weather conditions and natural disasters, including windstorms, hurricanes, earthquakes, floods, droughts, fires, and temperature and precipitation extremes, some of which are common but difficult to predict, as well as crop disease and infestation. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavorable growing conditions could reduce both crop size and quality. In extreme cases, entire harvests may be lost in some geographic areas. Adverse weather conditions or natural disasters may adversely affect our supply of one or more of our products or prevent or impair our ability to ship products as planned. These factors can increase product acquisition costs, decrease our sales volumes and revenues, and lead to additional charges to earnings, which may have a material adverse effect on our business, financial condition and results of operations.

*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.

*Impairment charges related to long-lived assets or goodwill could adversely affect our business;*

As a result of a past business acquisition, a part of our total assets is comprised of intangible assets. We are required to perform impairment tests of long-lived assets and goodwill annually, or at a time when events occur that could affect the value of these assets.

We may engage in additional acquisitions, which could result in our recognition of additional long-lived assets and goodwill. If the financial performance of the acquired businesses does not meet our expectations, we could be required to record impairments to long-lived assets or goodwill, which could materially and adversely impact our business, financial condition and 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 June 30, 2021 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, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://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
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