



**Organto Foods Inc.**

**1090 Hamilton Street  
Vancouver, B.C.  
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Canada**

**Management's Discussion and Analysis  
(Unaudited)**

**For the Nine Months Ended  
September 30, 2017**

**(Stated in Canadian Dollars)**

**Dated November 28, 2017**

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## **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 nine months ended September 30, 2017. This report should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2016 and the accompanying unaudited condensed interim consolidated financial statements for the interim period ended September 30, 2017, both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

All currency amounts are expressed in Canadian dollars unless noted otherwise. In addition, "this quarter" or "current quarter" refers to the three month period ended September 30, 2017, and "this period" or "current period" refers to the nine months ended September 30, 2017.

This MD&A is dated November 28, 2017.

## **Forward-Looking Statements**

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

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about our ability to carry out our plans and objectives; our ability to open up and sell through retail chains and other channels in Europe and North America; our ability to procure required volumes of organic produce from both our own operations and strategic third party suppliers; our ability to meet import and export requirements; general business and economic conditions; the timing of the receipt of any required approvals for operations; the availability of equity and other financing on reasonable terms; energy prices; our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; our ability to attract and retain skilled labour and staff; our ability to operate in The Netherlands, Europe, North America and elsewhere; the impact of changes in the Canadian/US dollar and other foreign exchange rates on costs and results; transportation and logistics costs; market competition; and ongoing relations with our employees and with our business partners.

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, risk in our negative working capital position and our accumulated deficit, all of which could impact our ability to continue operations;
- we may not be able to secure financing required to meet future capital needs to continue operations;
- additional financing may dilute common shareholders or place restrictions on our operations;
- we operate in a competitive global industry and the actions of competitors could impact revenues and profitability;

- we must attract and retain key personnel to achieve our business objectives;
- our customers are generally not obligated to continue to purchase products from us;
- if we do not manage our supply chain effectively, our operating results may be adversely affected;
- our international operations expose us to risks inherent with the countries where we are doing business;
- our business is subject to numerous environmental and food safety regulations and policies;
- 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.

## **History and Legal Structure**

### **History**

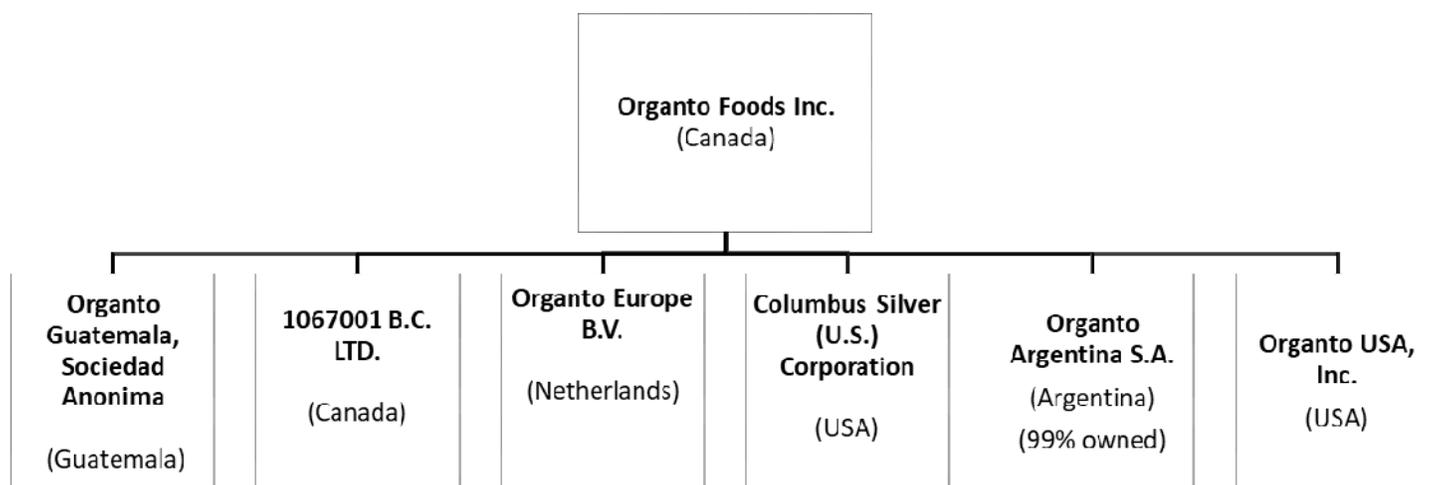
In March 2014 Agricola Nuova Terra S.A. (“Agricola”), a privately owned business, commenced operations to build out a global year round organic supply platform focused on the production and distribution of value-added branded organic vegetables.

On November 30, 2015, Agricola completed a reverse takeover (the “RTO”) of Columbus Exploration 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 growing, processing, packaging, distribution and branding vertically integrated year-round organic foods along with our commitment to sustainable and socially conscious business practices. Currently we have growing and processing operations in Guatemala and contract growing relationships with a number of third-party strategic supply partners in South America and Africa. We intend to further diversify our supply base via strategic third-party relationships as our platform is built out. Our head office is in Vancouver, British Columbia and we also have offices in Miami, Florida and in the Netherlands. Further details regarding our operations are provided later in this report under the heading Operations.

## Legal Structure

We have six subsidiaries in the jurisdictions listed below. All subsidiaries are wholly owned by Organto Foods Inc. unless noted otherwise.



Our head office is located at 1090 Hamilton Street, Vancouver, British Columbia, Canada.

Our fiscal year end is December 31<sup>st</sup>.

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

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and September 30, 2017:

|   | November 28,<br>2017 | September 30,<br>2017 |
|---|----------------------|-----------------------|
| Common shares issued and outstanding                | 112,263,903          | 112,234,599           |
| Share purchase options outstanding (\$0.065-\$0.20) | 9,515,000            | 2,245,000             |
| Warrants (\$0.15-\$0.35)                            | 37,235,853           | 37,265,157            |

## Strategy

Our mission is “to be a leading vertically integrated organic value-added vegetable brand serving a growing socially responsible and health conscious consumer around the globe”.

We employ a business model that is integrated from the “seed to the table”. Driven by consumer and retailer demand for healthy and organic food products, we have built and continue to build out a platform to deliver value-added branded and private label products to meet these needs via an integrated model with extensive logistics, processing and growing capabilities, and the ability to provide year-round product supply 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.

Our focused strategic blueprint is centered on three key strategic pillars: *Supply, Brand and Infrastructure*.

- *Supply* – development of year-round vertically integrated organic supply chain capabilities;
- *Brand* – building the Organto brand as a leading brand in organic value-added vegetables with large retailers worldwide; and
- *Infrastructure* – responsibly building-out the organization to allow the business to scale at speed.

We believe that the demand for healthy and organic foods will continue to grow for many years and supply availability will be key to this growth being realized. According to the US Organic Trade Association sales of organic products grew 10.9% in 2015 to over US\$43 billion and to US\$47 billion in 2016, much ahead of the growth in sales of conventional products, and now representing over 5% of total food sales. The OTA estimates that 82% of Americans buy organic food at least some of the time and fresh produce continues to be the primary gateway by which consumers enter the organic foods space. Furthermore, over half of all households in the US have purchased organic produce and the fresh produce segment is the fastest growing within the organic segment, now representing 15% of all the produce that Americans eat, and 36% of total US organic foods spend. And this is not just a US phenomenon. The organic market in Europe continues to grow. In 2015 the market increased by 13% and reached approximately Euro 30 billion. Globally European countries account for the highest share of organic food sales as a percentage of total food sales. According to an ABN AMRO report dated June 23, 2016, "by 2020 it is expected that global organic food consumption will reach US \$160 billion, to reach the expected growth there must be sufficient supply".

It is our belief in these growing markets and consumer trends, combined with our ability to build an efficient year round branded organic supply platform that underlies our strategic focus and our mission to be a leading vertically integrated organic value-added vegetable brand serving a growing socially responsible and health conscious consumer around the globe.

### Business Developments in 2017

On November 23, 2017, we announced the addition of a new strategic supply partner located in Egypt, adding to our growing supply base. Under the terms of the exclusive agreement, initial product supply commenced in late-November with the delivery of organic green beans followed by the delivery of organic snow peas and organic sugar snaps expected in early December.

On November 6, 2017, we announced the addition of a new strategic partner located in Peru, which adds to our supply base. Under the terms of the exclusive long-term agreement, initial product supply will commence in mid-November with the delivery of organic green asparagus.

On November 3, 2017, we announced that we granted incentive stock options to certain directors, officers and employees to purchase up to an aggregate of 7,270,000 common shares at an exercise price of \$0.18 per share. 4,578,340 of the options vest immediately. 1,275,000 options will vest upon Organto's common shares trading on the TSXV at a price of at least CDN\$0.50 per share for 3 consecutive trading days and a further 1,275,00 will vest upon Organto's common shares trading on the TSXV at a price of at least CDN\$0.80 per share for 3 consecutive trading days. The balance of 141,660 options will vest over the next twelve months. All of the foregoing options expire on October 10, 2022.

On October 23, 2017, we announced the commencement of delivery of organic snow peas and organic sugar snaps from strategic third party growing and processing operations located in the Andean Highlands of Peru. In May 2017 we announced a Supply Agreement with GB Organic SAC ("GB Organic") for the supply of organic snow peas, sugar snaps and green beans, and this represented the start of deliveries from this strategic supply partner.

On October 16, 2017, we announced that the Board of Directors appointed Steve Bromley to succeed Robert Giustra as Chair, with effect from October 10th, 2017. Mr. Giustra will continue to serve as a director, having been re-elected at the Annual General Meeting held on September 27, 2017, and will also continue to serve as a member of our Audit Committee. Mr. Bromley was appointed as Strategic Advisor to the CEO and Board of Directors in May 2017, focused on strategic development, business execution, risk management and governance matters, and in September 2017 he was appointed to the Board. He brings over 30 years of food industry experience to Organto, having served as CEO and a Director of SunOpta Inc. from 2007-2015. SunOpta is a global leader in non-GMO, organic and specialty foods with revenues in excess of \$1 billion, substantial manufacturing and integrated supply operations, and a diverse global customer base. Mr. Bromley joined SunOpta in 2001 as CFO and served in that role until 2004 when he was appointed President and COO, through to his appointment as CEO. Prior to joining SunOpta, Mr. Bromley spent 15 years in the dairy and meat industries and four years in public accounting.

On October 11, 2017, we announced the additions of Ben van der Schaaf and Ingrid van der Schaaf to our procurement and production teams. Both Ben and Ingrid bring deep organic production and supply chain experience to Organto and our supply and processing partners at an important time in the commercialization of our business model. Both will be based out of our office in Amsterdam, the Netherlands, with extensive travel to growing and processing operations. Ben and Ingrid started their careers in the flower wholesale business and then moved to managing farming and supply chains with a long history working in various African countries importers of traditional and organic vegetables. Ben van der Schaaf brings extensive organic seeding, harvesting and production knowledge to us, while Ingrid van der Schaaf adds deep production, packaging and supply chain efficiency expertise to

the team. Both will work closely with our existing regional production managers in South America and Africa to enhance supply efficiency and quality control while growing our supply base.

On October 3, 2017, we announced we entered into of a strategic partnership with Vroegop Windig, part of the Vroegop Ruhe & Co. (“Vroegop Windig”), a leading European organic foods operator based in The Netherlands. Vroegop Windig is a family owned company with a long history in food and specifically organic food importing and wholesale distribution in The Netherlands and Belgium. Vroegop Windig has been a leading supplier of organic fruits and vegetables to large retailers and food service companies, as well as prominent restaurants, for many years, and also operates its own processing and retail outlets in the Netherlands. Under the terms of the strategic partnership, we will leverage our respective strengths as we address fast growing health and organic foods markets. Vroegop Windig will provide packaging services for Organto branded and private label products for the Northern Europe region, utilizing three automated packaging lines and leveraging existing infrastructure to scale the roll-out of Organto value added organic vegetables. Vroegop Windig will also leverage existing go-to-market capabilities to represent and distribute Organto products to retail customers in Scandinavia, The Netherlands and Belgium. In addition, Organto and Vroegop Windig will work together to commercialize each other’s product portfolios both in other parts of Europe and also North America.

On October 1, 2017, we appointed Erik Kleerebezem as Chief Financial Officer, which followed the resignation of Andrew Yau from the role of Chief Financial Officer. Mr. Kleerebezem is a Dutch National with extensive global financial, systems and operational experience in the food and retail sectors, working with Bestfoods, Pepsico and Royal Dutch Ahold. He has also worked with a number of start-ups with a focus on establishment of financial systems and reporting, internal control and operations. Mr. Kleerebezem has an MBA from the Rotterdam School of Management and a Business Information Science Degree from the University of Amsterdam. Mr. Yau remains Interim Corporate Secretary and will continue to support Organto for an extended period of time in order to support a smooth transition.

On September 28, 2017 we announced the results from our 2017 Annual General Meeting, held on September 27, 2017. Shareholders elected Arnoud Maas, Steve Bromley, and Claudio Schreier as new directors and re-elected incumbent directors Robert Giustra, Jeffrey Klenda and Javier Reyes. This increased the size of the board to six directors, an increase of one director, adding significant foods and retail experience to the board and increasing the number of independent directors to 50%.

On September 11, 2017 we closed the third tranche of our previously announced non-brokered private placement. Gross proceeds of \$2,934,750 from the sale of 19,565,000 units at a price of \$0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of Organto exercisable at a price of \$0.25 for a period of 24 months from the closing date.

On August 28, 2017, we extended the closing date of our previously announced non-brokered private placement to September 25, 2017.

On August 3, 2017, we closed the second tranche of our previously announced non-brokered private placement. Gross proceeds of \$324,781 were raised from the sale of 2,165,208 units at a price of \$0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of Organto exercisable at a price of \$0.25 for a period of 24 months from the closing date.

On July 19, 2017, we announced that we entered into a strategic agreement with ProSpection Consulting LLC (“ProSpection”) to develop and manage supply of certified organic products for us from strategic third-party suppliers in Egypt, sub-Saharan Africa and India. ProSpection is headquartered in Cairo, Egypt and bring extensive local and agronomic expertise to Organto as we build out our global supply network.

On July 4, 2017, we announced the appointment of Andrew Yau, the current Chief Financial Officer of Organto, to the position of Interim Corporate Secretary, following the departure of Jenna Virk from the positions of Corporate Secretary and VP, Legal, effective immediately.

On June 20, 2017, we closed the first tranche of our previously announced non-brokered private placement. Gross proceeds of \$1,904,945 were raised from the sale of 12,699,634 units at a price of \$0.15 per unit. Each unit consists of one common share and one transferrable warrant to purchase one additional common share of Organto exercisable at a price of \$0.25 for a period of 24 months from the closing date.

On June 8, 2017, we closed our previously disclosed February 2017 convertible debenture financing in the amount of \$2,035,000. The debentures bear interest at a rate of 8% per annum, payable annually with the first interest payment due on June 30, 2018, and

are convertible into common shares at a conversion price of \$0.35. The debentures are also subject to a call feature at our sole election.

On May 16, 2017, we issued 250,000 common shares to a supplier to settle amounts owing of \$62,500.

On May 15, 2017, we announced the signing of a five-year exclusive supply agreement with GB Organic, for the provision of specified volumes of organic snow peas, organic sugar snaps and organic green beans from GB Organic's organic growing and processing operations located in the Andean Highlands of Peru.

On May 11, 2017, we announced our intention to complete a non-brokered private placement of 23,000,000 units at a price of \$0.15 per unit for gross proceeds of up to \$3,450,000. Each unit to consist of one common share and one warrant exercisable to purchase one additional common share at a price of \$0.25 for a period of 24 months after the closing date. The exercise date of the warrants will be subject to acceleration in the event that the volume-weighted average closing price of our common shares on the TSXV, or such other stock exchange on which our common shares are primarily traded from time to time, is greater than or equal to \$0.35 per share for a period of 10 consecutive trading days (an "Acceleration Event") and such Acceleration Event occurs any time after the expiration of a four month hold period. This private-placement was subsequently expanded and closed on September 12, 2017.

In April 2017 we received new bridge loans totalling \$268,540 (US\$200,000). The loans were unsecured, bear interest at a rate of 8% per annum and have a one-year repayment term, subject to the option of the lenders to demand early repayment any time after Organto has announced the completion of an equity financing for aggregate proceeds of at least \$1,342,700 (US\$1,000,000). An aggregate of 1,000,000 non-transferable warrants were issued to the lenders, exercisable for a term of 1 year from the date of the loan agreements, at \$0.20 per share. In connection with the new bridge loans, terms of the bridge loans received September 23, 2016 were amended to extend the term and interest rate to align with the new bridge loans, and 300,000 warrants initially issued were cancelled and replaced with the 1,000,000 non-transferable warrants detailed above. These bridge loans have now been fully repaid.

On April 20, 2017, we announced that we commenced retail sales of our organic green beans into the Ahold Delhaize Group, the 10th largest supermarket in the world and leading retailer in Belgium. Our products were first added to the Delhaize chain in Belgium.

On April 19, 2017, we announced key leadership changes. Effective May 1, 2017 Arnoud Maas was appointed Chief Executive Officer, succeeding Peter Gianulis who transitioned into the role of Executive Vice President, Corporate Development and continue as a Director of the Board. In addition, Steve Bromley was appointed as Strategic Advisor to the CEO and Board of Directors, focused on strategic development, business execution, risk management and governance matters.

Mr. Maas has a long history in the consumer goods sector, particularly in the European and Asian food divisions of the former Sara Lee Corporation, which had operations in more than 40 countries and sold its product in over 180 nations worldwide. In the last three years, he has worked closely with the CEO and Board of Vroegop, a leading vertically integrated organic food company based in the Netherlands, where he assisted in strategically opening new distribution channels and market opportunities. Early in his career, Mr. Maas was a partner at Accenture, Kurt Salmon, as well as Capgemini Consulting, specializing in the consumer goods sector. He later held senior executive positions in retail, including as CEO of a leading chain of bookstores, and ultimately in the food sector, where he gained essential multi-jurisdictional management experience and extensive industry contacts. Mr. Maas holds a business degree from Sheffield University in the UK and a Masters in Economics from Keio University in Tokyo.

On February 24, 2017, we announced commencement of sales to COOP Denmark, one of the largest food retailers in Europe.

On February 23, 2017, we announced a non-brokered convertible debenture private placement of \$2,035,000. The convertible debentures (the "Debentures") issued pursuant to this private placement are unsecured, have a term of three years, and bear interest of 8% annually, payable in arrears starting one year after the date of issuance of such Debentures. Holders may elect to convert the principal amount of their Debentures into common shares of Organto at a price of \$0.35 per share until the maturity date.

On January 26, 2017, we announced the appointment of Marcus Meurs as Chief Operating Officer, which followed the resignation of Mr. Andres Barresi from the role of Chief Operating Officer effective January 14, 2017. With this appointment, Mr. Meurs assumed responsibility for all operating aspects of Organto's "table to field" integrated organic produce business model including sourcing, procurement, processing, logistics, product development, sales and marketing.

On January 9, 2017, we announced the appointment of Marcus Meurs as President and Director of the Company. Mr. Meurs is a dynamic Dutch entrepreneur with more than 25 years of global experience in the conventional and organic foods industry. Prior to joining Organto he founded Pure Nature Organics and the Pure Nature brand, and grew the company to approximately US\$35 million in sales before selling the business. Mr. Meurs has deep experience in managing all facets of an international foods business including operations, processing, logistics, sales and pricing, strategic development and product development. Mr. Meurs has an MBA in International Management, a Bachelor of Business Administration and a Bachelor of Business Information Systems from the European University in Antwerp.

## **Operations**

### **Go-To-Market Model**

We have developed a branded go-to-market strategy under the Organto brand. We believe our ability to drive a differentiated branded products strategy is based on our continued development of year-round supply capabilities which we believe are unique for these value-added products and the first in many of the categories where we participate. In addition, we believe we are the first fresh supplier in our categories with CO2 neutral logistics and 100% compostable packaging, and the first to globally market under a consistent brand to consumers. In hand with our branded products focus, we also work with retail partners to provide value-added private label offerings, with the objective of maximizing efficiencies while creating category demand for our brand. Our products are initially being rolled out to specific European customers and will be followed by introduction in the North American market.



### **Supply Model**

We have developed and are in the process of implementing a multi-location year-round supply model initially sourcing and supplying organic green beans, organic sugar snaps, organic snow peas and organic green asparagus from a combination of company operated operations in Guatemala and strategic third-party sourcing arrangements in South America and Africa. We own a processing and packing operation in Guatemala and work with third parties for processing and packing in all other geographic supply locations. We intend to expand our product offering and supply sources over time as our business model scales.

Products for the European market are shipped bulk from our supply sources and are subsequently inspected and packaged for consumer consumption in the Netherlands through a relationship with a strategic packing partner. Products for the USA market will either be pre-packaged at source due to the relative close proximity to the end customers or packaged closer to end users via strategic partners.

Further details on our supply locations are provided below.

### **Guatemala**

In Guatemala, we own and operate a processing and packing facility in Patzun, and grow organic value-added vegetable products from owned and leased farms strategically located throughout the country. The Patzun, Chimaltenango processing and packaging facility has USDA National Organic Program certification.

We are currently directly operating our own growing operations but intend on sub-contracting growing of certain products to growers and growing associations in and around Guatemala in order to further scale our supply from this region with low capital input.

Current and future products include organic snow peas, organic sugar snaps, organic green beans (haricot verts), organic butter beans, organic edamame, organic specialty peppers, organic broccolini and other organic vegetables.

### **Argentina**

In Argentina, we have completed numerous commercial trials on farmland we have leased and operated. Based on these trials we have decided to not produce from our own operations, and instead operate in Argentina via contracted third-party grower relationships, initially in the Catamarca region, with initial supply expected to be available in 2018. All land that is expected to be in production has both USDA and EU organic certification.

Current and future products may include organic snow peas, organic sugar snaps, organic green asparagus and other organic vegetables.

### **Peru**

In Peru, we have agreements in place with strategic third-party suppliers for the production of organic green beans, organic snow peas, sugar snaps and organic green asparagus. Delivery of organic green beans commenced in October, organic snow peas and sugar snaps commenced in November and organic green asparagus is expected to commence in early December.

### **Africa**

We have a strategic agreement in place with ProSpection to develop and manage supply of certified organic products for us from strategic third-party suppliers in Egypt, sub-Saharan Africa and India.

In Egypt, we have agreements in place with strategic third-party suppliers for the production of organic green beans, organic snow peas and organic sugar snaps. Delivery of product from a first supplier commenced in November and supply from a second strategic supply partner will commence in December.

### **Mexico**

In Mexico, we are developing relationships with third party growers in three distinct growing regions in the country, providing for seasonally diversified supply of certain crops.

Products are expected to include organic green beans, organic snow peas, organic sugar snaps, organic asparagus and other organic vegetables, to be supplied for both the European and North American markets.

### **Selling and Administration**

Our head office is located in Vancouver, British Columbia and finance and administration services are provided by a related party. An agreement is in place with this third party through the end of 2017, at which time we expect that all services will be transitioned to a stand-alone administrative platform in order to meet the growth needs of our business. As part of this transition we are in the process of relocating our head office to Amsterdam, the Netherlands, better aligning with our efforts to initially commercialize our products in European markets. We have a sales office in Miami, Florida and we expect our presence in the US will expand as commercial activities ramp-up in 2018. In Europe, we currently operate out of administrative offices located in the Netherlands and this will become our head office over time. Currently finance and administration, operations, marketing, sales and executive resources are located in our Amsterdam office. We have recently added a marketing team in Europe who are working closely with external marketing resources to further refine our marketing strategies as we prepare to roll-out our product offering to new markets in 2018. We expect we will need to add resources across the organization as our business expands. Selling, General and Administrative costs are all projected to increase as the business grows, but become a lower percentage of sales as the business scales.

### **Financial Results**

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

### **Critical Accounting Estimates**

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

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

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

### **Changes in Accounting Policies and Standards**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended September 30, 2017, and have not been applied in preparing these consolidated financial statements. Those that may have a significant effect on our consolidated financial statements in the future are as follows:

(a) IFRS 9 – *Financial Instruments* (“IFRS 9”)

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”)

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(c) Other

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **Financial Performance**

The following highlight's our financial performance for the three and nine months ended September 30, 2017:

|   | Three months ended      |                         |             | Nine months ended       |                         |             |
|---|-------------------------|-------------------------|-------------|-------------------------|-------------------------|-------------|
|   | Sep 30,<br>2017<br>(\$) | Sep 30,<br>2016<br>(\$) | %<br>Change | Sep 30,<br>2017<br>(\$) | Sep 30,<br>2016<br>(\$) | %<br>Change |
| Revenues                                | 135,623                 | 209,350                 | (35%)       | 456,075                 | 2,129,241               | (79%)       |
| Gross (loss) profit                     | (441,277)               | (86,648)                | (409%)      | (859,303)               | 151,664                 | (667%)      |
| Net loss from continuing operations     | (1,468,605)             | (1,065,311)             | (38%)       | (3,708,148)             | (2,252,394)             | (65%)       |
| Net income from discontinued operations | -                       | -                       | -           | -                       | 21,892                  | (100%)      |
| Net loss for the period                 | (1,468,605)             | (1,065,311)             | (38%)       | (3,708,148)             | (2,230,502)             | (66%)       |
| Cash used in operating activities       | (1,470,297)             | (552,791)               | (166%)      | (4,114,804)             | (724,396)               | (468%)      |
| Loss per share, basic and diluted       | (0.02)                  | (0.01)                  | (100%)      | (0.04)                  | (0.03)                  | 33%         |

### **Review of Financial Results – Current Quarter**

We incurred a net loss of \$1,468,605 during the current quarter, compared to \$1,065,311 during the same period in the prior year. The increase in the net loss for the quarter is discussed below.

Revenues for the three months ended September 30, 2017 were \$135,623 as compared to \$209,350 during the same period in the prior year. Revenues in the quarter were generated from the initial stages of the commercial roll-out of our organic product offering after an extended period with limited revenue as we completed trials of our processes and attained organic certifications, refining our growing operations and developing third-party supply relationships, all in support of the build out of our year-round supply capabilities. Revenues from the prior year quarter were mainly from conventional produce as we validated our supply and logistics processes. We expect revenues to ramp-up going forward as our supply increases from both our own growing and processing operations and strategic third-party suppliers. Gains and losses from recognition and remeasurement of biological assets arise from when seeds are sown up until when they are harvested, with corresponding increases in fair value. Gross profit was impacted in the quarter by increased overheads associated with the build-out and ramp-up of our capabilities in advance of scale, yield losses due to low utilization rates, plus amortization costs related to our fixed assets.

Selling, general and administration expenses increased to \$531,700 this quarter, up from \$481,017 in the prior year. These increased costs are primarily attributable to increased monthly services fees to Columbus Gold, increased travel, and additional administration expenses to support growth, expansion and build-out of a stand-alone administrative platform.

Management fees during the current quarter increased to \$302,340 compared to \$263,321 in the prior year, attributable primarily to the addition of key leadership and advisors to our team. The management fees are attributable to the CEO, COO and certain management and advisors of the Company.

Salaries and benefits increased to \$303,961 this quarter, compared to \$67,297 during the same period in the prior. The increase is mainly attributable to increased management resources and additional staffing in Europe to support our growing operations.

We have a convertible loan payable, convertible debentures, and certain accounts payable, which incur interest at various rates. Total interest expense recognized during the current quarter relating to these liabilities is \$57,950, compared to \$41,257 during the prior year comparative period.

We recorded other income of \$44,296 this quarter, mainly in connection with the settlement of certain liabilities.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We incurred a foreign exchange gain of \$54,380 this quarter as compared to a loss of \$62,016 during the prior year comparative period.

We recorded a gain on derivative financial liability of \$47,288 this quarter, compared to \$nil in the comparative prior year quarter. This gain is in connection with the conversion option on our convertible debentures, which were issued this year.

We recorded a gain on embedded derivative financial liability of \$22,659 this quarter, compared to a loss of \$63,755 in the comparative prior year quarter. The gains and losses in the quarters are in connection with the conversion option on our convertible loan payable, which is denominated in US Dollars.

During the current quarter we realized a loss per share, both basic and diluted, of \$0.02 versus a loss per share, both basic and diluted, of \$0.01 in the prior year.

### **Review of Financial Results – Current Period**

We incurred a net loss of \$3,708,148 during the current period, compared to \$2,230,502 during the same period in the prior year. The increase in the net loss for the period is discussed below.

Revenues for the nine months ended September 30, 2017 were \$456,075 as compared to \$2,129,241 during the same period in the prior year. Revenues for the period represented the start of the commercial roll-out of our organic product offering late in the period after an extended period in the last two quarters of 2016 with limited revenue as we completed trials of our processes and attained organic certifications, refining our growing operations and developing third-party supply relationships all in support of the build out of our year-round supply capabilities. Revenues from the prior year nine-month period were mainly from conventional produce as we validated our supply and logistics processes. It should be noted that in the fourth quarter of 2016 we wrote off approximately \$440,000 in bad debt expense which was related primarily to revenues recorded in the first two quarters of 2016. We expect revenues to ramp-up going forward as our supply increases from both our own growing and processing operations and strategic third-party suppliers. Gains from recognition and remeasurement of biological assets arise from when seeds are sown up until when they are harvested, with corresponding increases in fair value. Gross profit was impacted in the period by increased salaries and overheads associated with the build-out and ramp-up of our capabilities in advance of scale, yield losses due to low utilization rates, plus amortization costs related to our fixed assets.

Selling, general and administration expenses increased to \$1,457,000 this period, up from \$1,115,574 in the prior year. These increased costs are primarily attributable to increased monthly services fees to Columbus Gold, increased travel, and additional administration expenses to support growth, expansion and build-out of a stand-alone administrative platform.

Management fees during the current period increased to \$863,746 compared to \$654,862 in the prior year, attributable to the addition of key leadership and advisors and compensation adjustments. The management fees are attributable to the CEO, COO and certain management and advisors of the Company.

Salaries and benefits increased to \$503,915 this period, compared to \$264,984 during the same period in the prior. The increase is mainly attributable to increased management resources and increased staffing in Europe to support our growing operations.

We have or had amounts due to Omega S.A., short-term loans payable, a convertible loan payable, convertible debentures, and certain accounts payable, which incur interest at various rates. Total interest expense recognized during the current period relating to these liabilities is \$217,298 compared to \$159,583 during the prior year comparative period.

Foreign exchange gains and losses arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We incurred a foreign exchange gain of \$53,835 this period as compared to a loss of \$136,126 during the prior year comparative period.

We recorded a gain on derivative financial liability of \$47,288 this period, compared to \$nil in the comparative prior year period. This gain is in connection with the conversion option on our convertible debentures, which were issued this year.

We recorded a gain on embedded derivative financial liability of \$92,020 this period, compared to a loss of \$72,929 in the comparative prior year period. The gains and losses in the quarters are in connection with the conversion option on our convertible loan payable, which is denominated in US Dollars.

During the current period we realized a loss per share, both basic and diluted, of \$0.04 versus a loss per share, both basic and diluted, of \$0.03 in the prior year.

**Selected Quarterly Information**

|  | Q3<br>2017<br>(\$) | Q2<br>2017<br>(\$) | Q1<br>2017<br>(\$) | Q4<br>2016<br>(\$) | Q3<br>2016<br>(\$) | Q2<br>2016<br>(\$) | Q1<br>2016<br>(\$) | Q4<br>2015<br>(\$) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues   | 135,623            | 284,878            | 35,574             | 25,969             | 209,350            | 518,551            | 1,401,340          | 815,624            |
| Loss from continuing operations attributable to shareholders of the Company            | (1,468,605)        | (1,300,937)        | (870,271)          | (2,091,813)        | (1,047,678)        | (537,271)          | (647,552)          | (1,081,633)        |
| Income (loss) from discontinued operations attributable to shareholders of the Company | -                  | -                  | -                  | -                  | -                  | 21,892             | -                  | (7,615)            |
| Net loss for the period attributable to shareholders of the Company                    | (1,468,605)        | (1,300,937)        | (870,271)          | (2,091,813)        | (1,047,678)        | (515,379)          | (647,552)          | (1,089,248)        |
| Basic and diluted loss per share from continuing operations                            | (0.02)             | (0.01)             | (0.01)             | (0.03)             | (0.01)             | (0.01)             | (0.01)             | (0.04)             |
| Basic and diluted earnings (loss) per share from discontinued operations               | -                  | -                  | -                  | -                  | -                  | 0.00               | -                  | (0.00)             |
| Basic and diluted loss per share for the period  | (0.02)             | (0.01)             | (0.01)             | (0.03)             | (0.01)             | (0.01)             | (0.01)             | (0.04)             |

|   | Sep 30,<br>2017<br>(\$) | Jun 30,<br>2017<br>(\$) | Mar 31,<br>2017<br>(\$) | Dec 31,<br>2016<br>(\$) | Sep 30,<br>2016<br>(\$) | Jun 30,<br>2016<br>(\$) | Mar 31,<br>2016<br>(\$) | Dec 31,<br>2015<br>(\$) |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Cash                                    | 2,257,086               | 1,142,413               | 201,663                 | 26,230                  | 129,077                 | 76,861                  | 3,969                   | 63,211                  |
| Total assets                            | 7,693,330               | 6,646,020               | 5,428,130               | 5,102,997               | 6,296,781               | 6,293,876               | 7,028,267               | 7,194,697               |
| Total non-current financial liabilities | (1,970,554)             | (1,919,750)             | -                       | -                       | -                       | -                       | -                       | (764,087)               |

**Liquidity and Capital Resources**

At September 30, 2017, we had cash of \$2,257,086 and a working capital deficiency of \$309,917, compared to \$26,230 and \$4,072,903, respectively, at December 31, 2016.

Cash used in operating activities for the three and nine months ended September 30, 2017 was \$1,470,297 and \$4,114,804, respectively, compared to \$552,791 and \$724,396, during the same respective periods in the prior year. Cash used in operations consists of cash used to fund the loss for the period and the impact of non-cash items and changes in non-cash working capital.

During the three and nine months ended September 30, 2017, we invested \$92,833 and \$114,139, respectively, in property, plant and equipment. During the respective comparative prior year periods, we invested \$nil and \$24,495 in property, plant and equipment. We also received \$27,448 from the sale of our Clanton Hills property during the nine months ended September 30, 2016.

During the current quarter, we received \$2,684,389 from financing activities, compared to \$609,629 during the same period in the prior year. The increase is primarily attributable to completing non-brokered private placements of the Company's common shares for net proceeds of \$3,039,131, partially offset by certain debt and interest repayments.

During the current period, we received \$6,469,614 from financing activities, compared to \$796,602 during the same period in the prior year. The increase is mainly attributable to completing non-brokered private placements of the Company's common shares for net proceeds of \$4,910,000, receiving \$2,035,000 from convertible debentures issued partially offset by certain debt and interest repayments.

At September 30, 2017, we had current liabilities of \$3,584,645, and non-current liabilities of \$1,970,554.

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

### Financial instruments

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

| <b>Financial instrument</b>             | <b>Basis of measurement</b>       | <b>Associated risks</b>            | <b>Fair value at Sep 30, 2017 (\$)</b> |
|---|-----------------------------------|------------------------------------|--|
| Cash                                    | Fair value through profit or loss | Credit, currency and concentration | 2,257,086                              |
| Receivables                             | Amortized cost                    | Credit, currency and concentration | 214,715                                |
| Accounts payable                        | Amortized cost                    | Currency                           | (1,877,142)                            |
| Due to Omega S.A.                       | Amortized cost                    | Currency                           | (474,333)                              |
| Convertible loan payable                | Amortized cost                    | Currency                           | (592,366)                              |
| Embedded derivative financial liability | Fair value through profit or loss | Exchange                           | (110,395)                              |
| Due to Columbus Gold                    | Amortized cost                    | n/a                                | (263,519)                              |
| Convertible debentures                  | Amortized cost                    | n/a                                | (1,707,842)                            |
| Derivative financial liability          | Fair value through profit or loss | Exchange                           | (262,712)                              |
|   |                                   |                                    | <b>(2,816,508)</b>                     |

The fair value of our financial instruments including cash, receivables, accounts payable, due to Omega, convertible loan payable, and amounts due to Columbus Gold approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

The fair value of the debt component of our convertible debentures is based on the effective interest rate method, with the residual balance allocated to the conversion component, derivative financial liability.

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).

During the three and nine months ended September 30, 2017, we recognized a gain of \$22,659 and \$92,020, respectively, in connection with our *Embedded derivative financial liability*, from the revaluation of the conversion option.

During the three and nine months ended September 30, 2017, we recognized a gain of \$47,288, in connection with our *derivative financial liability*, from the revaluation of the conversion option.

We incurred aggregate interest expense of \$57,950 and \$217,298 in connection with amounts due to Omega, short-term and convertible loans payable, and convertible debentures during the three and nine months ended September 30, 2017, compared to \$41,257 and \$159,583 for the respective prior year periods.

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our financial instruments at September 30, 2017 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 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 two customer in Europe. The risk is assessed as high due to the limited number of customers. Other receivables are primarily comprised of GST and 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. As at September 30, 2017, we had a working capital deficiency of \$309,917 (December 31, 2016 – \$4,072,903). Liquidity risk is assessed as high.

To address the liquidity risk, we continue to monitor our working capital needs and cash flows. We may attempt to raise additional capital if necessary.

(c) Market risks – interest rate

We do not have debt that is subject to interest rate risks, as the debts have fixed rates.

*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 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 \$16,125.

*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 have a Services Agreement with Columbus Gold, whereby Columbus Gold provides administration and management services for a fixed monthly fee. The Services Agreement is effective until December 31, 2017. Columbus Gold has certain directors and officers in common with the Company.

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

|   | Three months ended            |                               | Nine months ended             |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | September 30,<br>2017<br>(\$) | September 30,<br>2016<br>(\$) | September 30,<br>2017<br>(\$) | September 30,<br>2016<br>(\$) |
| Management fees paid or accrued to Fresh Organics LLC, a Company owned by Marcus Meurs, the president and COO of the Company          | 61,160                        | 79,902                        | 201,412                       | 181,404                       |
| Management fees paid or accrued to Peter Gianulis, Executive Vice President, Corporate Development of the Company                     | 45,015                        | 78,580                        | 140,512                       | 192,082                       |
| Management fees paid or accrued to MCC Holding B.V. a Company owned by Arnoud Maas, CEO of the Company                                | 75,316                        | -                             | 128,436                       | -                             |
| Management fees paid or accrued to Brandal B.V., a Company owned by Rients van der Wal, a former director of the Company's subsidiary | 59,222                        | 65,551                        | 232,568                       | 199,170                       |
| Management fees paid or accrued to Andres Barresi, former COO of the Company  | -                             | 39,288                        | 7,293                         | 82,206                        |
| Administration fees paid or accrued to Columbus Gold  | 76,800                        | 30,000                        | 229,800                       | 95,000                        |
| Directors fees paid or accrued  | 18,000                        | 18,000                        | 54,000                        | 54,000                        |
|   | <b>335,513</b>                | <b>311,321</b>                | <b>994,021</b>                | <b>803,862</b>                |

The following summarizes advances, amounts that remain payable or accrued to each related party:

|   | September 30,<br>2017<br>(\$) | December 31,<br>2016<br>(\$) |
|---|-------------------------------|------------------------------|
| Due to Omega  | 474,333                       | 500,419                      |
| Due to Columbus Gold  |                               |                              |
| to be settled in cash   | 23,519                        | 138,683                      |
| to be settled in shares of Organto  | 240,000                       | -                            |
| Loan payable to CrediPresto, a corporation of which Javier Reyes, a director of the Company, is a principal | -                             | 118,439                      |
| Management fees payable to Andres Barresi   | 98,003                        | 98,294                       |
| Management fees and expense reimbursements payable to Peter Gianulis  | 94,586                        | 240,857                      |
| Loan payable to Peter Gianulis  | -                             | 64,496                       |
| Management fees payable and (advances) to Fresh Organics  | (112,227)                     | 12,775                       |
| Directors fees included in accrued liabilities  | 102,864                       | 78,000                       |
|   | <b>921,078</b>                | <b>1,251,963</b>             |

## Commitments

At September 30, 2017, we have the following commitments:

|  | <b>Within<br/>1 year<br/>(\$)</b> | <b>Between<br/>1 and 5 years<br/>(\$)</b> | <b>After<br/>5 years<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|--|-----------------------------------|---|-----------------------------------|-----------------------|
| Lease payments for land use in Guatemala           | 135,656                           | 495,375                                   | 383,621                           | 1,014,652             |
| Management fees to Arnoud Maas, CEO of the Company | 303,050                           | -   | -                                 | 303,050               |
| Management fees to Fresh Organics LLC              | 242,855                           | 121,095                                   | -                                 | 363,950               |
| Management fees to Peter Gianulis                  | 181,830                           | 251,566                                   | -                                 | 433,396               |
| Services agreement with Columbus Gold              | 76,800                            | -   | -                                 | 76,800                |
| Due to Omega                                       | 410,985                           | 63,202                                    | -                                 | 474,187               |
|  | <b>1,351,176</b>                  | <b>931,238</b>                            | <b>383,621</b>                    | <b>2,666,035</b>      |

## Contingent Liability

On February 9, 2017, the Company received a letter from Guatemala's Sacatepequez Department Civil Court, notifying a claim in progress brought forth by a 3rd party. The claim is in connection with the purchase and sale of land in Guatemala, in the amount of approximately \$80,198 (Q\$461,312) plus accrued interest and certain legal fees. The Company subsequently negotiated with the 3rd party to settle the claim by voluntarily returning the land to the 3rd party. As at September 30, 2017, the Company recorded \$81,400 (Q\$468,233) in Accounts Payable in connection with this claim, and accrued additional interest of \$50,524 (Q\$290,626) accrued liabilities.

## 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 \$4.6 million in revenues and operating losses of approximately \$10.0 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, risk in our negative working capital position and our accumulated deficit, all of which could impact our ability to continue operations.*

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the years ended December 31, 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 quarter, we have generated operating losses since inception, cash resources are

currently insufficient to meet planned business objectives, and thus additional financing will be required to realize the carrying value of our assets and continue operations, which together raises doubt about our ability to continue as a going concern.

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

We will require additional capital to fulfill our contractual obligations and continue development of our product offerings and global operating platform, through either equity or debt financing. Due to business specific or general economic conditions, we may be unable to secure debt or equity financing on terms acceptable to the Company, or at all, at the time when we need such funding. Our inability to raise additional funds on a timely basis would make it difficult to achieve our business objectives and would have a negative impact on our business, financial condition and results of operations.

*Additional financing may dilute common shareholders or place restrictions on our operations.*

If we raise funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders would be reduced, and the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, the Company may be subject to debt covenants, which could place limitations on our operations including our ability to declare and pay dividends.

*We operate in a competitive global food industry and the actions of competitors could impact revenues and profitability.*

The agricultural produce industry is intensely competitive in all of its phases. We compete with other companies, some of whom have greater financial resources, larger facilities, more capacity, higher staffing levels, greater economies of scale, pricing advantages, longer operating histories and more established market presences. We may have little or no control over some or all of these competitive factors. If we are unable to effectively respond to these competitive factors, or if the competition in our product markets results in price reductions or decreased demand for our products, our business, results of operations and financial condition may be materially impacted.

We are focusing our business on the production, processing, packing and distribution 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, 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 to achieve our business objectives.*

Our success will be largely dependent upon the performance of our management and key employees. 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 could also have a material adverse effect on the Company.

*Our customers generally are not obligated to continue purchasing products from us.*

Many of our customers buy from us under purchase orders, and we generally do not have long-term agreements with or commitments from these customers for the purchase of our products. We cannot provide assurance that our customers will maintain or increase their sales volumes or orders for the products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition or results of operations.

*If we do not manage our supply chain effectively, our operating results may be adversely affected.*

Our supply chain is complex and subject to a number of risks. We directly operate growing and processing operations but also rely on a number of third party suppliers for the growing, processing, packaging and distribution of certain of our products. Our inability

to effectively manage our supply chain could cause our operating costs to rise and our margins to fall. In addition, potential adverse weather conditions and natural disasters add another layer of risk to our supply chain. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet customer demand as well as having too much inventory that could reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet customer demand, our operating costs could increase and our margins could fall.

*Our international operations expose us to additional risks inherent with the countries where we are doing business.*

We operate in various foreign jurisdictions around the world. These international operations expose us to risks inherent in doing business abroad including exposure to local economic conditions, foreign exchange rate fluctuations and currency controls, investment restrictions or requirements, export and import restrictions, compliance with anti-corruption and anti-bribery laws, compliance with export controls and economic sanctions laws, and unforeseen events such as natural disasters, terrorism or political and civil unrest. As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks, thus materially impacting our business, financial condition and results of operations.

*Our business is subject to numerous environmental and food safety regulations and policies.*

Our operations are subject to environmental and food safety regulations and policies in the areas where we operate. Changes in any government laws or regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. While we believe we are in compliance with all laws and regulations applicable to our operations, we cannot assure you 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.

### **Risks Related to Ownership of Our Securities**

*Our stock price may be volatile, which may impact returns to our shareholders.*

From time to time stock markets experience extreme price and volume fluctuations, which, when combined with general economic and political conditions, could adversely affect the market price for our securities. In addition, the trading price of our common stock may be volatile and could fluctuate widely in response to many factors, including the following, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;
- additions or departures of key personnel; and
- future sales of our common stock.

*Our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all.*

We cannot predict the extent to which an active public market for trading our common stock will be sustained. Our shares have historically been thinly-traded meaning that the number of persons interested in purchasing our common shares at or near bid prices at a certain given time may be relatively small or non-existent.

This situation is attributable to a number of factors, including the fact that we are a smaller company in its development phase which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who generate or influence sales volume. Even if we came to the attention of such persons, those persons may be reluctant to follow, purchase, or recommend the purchase of shares of an unproven company such as ours until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous trades without an adverse effect on share price. We cannot be assured that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

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

We presently do not anticipate that we will pay dividends on any of our common stock in the foreseeable future. If payment of dividends does occur at some point in the future, it would be contingent upon our revenues and earnings, 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 is an emerging markets issuer, and as such, is required by the TSXV to have sufficient internal controls over financial reporting. Effective for the nine months ending September 30, 2017, we enhanced our disclosure controls and procedures through the implementation of the *Internal Control – Integrated Framework (2013 Framework)* ("COSO 2013") control framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

### **Additional information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Corporate information**

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Directors: Steve Bromley (Chair)  
Jeffrey Klenda (Chair, Audit Committee)  
Arnoud Maas  
Claudio Schreier  
Javier Reyes  
Robert Giustra

Officers: Arnoud Maas, Chief Executive Officer  
Marc Meurs, President & Chief Operating Officer  
Erik Kleerebezem, Chief Financial Officer  
Peter Gianulis, Executive Vice President, Corporate Development  
Andrew Yau, Interim Corporate Secretary

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