



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

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the Nine Months Ended
September 30, 2019

(Stated in Canadian Dollars)

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three and nine months ended September 30, 2019, which follow this notice, have not been reviewed by an auditor.

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

	September 30, 2019 (\$)	December 31, 2018 (\$)
Assets		
Current assets		
Cash	78,904	189,020
Receivables (note 3)	1,342,065	574,790
Inventories (note 4)	154,128	67,721
Prepaid expenses (note 5)	41,341	74,668
Assets held for sale (note 6)	-	935,450
	1,616,438	1,841,649
Non-current assets		
Property, plant and equipment (note 7)	121,607	176,494
Investment securities (note 8)	712,463	-
Intangible assets (note 9)	-	1,323,707
Loan receivable (note 10)	66,802	-
Total assets	2,157,310	3,341,850
Liabilities and Shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 17(c))	3,320,196	2,844,078
Bank loan (note 11)	638,222	-
Loan due to Omega S.A. (note 12)	30,320	270,212
Short-term loans payable (notes 13 and 17(d))	1,016,668	926,387
Total liabilities	5,005,406	4,040,677
Shareholders' deficit		
Share capital (note 14)	18,113,613	16,919,767
Shares to be issued (returned) (notes 6 and 8)	(1,634,340)	1,193,846
Reserves (note 14(e))	2,682,759	2,367,396
Deficit	(21,650,128)	(21,179,836)
Total shareholders' deficit	(2,488,096)	(698,827)
	2,157,310	3,341,850

Nature of operations and going concern (note 1)

Commitments (note 20)

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

Organto Foods Inc.Condensed Interim Consolidated Statements of Loss
(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Sales (note 19)	1,935,094	444,259	2,128,551	468,302
Cost of sales (note 15)	(1,761,434)	(432,838)	(1,977,757)	(727,196)
Gross profit (loss)	173,660	11,421	150,794	(258,894)
Selling, general and administration expenses (note 16)	193,888	249,804	953,313	1,047,730
Management fees	125,810	127,474	463,883	456,684
Labour costs and benefits	146,887	215,363	373,022	962,888
Stock-based compensation	55,895	2,035	210,890	17,448
	(348,820)	(583,255)	(1,850,314)	(2,743,644)
Interest expense and accretion, net	(31,844)	(458,402)	(89,352)	(830,867)
Other income (loss)	(131)	142,700	14,936	179,728
Foreign exchange gain (loss)	(57,583)	34,836	(47,721)	9,242
Gain on sale of subsidiary (note 8)	-	-	1,502,159	-
Gain on embedded derivative financial liability	-	-	-	17,949
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,593)
Loss per share (note 14(d))				
Basic and diluted	(0.00)	(0.01)	(0.00)	(0.03)

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

Organto Foods Inc.Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,592)
Other comprehensive income (loss) for the period:				
Items that may subsequently be re-classified to income or loss:				
Foreign currency translation	64,053	(40,129)	104,473	(43,739)
Comprehensive loss for the period	(374,325)	(904,250)	(365,819)	(3,411,331)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Operating activities				
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,592)
Items not involving cash:				
Amortization	14,084	75,048	43,118	185,808
Stock-based compensation	55,895	2,035	210,890	17,448
Interest expense and accretion	31,844	458,473	89,352	774,085
Foreign currency translation	66,571	(86,551)	123,730	(59,111)
Other income	(52,429)	-	(67,496)	-
Gain on sale of subsidiary	-	-	(1,502,159)	-
Gain on embedded derivative financial liability	-	-	-	(17,949)
Cash used in operating activities before changes in non-cash working capital	(322,413)	(520,250)	(1,572,857)	(2,572,445)
Changes in non-cash working capital (note 18)	126,615	(469,460)	39,022	154,240
Cash used in operating activities	(195,798)	(989,710)	(1,533,835)	(2,418,205)
Investing activities				
Intangible assets	-	-	(1,520)	-
Cash used in investing activities	-	-	(1,520)	-
Financing activities				
Proceeds from bank loan	661,650	-	1,309,813	-
Repayments of bank loan	(661,650)	-	(661,650)	-
Proceeds from private placement, net of issue costs	-	941,317	-	1,600,000
Proceeds from short term loans	288,858	-	907,138	815,740
Repayments of short term loans	(34,384)	(92,625)	(42,635)	(92,625)
Repayments of convertible loan payable	-	-	-	(28,456)
Interest paid	(28,218)	(15,000)	(86,565)	(15,000)
Cash used in financing activities	226,256	834,692	1,425,101	2,279,659
Effect of foreign exchange on cash	2	(1,188)	(862)	(231)
Increase (decrease) in cash	30,460	(156,206)	(110,116)	(138,777)
Cash, beginning of period	48,444	189,454	189,020	172,025
Cash, end of period	78,904	33,248	78,904	33,248

Supplemental cash flow information (note 18).

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
 For the Three and Nine Months Ended September 30, 2019 and 2018
 (Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2018	112,263,903	10,953,208	-	2,160,270	(15,677,656)	(2,564,178)
Proceeds from private placement	20,000,000	1,600,000	-	-	-	1,600,000
Stock-based compensation (note 14(b))	-	-	-	17,448	-	17,448
Shares issued to settle loans payable	2,269,230	748,846	-	-	-	748,846
Shares issued to settle convertible debentures	13,330,262	2,268,026	-	-	-	2,268,026
Comprehensive loss for the period	-	-	-	(43,739)	(3,367,591)	(3,411,330)
Balance at September 30, 2018	147,863,395	15,570,080	-	2,133,979	(19,045,247)	(1,341,188)
Balance at January 1, 2019	162,989,355	16,919,767	1,193,846	2,367,396	(21,179,836)	(698,827)
Stock-based compensation (note 14(b))	-	-	-	210,890	-	210,890
Shares issued on receipt of Colombian license (note 9)	7,461,538	1,193,846	(1,193,846)	-	-	-
Shares to be returned and cancelled (notes 6 and 8)	-	-	(1,634,340)	-	-	(1,634,340)
Comprehensive income (loss) for the period	-	-	-	104,473	(470,292)	(365,819)
Balance at September 30, 2019	170,450,893	18,113,613	(1,634,340)	2,682,759	(21,650,128)	(2,488,096)

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

1. Nature of operations and going concern

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

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

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. for a combination of shares of Xebra, cash and forgiveness of debt. Prior to this agreement, Organto owned 100 per cent of the outstanding shares of Medicannabis, a privately held Colombian company focused on the development of medicinal cannabis. See also note 8.

These consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At September 30, 2019, the Company had a working capital deficiency of \$3,388,968 (December 31, 2018 - \$2,199,028) and an accumulated deficit of \$21,650,128 (December 31, 2018 - \$21,179,836). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada. The Company has a sales and administration office in Breda, the Netherlands and regional satellite offices are located in Mexico, Guatemala, Argentina and the USA.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2018. Certain amounts in the prior period have been reclassified to conform to the presentation in the current period.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 14, 2019.

3. Receivables

	September 30, 2019 (\$)	December 31, 2018 (\$)
Trade receivables	883,182	263,936
VAT recoverable	61,154	35,142
Insurance claims receivable	396,867	260,819
Other	862	14,893
	1,342,065	574,790

4. Inventories

	September 30, 2019 (\$)	December 31, 2018 (\$)
Packing material	57,951	62,542
Finished goods	96,177	5,180
	154,128	67,721

5. Prepaid expenses

	September 30, 2019 (\$)	December 31, 2018 (\$)
Advances to third-party producers	13,657	56,094
Prepaid insurance	16,108	-
Other advances and retainers	11,576	18,574
	41,341	74,668

6. Assets held for sale

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

Under the terms of the agreement, Omega acquired the assets on an as-is basis for consideration of \$935,450. Consideration was paid through the discharge of certain loans from Omega and related parties to Organto in the amount of \$428,782 (US\$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of \$77,185 (US\$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. At December 31, 2018 the fair value of the shares to be cancelled was determined to be \$440,494, and the fair value of the loan payable was determined to be \$66,174.

The Company received shareholder approval and TSXV acceptance of this transaction in October 2019.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

7. Property, plant and equipment

	Buildings (\$)	Machinery & equipment (\$)	Furniture and other (\$)	Land (\$)	Construction in progress (\$)	Total (\$)
Cost						
At January 1, 2018	977,718	1,393,129	141,539	108,922	52,349	2,673,657
Dispositions	-	(21,101)	(39,261)	(86,344)	-	(146,706)
Impairment	(356,732)	(399,817)	(32,156)	(8,507)	(20,194)	(817,406)
Reclassification to assets held for sale	(650,570)	(729,144)	(58,642)	(15,514)	(36,828)	(1,490,698)
Foreign exchange	29,584	39,765	(10,680)	1,442	4,674	64,785
At December 31, 2018	-	282,832	800	-	-	283,632
Foreign exchange	-	(20,762)	-	-	-	(20,762)
At September 30, 2019	-	262,070	800	-	-	262,870
Accumulated amortization						
At January 1, 2018	(300,489)	(407,392)	(32,940)	-	-	(740,821)
Amortization for the year	(49,307)	(118,940)	(2,132)	-	-	(170,379)
Dispositions	-	-	18,814	-	-	18,814
Impairment	127,473	160,978	16,012	-	-	304,463
Reclassification to assets held for sale	232,472	293,574	29,201	-	-	555,248
Foreign exchange	(10,150)	(34,581)	(29,732)	-	-	(74,463)
At December 31, 2018	-	(106,361)	(778)	-	-	(107,138)
Amortization for the period	-	(43,095)	(22)	-	-	(43,118)
Foreign exchange	-	8,992	-	-	-	8,992
At September 30, 2019	-	(140,464)	(800)	-	-	(141,264)
Net book value						
At December 31, 2018	-	176,472	22	-	-	176,494
At September 30, 2019	-	121,607	-	-	-	121,607

8. Investment securities

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

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis will receive a total of 10 million common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. Upon receipt of these Xebra shares the former shareholders and advisers of Medicannabis will return the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis to be cancelled.

Organto received cash proceeds of \$321,077 in July 2019. In addition to the cash proceeds, promissory notes of \$600,000 due by Organto to Xebra will be also be forgiven and Xebra will assume all outstanding debts and obligations of Medicannabis. Organto 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 Organto can begin profitably distributing Xebra products in Europe.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

A value of \$0.10 per share has been attributed to the Xebra shares, this being the price at which their most recent private placement occurred.

Investment securities are comprised of the following:

	September 30, 2019 (\$)	December 31, 2018 (\$)
Shares of Xebra Brands Ltd.	712,463	-
	712,463	-

The gain from the sale of the Medicannabis shares and associated IP was calculated as:

	(\$)
Xebra shares (7,124,630 shares at \$0.10 per share)	712,463
Cash	321,077
Promissory notes forgiven	600,000
Organto shares to be cancelled	1,193,846
Total proceeds	2,827,386
Intangible assets sold	(1,325,227)
Gain on sale of subsidiary	1,502,159

The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction is now subject to certain closing procedures which are ongoing.

9. Intangible assets

In November 2018, the Company acquired a 100% interest in Medicannabis SAS (“Medicannabis”), by agreeing to assume net liabilities of Medicannabis totalling \$25,051. Medicannabis was a privately held Colombian medicinal cannabis company that was a late-stage applicant for licences to enable it to cultivate and process cannabis in Colombia. Its primary asset consisted of its applications for cannabis cultivation, processing and distribution licenses in Colombia. The Company allocated the purchase price of \$25,051 to the license applications.

As part of the agreement to acquire the shares of Medicannabis, the Company issued 7,000,000 common shares to the former shareholders of Medicannabis and 461,538 common shares to third parties as finders’ fees upon the receipt of the first license from the Colombian government. A CBD cultivation license was received in January 2019 and the 7,461,538 common shares were issued in April 2019. A value of \$1,193,846 was attributed to these shares to be issued and this amount was added to licenses at December 31, 2018.

In June 2019 the Company sold its shares of Medicannabis and related intellectual property. See note 8.

Intangible assets are comprised of the following:

	September 30, 2019 (\$)	December 31, 2018 (\$)
Cultivar rights	-	100,911
Colombian license	-	1,222,796
	-	1,323,707

Colombian license costs consisted of the portion of the purchase price allocated to licenses, the value of the shares issued to the former shareholders of Medicannabis and government registration fees paid.

10. Loan receivable

In March 2019, the Company sold its processing plant in Guatemala for proceeds including an interest-free note payable by the purchaser in the amount of US\$56,628. This note is due in March 2021 and is secured by a lien on the processing plant. The loan was initially recorded at its fair value of \$66,174 and is being accreted to face value over the 2 year term.

A continuity of the balance is shown below:

	(\$)
Balance at January 1, 2019	-
Loan issued	66,174
Accretion	2,520
Foreign exchange	(1,892)
	66,802

11. Bank loan

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US\$500,000. Interest is payable monthly at 12% on any funds borrowed.

A continuity of the balance is shown below:

	(\$)
Balance at January 1, 2019	-
Proceeds	1,309,813
Payments	(661,650)
Foreign exchange	(9,941)
Balance at September 30, 2019	638,222

Accrued interest on this loan is recorded in accounts payable.

12. Loan due to Omega S.A.

As at December 31, 2018 the Company had a loan payable to Organizacion de Marcadeo SA (“Omega”) in the amount of \$270,212 (US\$198,248).

This loan was partially settled when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of US\$175,348 of the loan from Omega leaving a balance owing of \$30,320

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

(US\$22,900). The US\$22,900 is payable within 5 business days after the Company completes an equity financing of at least \$200,000.

A continuity of the balances is shown below:

	(\$)
Balance at January 1, 2018	372,148
Accrued interest	23,074
Payments	(132,822)
Foreign exchange	7,812
Balance at December 31, 2018	270,212
Loan settled	(238,999)
Foreign exchange	(893)
Balance at September 30, 2019	30,320

See also note 21.

13. Short-term loans payable

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

In April 2019 the Company entered into an agreement to extend the remaining bridge loans. Under the terms of the extension all outstanding amounts were extended one-year from the date of the initial loan and will be payable on the new expiry date. Commencing May 15, 2019 and each month thereafter, the Company will make equal monthly payments of \$8,632 consisting of principal and interest and will make lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from potential funds raised in relation to the Company’s medicinal cannabis assets. Should the Company completely exit its cannabis investment any outstanding amounts due under these short-term loans will be immediately due and payable. As at September 30, 2019 amounts outstanding on these bridge loans total \$604,767.

During the nine months ended September 30, 2019 the Company received \$362,137 in interest-free short term loans from a number of parties including officers and directors. These loans are unsecured and have no fixed terms of repayment. Certain of the loans from officers and directors are denominated and repayable in US dollars and Euros. As at September 30, 2019, interest-free short-term loans with no terms of repayment total \$411,901.

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

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

Accrued interest is recorded in accrued liabilities.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

Maturity date	Interest rate	September 30, 2019 (\$)	December 31, 2018 (\$)
February 1, 2020	8%	97,365	140,000
February 21, 2020	8%	322,093	322,093
March 13, 2020	8%	107,348	107,348
March 27, 2020	0%	-	66,679
April 3, 2020	8%	68,961	68,961
April 5, 2020	0%	-	104,659
April 25, 2020	8%	9,000	9,000
		604,767	818,740
No fixed maturity date	0%	411,901	107,647
		1,016,668	926,387

A continuity of the balances is shown below:

	(\$)
Balance at January 1, 2018	-
Proceeds from loans	926,387
Balance at December 31, 2018	926,387
New loans	907,138
Loans settled	(171,338)
Principal repaid	(42,635)
Loans forgiven (note 6)	(600,000)
Foreign exchange	(2,884)
Balance at September 30, 2019	1,016,668

See also note 21.

14. Share capital

(a) Common shares

The Company is authorized to issue an unlimited common shares without par value.

At September 30, 2019 the Company had 170,450,893 common shares issued and outstanding (December 31, 2017 – 162,989,355).

(b) Share options

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

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

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

	Total options		Exercisable options	
	Total options	Weighted average exercise price (\$)	Exercisable options	Weighted average exercise price (\$)
Balance, January 1, 2018	9,715,000	0.18	6,936,250	0.19
Granted	6,350,000	0.14	1,342,917	0.135
Exercised	(35,000)	0.065	(35,000)	0.065
Forfeited	(3,300,000)	0.18	(1,700,000)	0.18
Expired	(300,000)	0.19	(300,000)	0.19
Vested during year	-	-	178,750	0.15
Balance at December 31, 2018	12,430,000	0.16	6,422,917	0.18
Granted	150,000	0.08	30,000	0.08
Forfeited	(623,333)	0.135	-	-
Expired	(186,667)	0.135	(186,667)	0.135
Vested during period	-	-	751,250	0.15
Balance at September 30, 2019	11,770,000	0.16	7,017,500	0.17

A summary of the Company's share options outstanding and exercisable at September 30, 2019 is as follows:

Exercise price (\$)	Options outstanding		Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
0.08	150,000	0.06	30,000	0.02
0.13	140,000	0.04	80,000	0.04
0.135	5,000,000	1.79	1,787,500	1.07
0.15	35,000	-	35,000	-
0.15	600,000	0.21	240,000	0.14
0.18	75,000	-	75,000	-
0.18	3,745,000	0.96	2,745,000	1.19
0.20	2,025,000	0.20	2,025,000	0.34
	11,770,000	3.26	7,017,500	2.80

The Company recognizes stock based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in 2018 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 121-128%, risk free interest rate of 1.90%, expected life of 5 years and no dividend yield. The fair value of share options granted in 2017 with set vesting dates was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following: expected price volatility of 121%, risk free interest rate of 1.70%, expected life of options of 4 years, and no dividend yield. Options which vest on market conditions were valued using the Binomial Method with the following: expected price volatility of 121%, risk free interest rate of 1.70%, expected life of options of 5 years, and no dividend yield.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

The Company recognized \$55,895 in the three months ended September 30, 2019 (2018 - \$2,035) and \$210,890 in the nine months ended September 30, 2019 (2018 - \$17,448) as stock based compensation expense.

(c) Warrants

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiration date	Fair value per warrant (\$)	Total fair value (\$)
November 15, 2018	5,500,000	0.20	May 15, 2020 *		
	5,500,00				107,360

* In the event the Company's common shares trade on the TSXV at a price of \$0.25 or more for a period of 10 consecutive trading days then the Company will have the right to accelerate the expiry date of the warrants to the earlier of (i) the 30th day after the date on which such notice is given; and (ii) the actual expiry date of the warrants.

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

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2018	37,215,603	0.24
Granted	15,500,000	0.17
Expired	(1,125,225)	0.21
Balance at December 31, 2018	51,590,378	0.17
Expired	(46,090,378)	0.16
Balance at September 30, 2019	5,500,000	0.20

(d) Loss per share

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Net loss for the period	(438,378)	(864,121)	(470,292)	(3,367,593)
Basic and diluted net loss per share	0.00	(0.01)	(0.00)	(0.03)
Weighted average number of shares outstanding	170,450,893	135,327,797	167,772,392	120,077,912

For the nine months ended September 30, 2019 there were 11,770,000 (2017 – 7,015,000) share options and 5,500,000 warrants (2018 – 46,090,378) that are potentially dilutive but not included in the diluted loss per share calculation as the effect would be anti-dilutive.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

(e) Reserves

	Options (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2018	671,417	235,471	592,513	660,869	2,160,270
Stock-based compensation	123,311	-	-	-	123,311
Exercise of stock options	(1,648)	-	-	-	(1,648)
Accumulated comprehensive income	-	-	-	85,463	85,463
Balance at December 31, 2018	793,080	235,471	592,513	746,332	2,367,396
Stock-based compensation	210,890	-	-	-	210,890
Accumulated comprehensive income	-	-	-	104,473	104,473
Balance at September 30, 2019	1,003,970	235,471	592,513	850,805	2,682,759

15. Cost of sales

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Materials and transportation	160,405	34,779	264,992	148,317
Produce purchases	1,598,816	397,401	1,698,222	416,240
Labour costs	-	-	-	56,054
Amortization	-	-	-	70,201
Plant overhead	2,213	658	14,543	36,384
	1,761,434	432,838	1,977,757	727,196

16. Selling, general and administration expenses

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Administration and office	80,059	83,054	327,940	544,074
Professional fees	99,746	105,163	517,606	362,052
Overhead and operating	14,083	61,584	107,767	141,604
	193,888	249,801	953,313	1,047,730

17. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Salaries, consulting and management fees	105,963	114,948	386,566	433,644
Short-term employee benefits	4,962	4,842	14,828	9,584
Stock based compensation	29,287	29,262	118,769	93,795
	140,212	129,643	520,163	336,421

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2019 and 2018.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

(b) Transactions with related parties:

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Purchase of management and administrative services from companies with common directors or officers	62,338	66,563	191,875	129,136
Product sales to a company with a common officer	220,019	-	220,019	-
	282,357	66,563	411,894	129,136

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

	September 30, 2019 (\$)	December 31, 2018 (\$)
Salaries, consulting and management fees	570,703	309,182
Administration services	100,844	38,005
Expense reimbursements	54,487	58,975
Balance, end of period	726,034	406,162

(c) Outstanding balances included in accounts receivable arising from sales of products:

	September 30, 2019 (\$)	December 31, 2018 (\$)
Sales of product	7,857	-
Balance, end of period	7,857	-

(d) Loans from directors and key management personnel:

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Balance, beginning of period	122,251	-	107,648	-
Loans received	248,858	-	322,137	-
Loans repaid	-	-	(55,000)	-
Foreign exchange	793	-	(2,883)	-
Balance, end of period	371,902	-	371,902	-

18. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Changes in non-cash working capital				
Receivables	(248,598)	(359,683)	(399,769)	(68,043)
Inventories	(77,078)	(36,202)	(86,407)	(27,431)
Prepaid expenses	51,893	(89,693)	33,327	(83,019)
Accounts payable and accrued liabilities	400,398	16,118	491,871	332,733
	126,615	(469,460)	39,022	154,240

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited – expressed in Canadian Dollars)

Non-cash investing and financing activities includes the following:

	Three months ended		Nine months ended	
	September 30, 2019 (\$)	September 30, 2018 (\$)	September 30, 2019 (\$)	September 30, 2018 (\$)
Common stock issued:				
as part of Medicannabis acquisition	-	-	1,193,846	-
to settle loans payable	-	748,846	-	748,846
To settle convertible debentures	-	2,268,026	-	2,268,026
Common stock to be cancelled:				
as part of the sale of the processing plant in Guatemala	-	-	(440,494)	-
as part of the sale of Medicannabis	-	-	(1,193,846)	-
Loans settled:				
as part of the sale of the processing plant in Guatemala	-	-	171,338	-
as part of the sale of Medicannabis	-	-	600,000	-

19. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging and distribution of organic and specialty food products. Significant customer sales are:

Customer	Customer Location	Three months ended				Nine months ended			
		September 30, 2019 (\$)	%	September 30, 2018 (\$)	%	September 30, 2019 (\$)	%	September 30, 2018 (\$)	%
Customer A	Europe	1,349,999	70	-	-	1,372,868	64	-	-
Customer B	Europe	219,971	11	-	-	222,037	10	-	-
Customer C	Europe	90,915	5	-	-	91,769	4	-	-
Customer D	Europe	73,043	4	-	-	84,598	4	-	-
Others	Europe	201,165	10	444,259	100	357,279	17	468,302	100
		1,935,094	100	444,259	100	2,128,551	100	468,302	100

Information by geographical areas is as follows:

	September 30, 2019 (\$)	December 31, 2018 (\$)
Non-current assets		
Canada	779,265	1,323,707
Netherlands	121,607	176,494
	900,872	1,500,201

20. Commitments

At September 30, 2019, the Company has the following commitments:

	Within 1 year	Between	After 5 years	Total
	(\$)	1 and 5 years	(\$)	(\$)
		(\$)		
Management and administration fees	132,245	-	-	132,245
Bank loan	638,222	-	-	638,222
Loan payable to Omega S.A.	30,320	-	-	30,320
Short-term loans payable	1,016,668	-	-	1,016,668
	1,817,455	-	-	1,817,455