Consolidated Financial Statements of

GREEN RISE FOODS INC.

For the years ended December 31, 2021 and December 31, 2020

(Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements, the notes thereto, and other information in the Management's Discussion and Analysis of Green Rise Foods Inc., ("Green Rise") as of and for the years ended December 31, 2021, and 2020 are the responsibility of management and have been approved by the Board of Directors.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates, judgments, and policies that it believes appropriate in the circumstances.

Green Rise maintains a system of internal accounting control which provide on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that Green Rise's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Audit Committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

These consolidated financial statements have been audited by RSM Canada LLP, Chartered Professional Accountants, Licensed Public Accountants. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

(*Signed*) "*Vincent Narang*"	(*Signed*) "*George Hatzoglou*"
Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Green Rise Foods Inc.

Opinion

We have audited the consolidated financial statements of Green Rise Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of earnings (loss) and comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 29, 2022
Toronto, Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands)		**December 31, 2021**		December 31, 2020
Assets				
Current Assets:				
Cash	**$**	**-**	$	3,057
Trade and other receivables		**1,011**		684
Inventory		**311**		141
Bearer plants (note 5)		**348**		392
Prepaid expenses		**293**		376
		1,963		4,650
Property, plant and equipment (note 6)		**41,731**		27,503
Total Assets	**$**	**43,694**	$	32,153
Liabilities				
Current Liabilities				
Operating line (note 8)	**$**	**2,914**	$	-
Trade payables		**3,117**		1,831
Current portion of lease obligation (note 7)		**163**		81
Current portion of long-term debt (note 8)		**2,019**		1,253
		8,213		3,165
Lease obligation (note 7)		**275**		236
Long-term debt (note 8)		**29,358**		18,945
Deferred income tax liability (note 10)		**982**		1,855
Total Liabilities		**38,828**		24,201
Equity				
Share Capital (note 11)		**4,212**		4,030
Contributed Surplus (note 12)		**1,784**		1,637
Retained Earnings (Deficit)		**(1,130)**		2,285
Total Equity		**4,866**		7,952
Total Liabilities and Equity	**$**	**43,694**	$	32,153

Approved by the Board of Directors

(Signed) "Enrico (Rick) Paolone"
Director

(Signed) "Jerry Mancini"
Director

Commitments Note 17

Subsequent events Note 18

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

For the years ended December 31, 2021 and December 31, 2020

(thousands, except per share amounts)		**For the year ended December 31, 2021**		For the year ended December 31, 2020
Revenue (note 14)	$	**17,711**	$	15,413
Cost of sales (note 15)		**(17,477)**		(10,744)
Gross profit		**234**		4,669
Selling, general and administrative expenses (note 15)		**(3,299)**		(2,067)
Earnings (loss) from operations		**(3,065)**		2,602
Interest expense		**(1,160)**		(898)
Earnings (loss) before income taxes		**(4,225)**		1,704
Income tax (expense) recovery (note 10)		**810**		(839)
Net earnings (loss) and comprehensive earnings (loss) for the year		**(3,415)**		865
Basic and diluted earnings (loss) per share	$	**(0.08)**	$	0.02
Weighted average number of common shares outstanding				
Basic		**45,056,648**		54,727,382
Diluted		**45,056,648**		56,393,848

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and December 31, 2020

(thousands except share amounts)	Number of shares	Share Capital ($)	Contributed Surplus ($)	Retained Earnings (Deficit) ($)	Total Equity ($)
Balance, December 31, 2020	**44,922,402**	**$ 4,030**	**$ 1,637**	**$ 2,285**	**$ 7,952**
Stock options exercised (note 12)	433,332	182	(82)	-	100
Stock-based compensation (note 12)	-		229	-	229
Comprehensive loss for the year	-	-	-	(3,415)	(3,415)
Balance, December 31, 2021	**45,355,734**	**$ 4,212**	**$ 1,784**	**$ (1,130)**	**$ 4,866**

	Number of shares	Share Capital ($)	Contributed Surplus ($)	Retained Earnings ($)	Total Equity ($)
Balance, December 31, 2019	59,896,535	$ 5,828	$ 1,521	$ 1,420	$ 8,769
Shares purchased for cancellation (note 11)	(14,974,133)	(1,647)	-	-	(1,647)
Costs related to shares purchased for cancellation (note 11)	-	(151)	-	-	(151)
Stock-based compensation (note 12)	-	-	116	-	116
Comprehensive earnings for the year	-	-	-	865	865
Balance, December 31, 2020	44,922,402	$ 4,030	$ 1,637	$ 2,285	$ 7,952

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and December 31, 2020

(thousands)	**December 31, 2021**	December 31, 2020
Cash provided by (used in):		
Operating activities:		
Net earnings (loss) for the year	**$ (3,415)**	$ 865
Adjustments for:		
Depreciation of property, plant and equipment and bearer plants	**5,752**	3,664
Impairment of bearer plants (note 5)	**1,085**	-
Amortization of deferred financing fees	**19**	-
Stock based compensation (note 12)	**229**	116
Income tax expense (recovery) (note 10)	**(810)**	839
Net changes in non-cash working capital		
Trade receivable	**(159)**	(202)
Inventory	**(170)**	7
Prepaid expenses	**418**	(274)
Trade payable	**267**	991
Net cash inflow from operating activities	**3,216**	6,006
Investing activities:		
Costs incurred on bearer plants (note 5)	**(3,753)**	(2,563)
Acquisition from a business combination (note 4)	**(16,013)**	-
Cash acquired in a business combination (note 4)	**19**	-
Acquisition of property, plant and equipment (note 6)	**(591)**	(458)
Net cash outflow from investing activities	**(20,338)**	(3,021)
Financing activities:		
Repayment of promissory note (note 9)	**-**	(5,000)
Proceeds from long-term loan with Bank (note 8)	**13,000**	5,000
Repayment of long-term debts with Bank (note 8)	**(1,840)**	(934)
Net proceeds from draws on operating line (note 8)	**2,914**	-
Financing costs paid on loan with Bank (note 8)	**-**	(56)
Proceeds from stock options exercised (note 12)	**100**	-
Payment of lease obligations (note 7)	**(109)**	(59)
Shares repurchased for cancellation and related costs (note 11)	**-**	(1,798)
Net cash inflow (outflow) from financing activities	**14,065**	(2,847)
Change in cash during the year	**(3,057)**	138
Cash - Beginning of year	**3,057**	2,919
Cash - End of year	**$ -**	$ 3,057

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021, and December 31, 2020.

(Tabular amounts in thousands)

1. **Nature of operations**

Green Rise Foods Inc. ("Green Rise" or "the Company") is a grower of fresh produce with 73 acres of greenhouse ranges including a 51-acre greenhouse ("Green Rise 1" or "GR1") located in Leamington, Ontario and a 22-acre greenhouse ("Green Rise 2" or "GR2") located in Kingsville, Ontario, acquired on February 1, 2021, through its wholly owned subsidiary Bull Market Farms Inc. ("Bull Market"). Details of the acquisition are outlined in note 4. Additionally, as described in note 18 and subsequent to year-end, on April 1, 2022, the Company entered into an asset purchase agreement to acquire a third greenhouse range in Kingsville, Ontario increasing its acres of greenhouse ranges by 16 to 89 acres. The transaction is conditional upon satisfactory due diligence, formal board approval, regulatory and other usual conditions. It is expected to close in the second half of May 2022.

The Company's common shares are listed on the Toronto Venture Stock Exchange (the "TSX-V") under the trading symbol "GRF.V".

On October 16, 2020 the Company officially changed its name from Green Rise Capital Corporation to Green Rise Foods Inc. The name change received shareholder approval at its annual general and special meeting of shareholders held on July 8, 2020 and from the TSX Venture Exchange on October 15, 2020.

The address of the Company's registered office is 47 Colborne Street, Suite 301, Toronto, Ontario, M5E 1P8, Canada.

The seasonal operation consists of the growing, packaging and the sale of produce to a few major customers.

2. **Basis of preparation**

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC").

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2022.

Basis of Consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Bull Market Farms Inc. and Mor Gro Sales Inc. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions have been eliminated on consolidation.

Basis of Measurement

The consolidated financial statements have been prepared on an historical cost basis, except for biological assets, which are measured at fair value, and inventory, which is measured at the lower of cost and net realizable value.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

These consolidated financial statements are presented in Canadian dollars, which is the Company's and subsidiaries functional currency. The Company's operations consist of a single reporting segment, growing and selling produce in Canada. This segment is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segment.

3. Significant Accounting Policies

Cash

Cash consists of cash deposits held with banks.

Inventories

Inventories include supplies and packaging materials and are recorded at the lower of cost or net realizable value.

Inventories also include harvested agricultural produce that is held for resale, valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested tomatoes are transferred from biological assets into inventory at fair value less costs to sell upon harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Cost of sales consists of direct costs attributable to sales including raw materials, consumables, labour and costs transferred from biological assets at harvest. As at December 31, 2021 there was no harvested agricultural produce inventory on hand (December 31, 2020 –$NIL).

Biological assets

Biological assets consist of the Company's unharvested produce on bearer plants. The crop cycles begin with planting in the first quarter of each year and the cycle ends when the plants are removed after final harvest in December. The Company records all related direct and indirect costs of production to biological assets at each reporting date. Such costs consist of raw materials, labour and directly attributable overhead costs.

The Company remeasures biological assets to fair value less costs to sell at each reporting period up to the point harvest, which becomes the basis for the cost of inventory after that. Gains or losses arising from changes in fair value less cost to sell are included in "unrealized gain on changes in fair value of biological assets" on the statement of earnings (loss) and comprehensive earnings (loss). When inventory is sold, the fair value adjustment to biological assets included in inventory and to expenses through "realized fair value amounts included in inventory sold" on the statement of earnings (loss) and comprehensive earnings (loss).

To determine the fair value less costs to sell of bio assets, the expected yield is multiplied by the expected selling price and expected selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory are deducted.

In determining the fair value less cost to sell of the biological assets, the Company estimates the following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy:

- Selling price and yield – determined using the actual selling price per pound and yield in the following period; and
- Post-harvest costs – calculated as the harvesting and overhead costs in the following period, consisting of the cost of direct and indirect materials and labour related to packaging.

Bearer plants

Bearer plants are measured at cost less depreciation and impairment. Bearer plant costs include expenditures that are directly attributable to the acquisition of the asset and any costs directly attributable to bringing the bearer plants to the location and condition necessary for them to be capable of operating in the manner intended by management, including costs associated with site preparation, propagation, labour, supplies and overhead costs incurred before the plant is able to produce a commercial harvest. Bearer plants are depreciated based on the expected yield profile of the plants over their life.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are carried at cost, less any accumulated depreciation and any accumulated impairment charges.

Property, plant and equipment costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bring the assets to a working condition for their intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is presented net within gain/loss on disposal of assets in the statement of earnings (loss) and comprehensive earnings (loss).

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Residual values and useful lives are reviewed annually.

Depreciation expense is recognized on a straight-line balance basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

	Buildings	**Greenhouses**	**Machinery and equipment**	**Vehicle**	**Right of Use Assets**
Years	25	5 - 25	10	10	3 – 7

Construction in process reflects the cost of assets under construction, which are not depreciated until placed into service.

Impairment of long-lived assets

At each reporting period, the Company assesses whether there is an indication that an asset may be impaired. For the purposes of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs). The recoverable amount is the higher of fair value less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the statement of earnings (loss) and comprehensive earnings (loss) during the reporting period.

Provisions

Provisions, where applicable, are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Revenue

Revenue is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation and collectability is reasonable assured. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based on the amount the entity expects to be entitled to in exchange for transferring promised goods. Revenue from the sale of produce is measured at the fair value of the consideration received or receivable.

The Company satisfies its performance obligations for its sale of produce per specified contract terms, which are generally on shipment. The Company typically receives payment within three weeks of delivery.

The Company leases greenhouse space and earns revenue from the lease. The Company accounts for the lease as an operating lease as the Company has retained substantially all of the risks and benefits of ownership of the greenhouse. Rent revenue earned directly from leasing the asset is recognized and measured in accordance with IFRS 16 -Leases; rental revenue is recognized on a straight-line basis over the least term.

Leases

Leases are recognized as right-of-use assets and corresponding liability at the date of which the leased asset is available for use by the Company. The right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the lease liability, any lease payments made, less any lease incentives, and any direct costs incurred by the lessee. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of income over the lease period.

The lease liability upon initial measurement includes the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Expected payments by the lessee under residual value guarantees;
- The exercise price of a purchase option of the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Financial instruments

Financial instruments are recognized on the balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets and liabilities	**Classification**	**Measurement**
Cash	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Operating line	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Lease obligations	Amortized cost	Amortized cost
Long- term debt	Amortized cost	Amortized cost

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's intent is to hold these receivables until cash flows are collected. Trade receivables are recognized initially at fair value, net of any transaction costs incurred and are subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss (FVTPL), or the Company has opted to measure them at FVPTL. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Current and deferred income taxes

Income tax expense represents the sum of current and deferred income taxes. Current income taxes payable are based on taxable earnings for the period. Taxable earnings may differ from earnings before income tax as reported in the statement of earnings and comprehensive earnings because it may exclude items of income or expense that are taxable or deductible in other years and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred income tax calculated at the income tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on income tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is reflected in equity. Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") are calculated by dividing the earnings for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS reflects the potential dilution that could occur if additional common shares were issued as a result of holders of the Company's stock options and warrants exercising their rights to purchase common shares. The Company uses the treasury stock method to calculate Diluted EPS. For both stock options and warrants whose exercise price is less than the average market price of the Company's common shares, the calculation assumes these in the money securities are exercised and the proceeds are used to repurchase common shares at the average market price for the period. For options and warrants granted during the fiscal year, average market price is defined as the average price of the Company's stock from the date of grant of the option or warrant issuance to the end of the reporting period. For options and warrants granted in prior years, the average market price used is the average market price for the fiscal year. The incremental number of common shares issued (stock options and warrants issued less the number of common stock repurchased from the proceeds from issuance) is added to the weighted average number of common shares outstanding over the period and used to calculate Diluted EPS.

Share based compensation

The fair value of warrants and stock options awarded to directors, employees and consultants is measured at the date granted using the Black-Scholes option pricing model and charged to the statement of operations as the awards vest.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the amounts agreed upon by the parties.

Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Deferred financing fees

Cost incurred in connection with the financing of loans are capitalized and amortized over the term of the loan. Unamortized balances are reported net of the remaining loan balance payable.

Shares Repurchased for Cancellation

The costs relating to the Company's repurchase of its own equity instruments for cancellation, including related costs associated with the repurchase, are recorded as a reduction in share capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination the non-controlling interest in the acquiree is measured at the fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be measured by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in the profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any noncontrolling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (1) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The Company determines whether a business is acquired when the integrated set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

The Company also has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is determined not to be a business combination. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

Government assistance

Government assistance is recognized when there is reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to current expense is recorded as a reduction of the related expense.

Critical accounting judgments and estimation uncertainties

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amount included in the financial statements.

Areas where critical accounting estimates and judgments have the most significant effect on the amounts recognized in the financial statements include:

ESTIMATES:

Leases:

The Company uses judgement to determine the incremental borrowing rate used to calculate the initial liability and corresponding asset. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment.

Estimated fair value of biological asset

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant estimates include those related to the valuation of biological assets (Note 5). Biological assets are measured at the fair value less costs to sell, which is calculated as expected sales of harvested biological produce, less costs to sell and costs to complete. Management estimates the sales price of the produce on the vine by utilizing actual sales prices in the following period, estimates the expected yield based on historical production and estimates the costs to sell and costs to complete, which includes packaging and transportation costs. Stage of growth and remaining costs to complete for in-progress produce are estimated by management based on historical production. The estimated inputs are subject to fluctuations based on the timing and prevailing growing conditions and market conditions.

JUDGMENTS:

Bearer assets

The classification of bearer assets is a significant judgment. Expenditures for bearer assets are recorded in investing activities on the statement of cash flows. Bearer assets are depreciated based on the estimated yield profile of the plants over their life. The amounts and timing of recorded expense for depreciation of bearer plants for any period are affected by the estimate of useful lives.

Business combination

The Company applies judgment in determining a business is acquired when the integrated set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

In a business combination, a significant area of judgment and estimation relates to the determination of the fair value of assets and liabilities acquired including any intangible assets and goodwill identified.

Going Concern

The Company regularly reviews and assesses its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account known future information, including whether events or conditions create material uncertainties that may cast significant doubt on the ability to continue as a going concern.

In assessing the Company's ability to continue as a going concern, management applied judgement as to the Company's ability, and has a reasonable expectation it will be able to (i) to fund operating and debt services requirements for the next 12 months and (ii) to refinance the operating line.

New accounting pronouncements

IAS 1: Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

IAS 16: Amendments to IAS 16, Property, Plant and Equipment

On May 14, 2020, the IASB published an amendment to IAS 16 Property, Plant and Equipment. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. This standard did not have any impact on the Company's consolidated financial statements.

IAS 41: Amendments to IAS 41, Agriculture

In May 2020, the IASB published Annual Improvements to IFRS Standards 2018–2020 Cycle, containing the following amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2022. IAS 41 Agriculture–The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The Company has assessed the impact of this new standard and it did not have any significant impact on its consolidated financial statements.

IFRS 3: Amendment to IFRS 3, Business Combinations

On May 14, 2020, the IASB issued amendments to IFRS 3 Business Combinations that added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has assessed the impact of this standard and it did not have any impact on its consolidated financial statements.

IFRS 9: Financial Instruments

The IASB has issued an amendment to IFRS 9, Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022. This standard is not expected to have a material impact on the consolidated financial statements.

IAS 8: Definition of Accountings Estimates

The IASB has issued an amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 12: Income Taxes

The IASB has issued an amendment to IAS 12 – Income Taxes to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

4. Mor Gro Farms Inc. Acquisition

On February 1, 2021, the Company via its wholly owned subsidiary Bull Market Farms Inc., acquired the assets of Mor Gro Farms Inc. ("Green Rise 2" or "GR2"), a greenhouse range located in Kingsville, Ontario, for a purchase price of $16.0 million. The acquisition added 22 acres of greenhouse cultivation capacity. The assets acquired include 100% of the shares of Mor Gro Sales Inc., a distribution company of fresh produce. The transaction constitutes a business combination under IFRS 3 – Business Combinations. In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired and liabilities assumed, based on their estimated fair values at the date of the acquisition. The Company used a combination of a direct comparison approach and a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the assets acquired. The purchase price allocation is summarized in the following table:

Purchase Price Cash Consideration	***($000s)***
Total Cash Consideration	16,013
Net Identifiable Assets Acquired	
Cash	19
Trade and other receivables	421
Bearer plants	811
Prepaid expenses	180
Property, plant and equipment	15,866
Accounts payable and contracts assumed	(1,054)
Right of use asset obligations	(230)
Total net assets acquired	16,013

The acquisition resulted in the addition of experienced growers and managers that bring decades of experience in growing and distributing fresh produce. In addition, the increased production allows the Company to increase its buying power and with that the ability to improve the Company's gross margins.

The Company recorded $4,944 of revenue and a $1,589 net loss in the consolidated statement of earnings (loss) and comprehensive earnings (loss) for the year ended December 31, 2021, as a result of the acquisition. If the acquisition occurred as of January 1, 2021, revenue for the year ended December 31, 2021 would have been $4,944 and the loss would have be $1,664.

5. Bearer plants & Biological assets

Bearer pants

A reconciliation of beginning and ending balance of bearer plant assets is as follows:

($000s)	**December 31, 2021**	December 31, 2020
Bearer plants – beginning of the year	**392**	-
Additions acquired through the GR2 acquisition (note 4)	**811**	-
Additions acquired	**3,753**	2,563
Impairment in bearer plants	**(1,085)**	-
Depreciation of bearer plants	**(3,523)**	(2,171)
Bearer plants – end of the year	**348**	392

Bearer plant costs of $348 as at December 31, 2021 ($392 as at December 31, 2020) consist of costs directly attributable to bringing the bearer plants to the location and condition necessary for them to be capable of operating in the manner intended by management, including costs of site preparation, incurred on or before December 31, 2021, pertaining to the 2022 crop. In the first quarter of fiscal 2021, the Company lost its original crop at its newly acquired GR2 greenhouse which resulted in an impairment charge of $1,085.

Biological assets

The Company did not have any biological assets as at December 31, 2021 (December 31, 2020 -$NIL) however it did have biological assets throughout the year, consisting of tomatoes growing on the vines. All tomatoes were harvested as agricultural produce and sold during the year. The growing cycle for each harvest is approximately six weeks.

The change in carrying value of the Company's biological assets are as follows:

($000s)	**December 31, 2021**	December 31, 2020
Biological assets – beginning of the year	**-**	-
Unrealized gains due to biological asset transformation	**14,550**	12,103
Fair value of harvested biological asset	**(14,550)**	(12,103)
Biological assets – end of the year	**-**	-

In determining the carrying amount of biological assets, which are measured at fair value less costs to sell, the following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, are used by management as part of this model:

- Selling price and yield – determined using the actual selling price per pound and yield in the following period; and
- Post-harvest costs – calculated as the harvesting and overhead costs for the six weeks following period, consisting of the cost of direct and indirect materials and labour related to packaging.

6. Property, plant and equipment:

($000s)	**Land**	**Greenhouse**	**Buildings**	**Machinery and equipment**	**Vehicle**	**Right-of-use assets**	**Total**
Cost:							
Balance – December 31, 2020	2,054	24,668	499	3,483	-	378	**31,082**
Additions acquired through the GR2 acquisition (note 4)	2,549	9,994	1,724	1,345	24	230	**15,866**
Additions	-	34	25	532	-	-	**591**
Balance – December 31, 2021	4,603	34,696	2,248	5,360	24	608	**47,539**
Accumulated depreciation:							
Balance – December 31, 2020	-	2,669	67	770	-	73	**3,579**
Additions	-	1,460	80	535	2	152	**2,229**
Balance – December, 2021	-	4,129	147	1,305	2	225	**5,808**
Net book value							
Balance – December 31, 2021	4,603	30,567	2,101	4,055	22	383	**41,731**

($000s)	Land	Greenhouse	Buildings	Machinery and equipment	Vehicle	Right-of-use assets	Total
Cost:							
Balance – December 31, 2019	2,054	24,668	476	3,048	-	93	30,339
Additions	-	-	23	435	-	285	743
Balance – December 31, 2020	2,054	24,668	499	3,483	-	378	31,082
Accumulated depreciation:							
Balance – December 31, 2019	-	1,587	29	467	-	3	2,086
Additions	-	1,082	38	303	-	70	1,493
Balance – December, 2020	-	2,669	67	770	-	73	3,579
Net book value							
Balance – December 31, 2020	2,054	21,999	432	2,713	-	305	27,503

7. Lease obligations

Continuity schedule:

($000s)	**December 31, 2021**	December 31, 2020
Lease obligation – beginning of the year	**317**	91
Arising during the year	**230**	285
Lease payments, excluding interest	**(109)**	(59)
Less: Current potion	**(163)**	(81)
Long term lease obligation – end of the year	**275**	236

Balance sheet summary:

($000s)	**December 31, 2021**	December 31, 2020
Current lease obligation -end of year	**163**	81
Long term lease obligation -end of year	**275**	236
Total lease obligation – end of the year	**438**	317

The lease payments are discounted using the interest rate implicit in the lease, or if that cannot be determined, the Company's incremental borrowing rate.

During 2021, the Company, through its acquisition of GR2 acquired the use of an equipment labeler with a value of $230 with an effective interest rate of 5.5% with annual payments of $38 plus applicable taxes with 12 months remaining on its 36-month term ending December 31, 2023.

During 2020, the Company leased office space for its head office with a value of $262 with an effective interest rate of 5.5% with blended monthly payments of $5 plus applicable taxes and common area expenses for 60 months ending December 31, 2025.

During 2020, the Company leased a truck for its Bull Market Farm greenhouse range with a value of $23, with an effective interest rate of 3.0% with blended biweekly payments of $0.3 plus applicable taxes for 36 months ending September 17, 2023.

During 2019 the Company leased equipment with a value of $93 at an effective annual interest rate of 5.5%, with blended monthly payments of $1.5 plus applicable taxes for 72 months ending in October 2025.

8. Long-term debt

Continuity schedule:

($000s)	**December 31, 2021**	December 31, 2020
Loans and mortgages -beginning of the year	20,254	16,188
Arising during the year	13,000	5,000
Repayments during the year	(1,840)	(934)
Less: Current portion	(2,019)	(1,253)
Long term portion	**29,395**	19,001
Deferred financing fees	**(37)**	(56)
Long term portion, net of deferred financing fees	**29,358**	18,945

Balance sheet summary:

($000s)	**December 31, 2021**	December 31, 2020
Current portion of long-term debt -end of year	**2,019**	1,253
Long term portion of long-term debt -end of year	**29,358**	18,945
Total long-term debt obligation – end of the year	**31,377**	20,198

On January 19, 2021, the Company agreed to enter into a first mortgage with the Royal Bank of Canada ("RBC") in the amount of $13,000 for a term of seven years. The mortgage bears interest at 2.85% per annum with monthly payments of $89 representing blended payments of interest and principal. Proceeds from this mortgage were used entirely to fund the Mor Gro Farms Inc. acquisition which closed on February 1, 2021 (refer to note 4).

In December 2020, Bull Market entered into a second loan agreement with RBC in the amount of $5,000 for a term of three years. The second loan bears interest of 1.95% per annum with monthly payments of $32 representing blended payments of interest and principal. Proceeds from this mortgage were used entirely to repay a $5,000 promissory note that was used to fund the purchase of Bull Market on June 15, 2018. This promissory note bore interest of 5.5% per annum with payments of $23 monthly representing interest only.

In 2018, Bull Market entered into a first loan with the RBC in the amount of $17,500 for a term of five years. The loan bears interest of 3.99% per annum with monthly payments of $129 representing blended payments of interest and principal.

RBC has collateral mortgage in the amount of $36,000 constituting a first fixed charge on the land and improvements located at 2633 Albuna Townline Road, Leamington, Ontario and a collateral mortgage in the amount of $18,153 constituting a first fixed charge on the land and improvements located at 1921 Road 3 East, Kingsville, Ontario.

Credit Facility

On January 13, 2021 the Company's credit facility was increased by $1,500 to $5,000 (December 31, 2020: $3,500). As at December 31, 2021 there was $2,914 drawn on the facility (December 31, 2020: $NIL). Borrowings under this facility are expected to resolve with operating requirements and expected to resolve to zero at least 1 Business Day in each fiscal year. This facility bears interest rate of bank prime plus 1% per annum. On March 1, 2022, the Royal Bank of Canada temporary increased the Company's operating line by $1,250 from $5,000 to $6,250. This temporary line extension is expected to be adjusted back to $5,000 on July 15, 2022, in line with the Company credit agreement dated January 13, 2021.

9. Promissory Note

($000s)	**December 31, 2021**	December 31, 2020
Promissory Note – beginning of the year	-	5,000
Repayments during the year	-	(5,000)
Promissory Note – end of the year	-	-

On June 15, 2018, Bull Market Farms Inc. purchased an operating greenhouse and accompanying land for a purchase price of $26,075. The purchase price was funded through a payment of $20,000, a payable of $1,075 and a $5,000 promissory note to the seller. The promissory notes had interest terms of 5.5% (monthly compounding) with payments of $23 payable monthly representing payment of interest balances only. As referred to in note 8, the promissory note was repaid in full in December 2020 using proceeds from a second loan with the Royal Bank of Canada in the amount of $5,000.

10. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Income taxes

The Company's reported income tax differs from the statutory amount as follows:

($000s)	***2021*** ***$***	*2020* *$*
Earnings (loss) before income taxes	(4,225)	1,704
Combined basic federal and provincial tax	(1,120)	452
Adjustment for prior years	30	202
Change in unrecognized temporary differences	204	185
Tax effect on stock-based compensation	61	-
Other	15	-
Income tax expense (recovery)	**(810)**	839

The statutory rate in effect for the year ended December 31, 2021, was 26.5% (2020 – 26.5%).

The deferred income tax assets and liabilities presented on the statement of financial position are net amounts and are comprised of the following:

($000s)	***December 31, 2021*** ***$***	*December 31, 2020* *$*
Property, plant and equipment	**(2,454)**	(1,985)
Financing costs	**9**	12
Non-capital losses	**1,462**	118
Total	**(982)**	(1,855)

The Company has additional non-capital losses of $1,463 (December 31, 2020: $1,199) for which no deferred tax asset has been recognized. In addition, the Company has $324 (December 31, 2020: $452) in deductible share issuance costs for which no deferred tax asset has been recognized. As of December 31, 2021, and 2020, management has not recognized these deferred tax assets because it is not probable that the benefit can be realized.

The Company's non-capital losses expire as follows:

($000s)	December 31, 2021 $
Year of Expiry	
2036:	**$167**
2037:	**88**
2038:	**55**
2039:	**466**
2040:	**749**
2041:	**6,091**
Total	**$7,616**

11. Share capital

	Number of Shares	Amount ($000s)
Common shares:		
Common Shares, December 31, 2019	59,896,535	5,828
Shares repurchased for cancellation (i)	(14,974,133)	(1,647)
Shares issue costs, net	-	(151)
Common Shares, December 31, 2020	44,922,402	4,030
Stock options exercised during the year (ii, iii and iv)	433,332	182
Common Shares, December 31, 2021	45,355,734	4,212

i. On August 27, 2020, the Company repurchased 14,974,133 of its common shares at a purchase price of $0.11 per share for total costs of $1,647. The common shares repurchased were available as a result of a settlement agreement reached with three former directors, one of which also held the position of CFO and the other COO ("the selling shareholders"). The selling shareholders agreed to sell in aggregate 26,210,527 of the Company shares and received total consideration of $2,883. The remaining shares that were not repurchased for cancellation were sold to other parties which included Enrico Paolone (director & co-founder) and Vincent Narang (CEO, director & co-founder). Approval for the transaction was granted by the Ontario Security Exchange on August 20, 2020, and by the TSX Venture Exchange on August 25, 2020.

ii. During the second quarter of 2021, 100,000 options with a strike price of $0.20 and 100,000 options with a strike price of $0.24 were exercised, resulting in the issuance of 200,000 common shares and net cash proceeds of $44. In addition, a total of $33, representing the stock-based compensation on these options that had previously been credited to contributed surplus was reclassified into share capital.

iii. During the third quarter of 2021, 16,666 options with a strike price of $0.24 were exercised, resulting in the issuance of 16,666 common shares and net cash proceeds of $4. In addition, a total of $3, representing the stock-based compensation on these options that had previously been credited to contributed surplus was reclassified into share capital.

iv. During the fourth quarter of 2021, 216,666 options with a strike price of $0.24 were exercised, resulting in the issuance of 216,666 common shares and net cash proceeds of $52. In addition, a total of $46, representing the stock-based compensation on these options that had previously been credited to contributed surplus was reclassified into share capital.

12. Contributed surplus

Stock Option Continuity

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	500,000	$0.18
Issued during the year	2,050,000	$0.24
Forfeited during the year	(100,000)	$0.20
Balance, December 31, 2020	**2,450,000**	$0.23
Options exercised during the year	**(433,332)**	$0.23
Balance at December 31, 2021	**2,016,668**	$0.23

Stock Option Plan

The Company has implemented a rolling stock option plan as it reserves a maximum of 10% of the issued and outstanding common shares of the Company for issuance under the Stock Option Plan. Options granted shall vest one third on each anniversary date and are exercisable for a period of up to ten years.

On August 28, 2020, the Company issued 2,050,000 stock options to certain directors and management of the Company. The estimated fair value of the stock options was based on a Black-Scholes valuation model and amounted to $430. The following assumptions were used -stock exercise price $0.24, expected dividend yield -0%, expected volatility -75%, risk free rate -0.17%, vesting period -3 years and expected life of five years. Volatility was estimated based upon historical price observations over the expected term of the options. A total of 333,332 of these options were exercised in 2021 (Refer to note 11).

On November 27, 2019, the Company issued 400,000 stock options to directors of the Company. The estimated fair value of the stock options was based on a Black-Scholes valuation model and amounted to $48. The following assumptions were used – stock exercise price $0.20, expected dividend yield – 0%, expected volatility – 75%, risk free rate – 1.45%, vesting period -3 years and an expected life of five years. Volatility was estimated based upon historical price observations over the expected term of the options. A total of 100,000 of these options were exercised in 2021 (Refer to note 11). A total of 100,000 of these options were forfeited in 2020.

The stock option compensation expense and charge to contributed surplus relating to the stock options vested during the year ended December 31, 2021, was $229 (December 31, 2020 $116).

	Stock options outstanding		Stock options exercisable	
Exercise prices	**Stock options outstanding**	**Weighted Average remaining contractual life (years)**	**Stock options exercisable**	**Weighted average exercise price ($/option)**
$0.10	100,000	0.1	100,000	$0.01
$0.20	200,000	0.3	200,000	$0.05
$0.24	1,716,668	3.1	483,335	$0.15
$0.10 - $0.24	2,016,668	3.5	783,335	$0.21

Warrants

There are a total of 3,465 warrants outstanding as at December 31, 2021. There were no warrants exercised in 2021 or 2020.

13. Related party transactions

Key management personnel are those persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors. For the year ended December 31, 2021, the Company paid $450 in management salaries (2020: $332), $200 in management bonuses (2020: $Nil) and had $167 in stock-based compensation (2020: $89). The Company also paid $8 (2020: $Nil) to a corporation controlled by an officer of the Company. The transaction was at fair value and related to capital improvements on its equipment.

14. Revenue

($000s)	**For the year ended December 31, 2021**	For the year ended December 31, 2020
Sales of tomatoes	**17,121**	14,825
Rent[1]	**590**	588
Total	**17,711**	15,413

1) The Company leases a portion of its greenhouse space at its GR1 Facility to one of its customers. The lease has a three-year term, with 2 one-year option extensions (exercisable by the customer). During the year the customer exercised its first one-year option extension. The lease is expected to expire no later than June 2023.

15. Expenses by nature

The following table outlines the Company's significant expenses by nature:

($000s)	**For the year ended December 31, 2021**	For the year ended December 31, 2020
Production Costs		
Raw materials and consumables used	**5,464**	2,932
Labor[1]	**6,180**	4,043
Depreciation (notes 5 and 6)	**5,380**	3,292
Realized fair value amounts of biological assets (note 5)	**14,550**	12,103
Unrealized gain on change in fair value of biological assets (note 5)	**(14,550)**	(12,103)
Repairs and maintenance	**453**	431
Other	**-**	46
Total	**17,477**	10,744

1) During the year the Company participated in various government programs that support production margin declines and costs relating to COVID-19 measures mandated by the government. A total of $363 (December 31, 2020: $Nil) has been netted against raw material and consumables used and a total of $111 has been netted against labor costs (December 31, 2020: $110) relating to these programs.

($000s)	**For the year ended December 31, 2021**	For the year ended December 31, 2020
Selling, general and administrative expenses		
Salaries	**913**	330
Marketing board fees	**46**	66
Insurance	**286**	148
Depreciation (notes 5 & 6) [1]	**372**	372
Office Rent	**69**	47
Professional services	**509**	766
Land transfer taxes on GR2 acquisition (note 4)	**306**	-
Stock based compensation (note 12)	**229**	116
Other	**569**	222
Total	**3,299**	2,067

1) Relates to the annual amortization of the Company's 15 acres of greenhouse range at its GR1 Facility currently being leased out to one of the Company's customers and the annual amortization on the right of use asset relating to the Company's head office lease.

16. Financial instruments

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. These amounts are initially recognized at fair value and subsequently are measured at amortized cost. The fair value of these amounts approximates their carrying values. All other assets and liabilities are determined using Level 3 of the fair value hierarchy.

Fair values of financial instruments are determined by valuation methods depending on the hierarchy levels as defined below:

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

Assets/Liabilities	Category	Measurement	December 31, 2021	December 31, 2020
Cash	Financial Asset	Amortized cost	-	3,057
Trade receivables	Financial Asset	Amortized cost	-	60
Other receivables	Financial Asset	Amortized cost	1,011	624
Operating line	Financial Asset	Amortized cost	2,914	-
Trade payables	Financial liabilities	Amortized cost	3,117	1,831
Lease obligations	Financial liabilities	Amortized cost	438	317
Long-term debt	Financial liabilities	Amortized cost	31,377	20,198

Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk.

Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes its maximum exposure to credit risk as at December 31, 2021 is the carrying value of its cash, trade and other receivables. As at December 31, 2021, all cash was held with Windsor Financial Credit Union ("WFCU") and the balance of receivables was owed by the Federal and Provincial Governments. The WFCU cash balances of $182 were reported net in the operating line, which was held with the Royal Bank of Canada. A total of $562 relates to HST (December 31, 2020: $409) refunds owed by the Federal Government and a total of $363 was owed by AgriStability relating to the 2021 AgriStability Program. In the prior year a total of $110 was owed on Government related programs relating to reimbursements for COVID-19 expenses resulting from government mandated quarantines. With exception to $181 on the 2021 AgriStability program which is expected to be collected in the summer of 2022, all other trade and other receivables were collected subsequent to year-end.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its obligations as they fall due. It is the Company's intention to meet its obligations through the collection of current accounts receivable and cash from sales. The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company is exposed to risks related to seasonality as there is limited revenue from January through to mid April. If the current resources and cash generated from operations is insufficient to satisfy its obligations, the Company can draw on its credit facility of $5,000 (December 31, 2020: $3,500) to meet its obligations. As a result of the crop loss suffered at the Company's GR2 facility in 2021, it had drawn on its operating line to fund 2021 operations resulting in credit availability of $1,969 as at December 31, 2021 ($3,500 as at December 31, 2020). On March 1, 2022, the Royal Bank of Canada temporary increased the Company's operating line by $1,250 from $5,000 to $6,250. This temporary line extension is expected to be adjusted back to $5,000 on July 15, 2022, in line with the Company credit agreement dated January 13, 2021. With this additional extension the Company has sufficient capital available to meet its short-term funding requirements for 2022.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans have fixed rates of interest and are therefore subject to the risk of changes in fair value if the prevailing interest rate were to increase or decrease.

Management of capital risk

The Company's objectives when managing capital are to safeguard its assets and maintain a competitive cost structure, continue as a going concern and provide returns to its shareholders. In addition, the Company works with all relevant stakeholders to ensure the safety of its operations and employees and to remain in compliance with all environmental regulations.

17. Commitments and Contingencies

As at December 31, 2021 the payments due by period are set out in the following table:

($000s)	**Total**	**Less than 1 Year**	**1 – 5 Years**	**After 5 Years**
Purchase commitments	2,839	2,839	-	-

Purchase commitments consist primarily of commitments to pay for raw material inputs for the 2022 Crop that were entered into in 2021 but delivered to the Company's greenhouse ranges in January 2022.

The Company has entered into an agreement with a customer for a 10-year period to supply all available produce at prevailing market prices at its GR1 facility.

Contingencies

The Company may be involved in legal proceedings from time to time arising in the ordinary course of business. Contingencies will be accrued when the outcome if probable, and the amount can be reasonably estimated.

Based on the Company's knowledge of events at December 31, 2021, no such matters were identified.

18. Subsequent Events

On April 1, 2022, the Company entered into a definitive asset purchase agreement with 2073834 Ontario Limited (the "Vendor"), to acquire a 16-acre greenhouse range ("Green Rise 3" or "GR3") located on a 34-acre farm in Kingsville, Ontario for cash consideration of approximately CDN$15 million (the "GR3 Acquisition"). The Company intends to fund the GR3 Acquisition with conventional mortgage financing and expects the GR3 Acquisition to close in the second half of May 2022, subject to notice to, and the approval by, applicable securities law regulatory authorities including the TSXV and the satisfaction of any requirements of such authorities. The transaction is also conditional upon satisfactory due diligence, formal board approval and other usual conditions. The Vendor is principally owned and controlled by Adam Suder, the Chief Growth Officer of Green Rise.