Management's Discussion and Analysis of

# GREEN RISE FOODS INC.

For the three months ended March 31, 2022

(Canadian Dollars)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Green Rise Foods Inc. (hereinafter "Green Rise" or "the Company") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess the financial condition of the Company as at March 31, 2022, and the results of operations for the period ended March 31, 2022.

The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements ("financial statements") of Green Rise as at March 31, 2022. The accompanying financial statements have been prepared by and are the responsibility of Green Rise's management. The financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts in this discussion are expressed in millions of Canadian dollars (CAD), unless otherwise indicated.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A. Such statements can, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate," "potential," "proposed," "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- expansion of facilities
- changes in laws, regulations and guidelines;
- legislative or regulatory reform and compliance;
- competition;
- environmental regulations and risks;
- limited operating history;
- risks inherent in an agricultural business;
- retention and acquisition of skilled personnel;
- negative consumer perception;
- product liability;
- insurance coverage;

- regulatory or agency proceedings, investigations and audits;
- litigation;
- constraints on marketing products;
- fraudulent or illegal activity by the Company's employees, contractors and consultants;
- information technology systems and cyber-attacks;
- breaches of security and risks related to breaches of applicable privacy laws;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- the impact on profitability resulting from higher input costs; and
- economic downturn caused by the COVID-19 pandemic.

In addition to the factors set out above and those identified in this MD&A under "Risks and Uncertainties", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

**OVERVIEW OF GREEN RISE FOODS INC.**

Green Rise was incorporated under the Business Corporations Act (Ontario) on June 9, 2017 and was classified as a Capital Pool Company ("CPC"), as the term is defined in Policy 2.4 of the TSX Venture Exchange ("the Exchange") Corporate Finance Manual. The principal business of the CPC was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT").

On September 30, 2019, the Company completed its previously announced QT with Bull Market Farms Inc. ("Bull Market") ("the Transaction") under the policies of the Exchange. In 2018, Bull Market acquired its farm with an existing 51-acre producing greenhouse ("GR1") and is a grower of greenhouse fresh produce located in Leamington, Ontario. The GR1 farm has the capability to produce two types of tomatoes – beefsteak and a varietal of medley cherry tomatoes. With the Transaction, the Company completed its first greenhouse range acquisition. The Company has plans to increase its cultivation capacity and on February 1, 2021, through Bull Market, completed its acquisition of its second range, a 22-acre producing greenhouse ("GR2") located in Kingsville Ontario. The GR2 farm produces beefsteak tomatoes. The Company aims to be the best in quality and lowest cost grower of greenhouse-grown fresh produce. To achieve this status, the Company's goals include:

- Diversifying its greenhouses and pack-lines to be able to offer multi-sku product offerings of fresh produce;
- Maintaining policies that attract, motivate, and retain a highly skilled workforce with years of agriculture experience in the greenhouse fresh produce industry;
- Improving processes and seeking out new technologies to help reduce our carbon footprint, drive costs lower, improve product quality and reduce waste and inefficiencies; and
- To maintain a strict financial discipline to acquire assets and select annual crop plantings that position the Company to consistently offer the best pricing to its customers and provide consistent financial returns to our shareholders.

These items have helped Green Rise achieve key milestones and are listed on page 4 and 5 of this MD&A under the heading "Highlights for Q1 Fiscal 2022 and "Highlights Subsequent to Q1 Fiscal 2022".

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 16, 2020.

The Company's common shares are listed on the Toronto Venture Stock Exchange (the "TSX-V") under the trading symbol "GRF.V". The TSX-V approved the Transaction on October 4, 2019.

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 one major customer.

***Highlights for Q1 Fiscal 2022***

- The Company, in the first quarter of 2022, generated a quarterly loss of $0.7 million as compared to a loss of $1.3 million for the same period in the prior year. The $0.6 million reduction to the Company's first quarter loss was driven by the following:
    - A successful planting season with the Company's greenhouse ranges, as of the date of this MD&A report, well into their 2022 pick cycle. In March of 2021, the Company had experienced a complete crop loss at its GR2 greenhouse range resulting in an impairment charge of $1.1 million.
    - Operating a greenhouse for 90 days in the first quarter of 2022 as compared to 59 days in the prior year period (GR2 acquisition closed on February 1, 2021) has increased depreciation and operating costs by $0.4 million.
    - The Company took steps to focus each greenhouse range into a single vs multi-SKU grower of fresh produce. This is allowing the Company to maximize greenhouse and packing labor efficiencies at each greenhouse range. Production labor costs came in flat at $0.4 million (consistent with the first quarter of 2021), despite operating GR2 for a full quarter vs 59 days in the first quarter of 2021 and increase in the minimum wage rate to $15.00 per hour (effective January 1, 2022, and compared to $14.39 per hour applicable to the same period in Q1 of F'2021).
    - Lower selling, general and administrative expenses in the first quarter of 2022, as compared to the same period in the prior year. In the prior year the Company paid land transfer taxes and related employee termination costs, resulting from its GR2 acquisition of $0.4 million. This was offset by lower income tax recoveries of $0.5 million.
    - During the fourth quarter of 2021 the Mor Gro Farms Inc. greenhouse purchase price allocation was finalized resulting in no recognition of a bargain purchase gain. The comparative balances reported for the three-months ended March 31, 2021, had included a bargain purchase gain of $1.9 million. The comparative balances have accordingly been restated to reflect the final purchase adjustment.

- Adjusted EBITDA came in flat at negative $1.2 million as compared to negative $1.0 million in the prior year quarterly period. The negative cash flow is consistent with the seasonality of the Company's crop cycle which produces minimal amounts of revenue in the first quarter of the year as the greenhouses are prepared for the upcoming grow season.

- Tomato sales of $97 thousand were realized in the current period as compared to 121 thousand in the prior year period. The recognition of the first sales in late March is a critical annual milestone for the Company as it represents the execution of a successful planting cycle.

***Highlights Subsequent to Q1 Fiscal 2022***

- The strategy of focusing each greenhouse range into a single vs multi-SKU grower of fresh produce, as noted under the "Highlights for Q1 of Fiscal 2022", coupled with the fact that all returning temporary foreign workers are fully vaccinated, is expected to continue to improve labor efficiencies and reduce labor related costs resulting from government mandated quarantines and the resulting labor disruptions which occurred in 2021.

- The availability of insurance recoveries and Government sponsored program to help mitigate the loss of the crop loss at the GR2 facility realized in 2021 continues to be pursued by the Company. To date, no insurance recoveries have been recorded in the Company's results. The Company does participate in the AgriStability program ("AgriStability") and was awarded $363 thousand based on an interim application the Company filed in November 2021. AgriStability is a margin-based program designed to help producers manage large income declines in farming income. It provides payments when farming income falls more than 70% from a Company's reference margin. The reference margin is calculated based on an average of the Company's last 5 years of farming income (dropping the highest and lowest values). The maximum amount that can be awarded to any Company is $3.0 million in any given year under this program. The Company expects to file its final 2021 return in early June. A total of $182 thousand was collected on this program in Q1 of Fiscal 2022.

- On April 1, 2022, the Company entered into a definitive asset purchase agreement with 2073834 Ontario Limited, a company principally owned and controlled by Adam Suder, the Chief Growth Officer of Green Rise, 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 on or around July 4, 2022, subject to satisfaction of the usual closing conditions including the approval by a majority of disinterested shareholders at the upcoming annual general meeting scheduled for June 29, 2022.

  GR3 is currently producing and packing high demand, high quality mini peppers with all production committed under contract pricing. GR3's fixed contract raises the Company's total fixed contract pricing to 70% of the total expected 2022 production, a 125% increase over the prior year period. This transaction allows the Company to support its customers by offering high quality, multi-sku produce in beef steak, medley, piccolo and mini peppers. The speciality mini peppers also have greater certainty of yields which allows for better forecasting of production and delivery volume to the Company's customers.

***Significant Transactions***
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., a greenhouse range located in Kingsville, Ontario, for a purchase price of $16.0 million. 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 primarily 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 |
| Other assets | 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 |

**Seasonality**

The nature of the food production business is predictably seasonal. Currently, the Company's growing season allows for saleable product between the months of April and December. Accordingly, Q2 and Q3 are expected to be the Company's strongest quarters. During Q4, operations begin to wind down through the month of December when management starts the process of cleaning out the greenhouse in preparation for the next growing season.

***Overall Performance***

## SELECT QUARTERLY INFORMATION

The summary is set out in the following table. The amounts are derived from the financial statements prepared under IFRS.

| *($ thousands)* | **Three months ended March 31, 2022** | Three months ended March 31, 2021[2] |
|---|---|---|
| Total revenue | **245** | 269 |
| -Production costs[1] | **931** | 1,895 |
| -Depreciation[2] | **660** | 495 |
| -SG&A, excluding depreciation | **485** | 931 |
| -Net change in unrealized gain on biological asset | **(1,079)** | (1,143) |
| Loss from operations | **(752)** | (1,909) |
| -Interest expense | **300** | 262 |
| -Deferred income tax recovery | **(344)** | (856) |
| Net loss | **(708)** | (1,315) |
| Adjusted EBITDA | **(1,171)** | (1,039) |

1. *Production costs include raw materials, labor, repairs and maintenance expenses and bearer plants impairments.*
2. *During the fourth quarter of 2021 the Mor Gro Farms Inc. greenhouse purchase price allocation was finalized resulting in no recognition of a bargain purchase gain. The comparative balances reported for the three-month period ended March 31, 2021, have been restated to reflect the final purchase price allocation.*

**Results for the three-month period ended March 31, 2022**

***Loss from Operations***

*Revenue*

The Company generated revenue of $245 thousand as compared to $269 thousand in the prior year period. The first quarter of operations typically has none or minimal sales as the crop season pick usually starts late March / early April.

*Production costs and depreciation*

Production costs were lower by $1.0 million mainly due to the impairment on the GR2 bearer plants which occurred in March of 2021. This was offset by higher utility costs of $0.1 million and depreciation charges of $0.2 million in the current quarter resulting from higher gas prices and operating the GR2 greenhouse for 90 days in the first quarter of 2022 as compared to 59 days in the prior year quarter.

*SG&A*

SG&A, excluding depreciation, decreased by $0.4 million as compared to the prior year period, as a result of acquisition related costs incurred in the prior year quarter. On closing the GR2 acquisition on February 1, 2021, the Company incurred land transfer taxes of $0.3 million and employee related termination costs of $0.1 million.

Net change in unrealized gain on biological asset

The net change in unrealized gain on biological assets came in flat as compared to the prior year quarterly period. The inclusion of produce at both greenhouses increased the unrealized gain by $0.2 million however this was lowered by a similar amount as there were brighter and warmer days in the prior year period, resulting in more fresh produce on the vine at the Company's GR1 greenhouse.

***Net Loss (includes Loss from Operations, Interest expense and deferred taxes)***

*Interest expense*

Interest expense increased slightly as a result of one additional mortgage payment on the Company's GR2 greenhouse range in the current period quarter. As the GR2 acquisition closed on February 1, 2021, the prior year period had only two (vs three in Q1 of 2022) monthly mortgage payments made and due.

*Deferred taxes*

The deferred income tax recovery came in at $0.3 million as compared to $0.9 million in the prior year period. This decrease is the result of the decrease in the loss from operations noted in the current period quarter as compared to Q1 of fiscal 2021.

***Summary of quarterly results***

| *($ thousands)* | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 245 | 2,784 | 7,514 | 7,144 | 269 | 2,827 | 6,633 | 5,812 |
| Earnings (loss) from operations | (752) | (2,583) | 85 | 1,342 | (1,909) | (838) | 1,949 | 2,256 |
| Net earnings (loss) | (708) | (2,656) | (93) | 649 | (1,315) | (1,013) | 1,219 | 1,262 |
| Basic and diluted EPS | (0.02) | (0.06) | 0.00 | 0.01 | (0.03) | (0.02) | 0.02 | 0.02 |
| | | | | | | | | |
| Total assets | 47,906 | 43,694 | 46,903 | 50,612 | 48,144 | 32,153 | 33,189 | 33,684 |
| Total liabilities | 43,717 | 38,828 | 39,468 | 43,144 | 41,439 | 24,201 | 24,296 | 24,248 |
| Equity | 4,189 | 4,866 | 7,436 | 7,468 | 6,705 | 7,952 | 8,893 | 9,436 |

## LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Review

| *($ thousands)* | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Working Capital (Deficit)[1] | (7,232) | (6,250) |
| Total Assets | 47,906 | 43,694 |
| Total Liabilities | 43,717 | 38,828 |
| Net Equity | 4,189 | 4,866 |

1) Working capital is the net of all current assets and liabilities.

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. On March 1, 2022, the Royal Bank of Canada temporarily increased the Company's credit facility by $1,250 to $6,250. With this extension the Company was able to meet its short-term funding requirements for 2022. The temporary increase on the Company's credit facility will revert to $5,000, from $6,250, on July 15, 2022.

The Company successfully planted its 2022 crops and begin picking fresh produce mid March at its GR1 greenhouse range and mid April at its GR2 greenhouse range. The second and third quarters of each fiscal year are the periods in which the Company generates its greatest revenues and cash flows resulting from the weather during this period which is optimal for growing. Based on the Company's latest forecast it expects to have its credit facilities fully paid by the end of the 2022 fiscal period.

Total Assets increased by $4.2 million as compared to December 31, 2021, which was mainly attributable to the Company's investment in its bearer plants and higher amounts of packaging inventory being held. With recent trucker protests held in February 2021 in Windsor, the Company elected to carry higher amounts of packaging inventory to ensure sufficient packaging supplies were available in the event of any supply chain disruptions.

Total Liabilities increased by $4.9 million primarily resulting from draw downs of $2.6 million on the Company's credit facility and an increase in trade payables of $3.2 million. This was offset by $0.5 million in principal payments made on the Company's long-term debt and a decrease of $0.4 million on the Company's deferred income tax liability.

Equity decreased by $0.7 million as a result of $0.7 million recorded for the three-months ended March 31, 2022.

## CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available to support the development of management's planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but instead relies on the expertise of management to sustain future development of the business.

Management expects to generate sufficient cash flows from operations to meet its debt servicing, principal payment, and working capital requirements over both the short and long-term through increased profitability and strong management of working capital and capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and fit with the Company's long-term strategic objectives.

In the definition of capital, the Company includes equity, which is comprised of share capital, contributed surplus and retained earnings.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2022, the payments due by period are set out in the following table:

| *($000s)* | **Total** | **Less than 1 Year** | **1 – 5 Years** | **After 5 Years** |
|---|---|---|---|---|
| Trade Payables | 6,301 | 6,301 | - | - |
| Lease obligations | 402 | 155 | 247 | - |
| Long-term debt | 30,884 | 2,036 | 11,138 | 17,710 |
| Total | 37,587 | 8,492 | 11,385 | 17,710 |

## COMMITMENTS

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

As at March 31, 2022, the Company had $1,963 thousand relating to purchase commitments. These commitments relate to input costs for the 2022 crop season and commitments to acquire gas through to November 2022.

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## TRANSACTIONS BETWEEN RELATED PARTIES AND KEY MANAGEMENT COMPENSATION

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 3-month period ended March 31, 2022, the Company paid $103 thousand in cash compensation (2021 – $97 thousand) and had $22 thousand (2021 – $49 thousand) of stock-based compensation attributed to key members of management.

## RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health emergency of International Concern", and on March 11, 2020 declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Company's operations, suppliers or other vendors and customer base. The operations for the Company's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Company's operations, or those of its customers, may adversely impact the Company's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Company operates, resulting in an economic downturn that could affect demand for its services. As of the date of this management, discussion and analysis, the Company's operations have been classified as an essential service and there has been no disruption to the current operating activities. The extent to which COVID-19 impacts the Company's future results will depend on further developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

## CRITICAL ACCOUNTING JUDGMENT AND ESTIMATION UNCERTAINTIES

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

- Estimated useful life of property, plant and equipment

  Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recording expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

- 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.

- *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.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR as defined in National Instrument 52-109 -Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). In particular the Chief Executive Officer and Chief Financial Officer are not required to make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (b) process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, 45,355,734 total shares were outstanding.

## APPROVAL

The Board of Directors of the Company approved the disclosure in this MD&A on May 30, 2022.

## NON-IFRS MEASURES

*EBITDA and Adjusted EBITDA*

The Company utilizes EBITDA and adjusted EBITDA to measure its financial performance. EBITDA is (defined as earnings before interest, depreciation, amortization, net unrealized gains and losses on biological assets, income taxes and non-recurring expenses such as listing expenses and non-reoccurring legal fees) to measure its financial performance. EBITDA and Adjusted EBITDA are not recognized measures, however management believes that EBITDA and Adjusted EBITDA are useful supplemental measures to net earnings as these measures provide readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as provide an indication of recurring earnings compared to prior periods. The Company calculates EBITDA and adjusted EBITDA as follows:

| | Three Months Ended | |
|---|---|---|
| *($ thousands)* | **March 31, 2022** | March 31, 2021[1] |
| Net loss | **$(708)** | $(1,315) |
| Additions (Deductions) | | |
| Depreciation | **660** | 495 |
| Interest expense | **300** | 262 |
| Deferred income tax recovery | **(344)** | (856) |
| **EBITDA** | **$(92)** | $(1,414) |
| Additions (Deductions) | | |
| Impairment of bearer plants | **$-** | $1,068 |
| Land transfer tax on acquisition | **-** | 306 |
| Employee termination payments | **-** | 104 |
| Non-reoccurring legal fees | **-** | 40 |
| Net change in unrealized gain on biological assets | **(1,079)** | (1,143) |
| **Adjusted EBITDA** | **$(1,171)** | $(1,039) |

1. *During the fourth quarter of 2021 the Mor Gro Farms Inc. greenhouse purchase price allocation was finalized resulting in no recognition of a bargain purchase gain. The comparative balances reported for the three-month period ended March 31, 2021, have been restated to reflect the final purchase price allocation.*

*Adjusted Earnings*

The Company utilizes adjusted earnings (defined as net earnings before non-recurring expenses such as listing expenses and non-reoccurring legal fees) to measure its financial performance. Adjusted earnings are not recognized measures under IFRS; however, management believes that adjusted earnings is a useful supplemental measure to net earnings as these measures provide readers with an indication of recurring earnings compared to prior periods. The Company calculates adjusted earnings as follows:

| | Three Months Ended | |
|---|---|---|
| *($ thousands)* | **March 31, 2022** | March 31, 2021[1] |
| Net loss | **$(708)** | $(1,315) |
| Additions (Deductions) | | |
| Impairment on bearer plants | **-** | 1,068 |
| Land transfer tax on acquisition | **-** | 306 |
| Employee termination payments | **-** | 104 |
| Non-reoccurring legal fees | **-** | 40 |
| Net change in unrealized gain on biological assets | **(1,079)** | (1,143) |
| **Adjusted Net loss** | **$(1,787)** | $(940) |

1. *During the fourth quarter of 2021 the Mor Gro Farms Inc. greenhouse purchase price allocation was finalized resulting in no recognition of a bargain purchase gain. The comparative balances reported for the three-month period ended March 31, 2021, have been restated to reflect the final purchase price allocation.*