Management's Discussion and Analysis of

# GREEN RISE FOODS INC.

## (Formerly Green Rise Capital Corporation)

For the three and nine months ended September 30, 2021

(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. (formerly Green Rise Capital Corporation and 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 September 30, 2021, and the results of operations for the three and nine month periods ended September 30, 2021.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements ("financial statements") of Green Rise as at September 30, 2021. 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 including crop loss and weather related events;
- reliance on two ranges;
- retention and acquisition of skilled personnel;
- negative consumer perception;
- product liability;

- insurance coverage;
- regulatory or agency proceedings, investigations and audits;
- litigation;
- constraints on and factors affecting marketing of products including market price fluctuations;
- constraints on and factors affecting the supply of inputs and operation of capital equipment;
- 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; and
- extended 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 Foods Inc. was incorporated under the Business Corporations Act (Ontario) on June 9, 2017.

On September 30, 2019, the Company completed its acquisition (the "Transaction") of Bull Market Farms Inc. ("Bull Market"). 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 produces two types of tomatoes – beefsteak and a varietal of medley cherry tomatoes. With the Transaction, the Company completed its first greenhouse range acquisition. On February 1, 2021 the Company 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 plans to continue to grow its cultivation capacity with a core goal of being the "best-in-class" contract grower of greenhouse-grown fresh produce. To achieve the "best-in-class" status, the Company maintains a strict financial discipline, seeks out new technologies to help improve its processes and employs policies to maintain and attract the best human capital. These attributes assist Green Rise in its efforts to achieve its growth and financial targets while minimizing the impact of any adverse events on the quality and volumes generated on its annual produce production. For recent highlights refer to page 4 of this MD&A under the heading "Highlights from Fiscal 2021".

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 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 two major customers.

***Highlights for Fiscal 2021***

- On February 1, 2021, the Company completed the acquisition, through Bull Market, of the net assets of Mor Gro Farms Inc., comprising a 22-acre greenhouse range on a 57-acre property in Kingsville, Ontario for cash consideration of $15.9 million.

- With the acquisition of GR2, the Company now owns and operates 73-acres of greenhouse cultivation capacity at 2 different locations.

- Adjusted EBITDA amounted to $4.8 million for the nine-month period ended September 30, 2021 ($3.1 million for the three-month period ended September 30, 2021), as compared to $6.0 million in the prior year period ($3.6 million for the three-month period ended September 30, 2020). The Company experienced an unusual occurrence resulting from a mechanical/crop failure at its newly acquired GR2 range. Upon concluding that the original plant crop could not be saved, the Company in record time, replanted the crop with the objective of minimizing lost revenue for the 2021 crop season. The replant was highly successful and in mid June the Company began delivering product to its customers. As of the date of this MD&A, over 5.4 million lbs of beef steak tomatoes have been picked from the replanted crop. The availability of insurance recoveries and funding via the AgriStability program to cover losses sustained relating to this unusual event continues to be pursued by the Company and is expected to be finalized in the coming quarters.

- The 2021 crop season realized a normalization of beef steak commodity pricing resulting in a decrease in revenues. The Company realized record tomato sales of $14.5 million for the nine-month period ended September 30, 2021 ($7.4 million for the three-month period ended September 30, 2021), as compared to $12.2 million in the prior year period ($6.5 million for the three-month period ended September 30, 2020).

- The Company experienced additional labor costs as a result of the mandatory COVID-19 quarantine protocols established by the Federal Government. This adversely impacted the Company's costs and gross margin for the 2021 grow season. The Company adheres to all regulations as it relates to its employees and their wellness. It is the Company's hope that the mass vaccination protocols in Canada will limit the Company's exposure to this type of costs in the future.

- The Company generated Adjusted Earnings of $0.2 million for the nine-month period ended September 30, 2021 ($0.7 million for the three-month period ended September 30, 2021), as compared to $1.6 million for the same period in the prior year ($1.6 million for the three-month period ended September 30, 2020).

***Significant Transactions***

Mor Gro Farms Inc. Net Asset Acquisition

On February 1, 2021, the Company purchased a greenhouse property and accompanying land, located in Kingsville, Ontario, for a purchase price of $15.9 million. The purchase price has been allocated as follows and is subject to refinement as management completes its valuations on the assets acquired and liabilities assumed:

| **Purchase Price Cash Consideration** | ***($000s)*** |
|---|---|
| **Total Cash Consideration** | **15,858** |
| | |
| **Net Identifiable Assets Acquired** | |
| Property, plant and equipment | 18,455 |
| Bearer plants | 811 |
| Other assets | 180 |
| Accounts payable and contracts assumed | (930) |
| Deferred tax liability | (696) |
| Total net assets acquired | 17,820 |
| Bargain purchase gain | 1,962 |

In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired, based primarily on their estimated fair values at the date of 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.

**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 deep sanitization and takes steps to ensure the effective 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 Sept 30, 2021** | Three-months ended Sept 30, 2020 | **Nine-months ended Sept 30, 2021** | Nine-months ended Sept 30, 2020 |
|---|---|---|---|---|
| Total revenue | **$7,514** | $6,633 | **$14,927** | $12,586 |
| -Production costs[1] | **3,907** | 2,313 | **9,583** | 5,451 |
| -Depreciation and amortization | **2,246** | 1,270 | **4,381** | 2,831 |
| -SG&A, excluding depreciation | **516** | 683 | **2,220** | 1,143 |
| -Net change in unrealized (gain) loss on biological asset | **803** | 418 | **(667)** | (279) |
| Earnings (Loss) from operations | **$42** | $1,949 | **$(590)** | $3,440 |
| -Interest expense | **266** | 229 | **832** | 696 |
| -Bargain purchase (gain) | **(30)** | - | **(1,962)** | - |
| -Deferred income tax expense (recovery) | **(88)** | 501 | **(555)** | 866 |
| Net earnings | **$(106)** | $1,219 | **$1,095** | $1,878 |
| Adjusted EBITDA[2] | **$3,090** | $3,637 | **$4,811** | $5,992 |

1. Production costs include raw materials, labor, repairs and maintenance expenses and bearer plant impairments.
2. Page 15 of this MD&A includes a reconciliation of net earnings to EBITDA.

**Results for the nine-month period ended September 30, 2021**

***Earnings (Loss) from operations***

*Revenue*

The Company generated $14.9 million in revenue as compared to $12.6 million in the prior year comparative period. The increase of $2.3 million in sales was mainly attributed to the additional fresh produce grown at the newly acquired GR2 range. This increase was offset by the normalization of pricing in beef steak tomatoes (73 cents per lbs vs 87 cents per lbs for the same nine-month period in the prior year) and a reduction in the Company's yields due to adverse weather conditions experienced in the third quarter.

*Production costs*

Production costs were $9.6 million as compared to $5.5 million noted in the prior year comparative period. The increase of $4.1 million relates to the following items: (1) A $1.1 million impairment charge resulting from the crop loss at our GR2 range; (2) Higher labor costs experienced of $1.9 million as compared to the prior year period. The main drivers of the higher labor costs arose from the costs associated with the Federal Government mandated COVID-19 14-day quarantines on the Company's incoming foreign workers and secondly the additional labor force added as a result of the newly acquired GR2 range. (3) The remaining increase of $1.1 million relates to the additional raw material inputs needed to support production at our newly acquired GR2 range. Raw material costs primarily consist of fertilizers, utility costs and packaging.

*Depreciation and amortization*

Depreciation costs were $4.4 million as compared to $2.8 million in the prior year period. This increase of $1.6 million was attributed primarily to the additional amortization relating to the newly acquired GR2 property, plant and equipment and secondly the additional amortization relating to the bearer plants at our GR2 range.

*SG&A, excluding depreciation*

Selling, general and administrative expenses, excluding depreciation on our 15-acre leased greenhouse at our GR1 range amounted to $2.2 million as compared to $1.1 million for the same period in the prior year. This increase of $1.1 million was attributed to the following: (1) $0.3 million for employee bonuses and termination costs relating to the GR2 acquisition; (2) $0.3 million related to the land transfer taxes paid on the GR2 acquisition and (3) the remaining difference was mainly attributable to the SG&A costs associated with running a farm (the GR2 range). These SG&A costs include property taxes, insurance, and administrative salaries for office staff.

*Net change in unrealized (gain) in biological asset*

The net change in unrealized (gain) in the biological asset amounted to $(0.7) million for the nine-month period ended September 30, 2021, as compared to a (gain) of $(0.3) million for the nine-month period ended September 30, 2020. The increase in (gain) reflects the fact that the Company held 58 acres of product on vines at the end of September 30, 2021, as compared to 36 acres of product on vines at the end of September 30, 2020.

**Net earnings**

*Interest expense*

Interest expense increased by $130 thousand from the prior year period. The increase was due to the additional interest charges on the $13 million RBC mortgage on the newly acquired GR2 property which was offset by the refinancing (effectively lowering the interest rate from 5.5% to 1.95%) of the $5 million VTB mortgage on our GR1 property. The refinancing of the VTB closed in December 2020 and accordingly a savings of $130 thousand was realized in the nine-month period ending September 30, 2021 as compared to the same period in the prior year. The additional interest expense on the newly acquired GR2 range was $240 thousand. The remaining difference is attributed to the higher balance carried on the Company's operating lines as compared to the nine-month period ended September 30, 2020.

*Bargain purchase gain*

This gain is a result of the acquisition of the net assets of the Mor Gro Farms Inc. greenhouse on February 1, 2021. In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired based primarily on estimates of fair value at the date of acquisition. The difference between the fair value of the underlying assets acquired and the purchase price has resulted in the bargain purchase gain of $1.962 million. There were no acquisitions that took place in the comparative prior year period.

*Deferred income tax expense (recovery)*

The deferred income tax recovery came in at $0.6 million as compared to a deferred income tax expense of $0.9 million in the prior year period. The recoverable amount is the result of the loss from operations noted in the current period as compared to the earnings from operations in the comparative prior year period.

***Summary of quarterly results***

| *($ thousands)* | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 7,514 | 7,144 | 269 | 2,827 | 6,633 | 5,812 | 141 | 2,432 |
| Earnings (loss) from operations | 42 | 1,299 | (1,931) | (838) | 1,949 | 2,256 | (765) | (584) |
| Net earnings (loss) | (106) | 606 | 595 | (1,013) | 1,219 | 1,262 | (603) | (1,082) |
| Basic and diluted EPS | 0.00 | 0.01 | 0.01 | (0.02) | 0.02 | 0.02 | (0.01) | (0.02) |
| | | | | | | | | |
| Total assets | 49,614 | 53,366 | 50,941 | 32,153 | 33,189 | 33,684 | 32,524 | 31,904 |
| Total liabilities | 40,325 | 44,031 | 42,326 | 24,201 | 24,296 | 24,248 | 24,350 | 23,135 |
| Equity | 9,290 | 9,335 | 8,615 | 7,952 | 8,893 | 9,436 | 8,174 | 8,769 |

**Results for the three-month period ended September 30, 2021**

***Earnings from operations***

*Revenues*

The Company generated $7.5 million in revenue as compared to $6.6 million in the prior year comparative period. The increase of $0.9 million in sales was attributed primarily to two factors being (1) the increase of $2.8 million in sales resulting from beef steak production from the Company's newly acquired GR2 range. (2) This was offset by a $2.1 million decrease at our GR1 range, stemming from the normalization of beef steak prices realized (79 cents as compared to 85 cents noted in the prior year quarter) and lower yields due to adverse weather conditions.

*Earnings (loss) from operations*

Production costs were $3.9 million as compared to $2.3 million in the prior year comparative period. The increase of $1.6 million relates primarily to (1) an increase of $1.3 million in the quarter relating to the raw material and labor costs associated with operating a second farm (the GR2 range) and secondly the remaining increase of $0.3 million related to the higher costs associated with the Federal Government mandated COVID-19 quarantine requirements for our incoming foreign workers.

*Depreciation and amortization*

Depreciation costs were $2.2 million as compared to $1.3 million in the prior year period. This increase of $0.9 million was attributed to (1) the additional amortization relating to the newly acquired GR2 greenhouse property, plant and equipment; and secondly the additional amortization relating to bearer plants at GR2.

*SG&A, excluding depreciation*

Selling, general and administrative expenses, excluding depreciation were $0.5 million as compared to $0.7 million in the prior year period. This increase of $0.3 million was attributed to the additional SG&A costs of operating a second range (the newly acquired GR2 range). SG&A costs include insurance, property taxes, market board fees and office and administration fees required to operate a farm.

*Net change in unrealized (gain) in biological asset*

The net change in unrealized (gain) in biological asset was a loss of $0.8 million as compared to a loss of $0.4 million in the prior year three-month period ended September 30, 2020. The loss is consistent with the state of product on our bearer plants at the end of Q3 as compared to Q2, as the days have begun to shorten at the end of September. Furthermore, the increase in size of loss realized is consistent with the additional acres being managed in the current period (58 vs 36 for the period ended September 30, 2020) as compared to the prior year quarter ended.

**Net earnings**

*Interest expense*

Interest expense increased by $40 thousand from the prior year period. The increase was due to the additional interest charges on the $13 million RBC mortgage on the newly acquired GR2 property which was offset by the refinancing (effectively lowering the interest rate from 5.5% to 1.95%) of the $5 million VTB mortgage on our GR1 property. The refinancing of the VTB closed in December 2020 and accordingly a savings of $45 thousand was realized in the three-month period ending September 30, 2021, over the comparative prior year period. The additional interest expense on the newly acquired GR2 range was $90 thousand. The remaining increase is primarily due to the Company drawing larger amounts on its credit facilities.

*Deferred income tax expense (recovery)*

The deferred income tax expense (recovery) came in at $(0.1) million as compared to a deferred income tax expense of $0.5 million in the prior year quarter. The difference is attributed to the higher net earnings noted in the prior year comparative period.

## LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Review

| *($ thousands)* | **September 30, 2021** | December 31, 2020 |
|---|---|---|
| Cash | - | 3,057 |
| Working Capital (Deficit)[1] | (3,368) | 1,485 |
| Total Assets | 49,614 | 32,153 |
| Total Liabilities | 40,324 | 24,201 |
| Net Equity | 9,290 | 7,952 |

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

As at September 30, 2021 the Company had current liabilities of $8.3 million and a working capital deficit of $3.4 million.

During the nine-month period ended September 30, 2021, cash decreased by $3.1 million, and the Company had drawn $2.3 million on its credit facilities. Cash was used primarily to execute three key activities being: (1) To close the net asset acquisition of Mor Gro Farms Inc. ($3.2 million use of funds); (2) To invest in the bearer plants for the 2021 crop season ($3.3 million use of funds) and (3) to repay long-term debt obligations ($1.3 million use of funds). This was offset by the cash generated from operations ($2.6 million source of funds).

In Q1 the Company is exposed to risks related to seasonality as there is limited revenue from January through to March. Accordingly, the Company has in place a planning and forecasting process to help determine the funds required to support the Company's operating requirements. The acquisition of Mor Gro Farms Inc. provides an additional 22-acres of cultivation capacity. The Royal Bank of Canada on January 13, 2021, increased our operating line to $5.0 million to support the Company's continued growth. As at September 30, 2021 the Company had drawn $2.3 million of the facility to support its operations leaving $2.7 million available.

As with all unlit greenhouse ranges, the Company generates its greatest revenues and cash flows in Q2 and Q3. By the start of Q4, the Company begins to wind down its crop operations and prepare its ranges for the 2022 grow season. At this point, the Company collects the majority if not all of its customer receivables before the end of the fiscal year.

Total Assets increased by $17.5 million as compared to December 31, 2020, which is mainly attributed to acquiring $18.2 million of property, plant and equipment relating to the Mor Gro Farms Inc. net asset acquisition.

Total Liabilities increased by $16.1 million. This is a result of an increase of $12.6 million relating to the first mortgage on the Mor Gro Farms Inc. property acquisition, a $2.0 million increase in payables and accruals with $1.4 million stemming from the addition of the newly acquired GR2 range and the balance from increased payables and accruals at our GR1 range. Finally, the outstanding draw down of $2.3 million on the Company's operating lines amounts to the remaining increase in total liabilities.

During the nine-month period ended September 30, 2021, equity increased by $1.4 million as a result of: (1) After tax earnings generated of $1.1 million; (2) stock-based compensation of $0.2 million and (3) 216 thousand options being exercised generating proceeds of $48 thousand.

## 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 September 30, 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** |
|---|---|---|---|---|
| Trade Payables | 3,841 | 3,841 | - | - |
| Lease obligations | 276 | 87 | 189 | - |
| Long-term debt | 31,867 | 2,003 | 8,630 | 21,234 |
| Total | 35,984 | 5,931 | 8,819 | 21,234 |

## COMMITMENTS

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

As at September 30, 2021, the Company had $207 thousand relating to purchase commitments. These commitments relate to packaging supplies and commitments to acquire gas through to November 2022. These contracts were assumed as part of the Mor Gro Farms Inc. acquisition.

## 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 nine-month period ended September 30, 2021, the Company expensed $702 thousand in compensation ($170 thousand in compensation for the three-month period ended September 30, 2021) as compared to $248 thousand for the nine-month period ended September 30, 2020 ($127 thousand for the three-month period ended September 30, 2020).

## 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 lives 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.

- Estimated fair value of biological asset

  The fair value of the biological asset is derived using a discounted cash flow model. Management estimates the sales price of the produce on the vine by utilizing expected production and sales prices in the following period and estimates the costs to sell and complete by projecting yields, crop, packaging and transportation costs. The estimated costs are subject to fluctuations based on the timing and prevailing growing conditions and market conditions.

- Bearer plants

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

## 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. The Company is currently evaluating the impact of this amendment on its 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 not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

**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 is currently evaluating the impact of this amendment on its financial statements.

***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 (See note 5 to the Green Rise 2020 consolidated financial statements). 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.

## 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, 45,139,069 total shares were outstanding.

## APPROVAL

The Board of Directors of the Company approved the disclosure in this MD&A on November 11, 2021.

## 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 ending | | Nine-months ending | |
|---|---|---|---|---|
| *($ thousands)* | **Sept 30, 2021** | Sept 30, 2020 | **Sept 30, 2021** | Sept 30, 2020 |
| Net earnings (loss) | **$(106)** | $1,219 | **$1,095** | $1,878 |
| Additions (Deductions) | | | | |
| Depreciation | **2,246** | 1,270 | **4,381** | 2,831 |
| Interest expense | **266** | 229 | **832** | 696 |
| Deferred income tax expense (recovery) | **(88)** | 501 | **(555)** | 866 |
| **EBITDA** | **$2,318** | $3,219 | **$5,753** | $6,271 |
| Additions (Deductions) | | | | |
| Impairment of bearer plants | **$(1)** | - | **$1,077** | $- |
| Bargain purchase gain | **(30)** | - | **(1,962)** | - |
| Land transfer tax on acquisition | **-** | - | **306** | - |
| Employee related payments | **-** | - | **304** | - |
| Net change in unrealized (gain) on biological assets | **803** | 418 | **(667)** | (279) |
| **Adjusted EBITDA** | **$3,090** | $3,637 | **$4,811** | $5,992 |

*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 ending | | Nine-months ending | |
|---|---|---|---|---|
| *($ thousands)* | **Sept 30, 2021** | Sept 30, 2020 | **Sept 30, 2021** | Sept 30, 2020 |
| Net earnings (loss) | **$(106)** | $1,219 | **$1,095** | $1,878 |
| Additions (Deductions) | | | | |
| Impairment on bearer plants | **(1)** | - | **1,077** | - |
| Bargain purchase (gain) | **(30)** | - | **(1,962)** | - |
| Land transfer tax on acquisition | **-** | - | **306** | - |
| Employee termination payments | **-** | - | **304** | - |
| Net change in unrealized (gain) on biological assets | **803** | 418 | **(667)** | (279) |
| **EBITDA** | **$666** | $1,637 | **$153** | $1,599 |