

Unaudited Condensed Interim Consolidated Financial Statements of

GREEN RISE FOODS INC.

For the three months ended March 31, 2022

(Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Continuous Disclosure Obligations, if an auditor has not performed a review of condensed interim financial statements, they must be accompanied by a notice indicating that such financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of Green Rise Foods Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity’s auditor.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

<i>(thousands)</i>	March 31, 2022	December 31, 2021
Assets		
Current Assets:		
Trade and other receivables	651	1,011
Inventory	669	311
Bearer plants (note 4)	4,129	348
Biological assets (note 4)	1,079	-
Prepaid expenses	265	293
	6,793	1,963
Property, plant and equipment (note 5)	41,113	41,731
Total Assets	\$ 47,906	\$ 43,694
Liabilities		
Current Liabilities		
Line of credit	\$ 5,492	\$ 2,914
Trade payables	6,301	3,117
Current portion of lease obligation (note 6)	155	163
Current portion of long-term debt (note 7)	2,036	2,019
	13,984	8,213
Lease obligation (note 6)	247	275
Long-term debt (note 7)	28,848	29,358
Deferred income tax liability	638	982
Total Liabilities	43,717	38,828
Equity		
Share Capital (note 8)	4,212	4,212
Contributed Surplus (note 9)	1,815	1,784
Deficit	(1,838)	(1,130)
Total Equity	4,189	4,866
Total Liabilities and Equity	\$ 47,906	\$ 43,694

Approved by the Board of Directors

(Signed) "Enrico (Rick) Paolone"
Director

(Signed) "Jerry Mancini"
Director

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

For the three-month periods ended March 31, 2022, and 2021

<i>(thousands, except per share amounts)</i>	March 31, 2022	March 31, 2021 ¹
Revenue (note 11)	\$ 245	\$ 269
Cost of sales (note 12)	(418)	(1,154)
Gross loss	(173)	(885)
Selling, general and administrative expenses (note 12)	(579)	(1,024)
Loss from operations	(752)	(1,909)
Interest expense	300	(262)
Loss before income taxes	(1,052)	(2,171)
Deferred income tax recovery	344	856
Net loss and comprehensive loss for the period	(708)	(1,315)
Basic and diluted (loss) per share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding (note 8)		
Basic	45,355,734	44,922,402
Diluted	45,355,734	44,922,402

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

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. Refer to note 3.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**(unaudited)****For the three-month periods ended March 31, 2022 and 2021**

<i>(thousands except share amounts)</i>	Number of shares	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Total Equity (\$)
Balance, December 31, 2021	45,355,734	\$4,212	\$1,784	\$(1,130)	\$ 4,866
Stock based compensation (note 9)	-	-	31	-	31
Comprehensive loss for the period	-	-	-	(708)	(708)
Balance, March 31, 2022	45,355,734	\$ 4,212	\$ 1,815	\$ (1,838)	\$ 4,189

	Number of shares	Share Capital (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance, December 31, 2020	44,922,402	\$ 4,030	\$ 1,637	\$ 2,285	\$ 7,952
Stock based compensation (note 9)	-	-	68	-	68
Comprehensive loss for the period ¹	-	-	-	(1,315)	(1,315)
Balance, March 31, 2021	44,922,402	\$ 4,030	\$ 1,705	\$ 970	\$ 6,705

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

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 comprehensive loss for the three-month period ended March 31, 2021, has been restated to reflect the final purchase price allocation. Refer to note 3.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**(unaudited)****For the three-month periods ended March 31, 2022 and 2021**

<i>(thousands)</i>	March 31, 2022	March 31, 2021¹
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (708)	\$ (1,315)
Adjustments for:		
Depreciation and amortization of property, plant and equipment and amortization of bearer plants	663	495
Amortization of deferred financing fees	5	5
Biological asset gain (note 4)	(1,079)	(1,143)
Impairment of bearer plants (note 4)	-	1,068
Stock based compensation (note 9)	31	68
Deferred income tax recovery	(344)	(856)
Net changes in non-cash working capital		
Trade receivable	360	166
Inventory	(358)	(14)
Prepaid expenses	28	159
Trade payable	3,184	1,526
Net cash inflow from operating activities	1,782	159
Investing activities:		
Costs incurred on bearer plants (note 4)	(3,800)	(2,736)
Acquisition of Mor Gro Farms Inc. greenhouse (note 3)	-	(16,013)
Cash acquired on acquisition	-	19
Acquisition of property, plant and equipment (note 5)	(26)	(261)
Net cash outflow from investing activities	(3,826)	(18,991)
Financing activities:		
Proceeds from long-term loan with Bank (note 7)	-	13,000
Drawn on operating line	2,578	3,159
Repayment of long-term debts with Bank (note 7)	(498)	(367)
Payment of lease obligations (note 6)	(36)	(17)
Net cash inflow (outflow) from financing activities	2,044	15,775
Change in cash during the period	-	(3,057)
Cash - Beginning of period	-	3,057
Cash - End of period	\$ -	\$ -

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

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. Refer to note 3.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

For the three-month periods ended March 31, 2022, and March 31, 2021

(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 3. Additionally, as described in note 18 and subsequent to the quarter ended March 31, 2022, 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 on or around July 4, 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 one major customer

2. Basis of preparation

Statement of Compliance

The condensed interim 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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2022.

Basis of Consolidation

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

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

Basis of Measurement

The condensed interim 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 functional currency. The Company’s operations consist of a single reporting segment, being 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.

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.

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 of 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" in cost of sales on the statement of earnings (loss) and comprehensive earnings (loss) and presented in note 4. When inventory is sold, the fair value adjustment to biological assets included in inventory is expensed through "realized fair value amounts included in inventory sold" in cost of sales on the statement of earnings (loss) and comprehensive earnings (loss) and presented in note 4.

To determine the fair value less costs to sell of biological 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 and comprehensive earnings.

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 they are available for use.

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 and comprehensive earnings 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 reasonably 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 lease 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 if 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 balance sheet 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 is 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 per share ("EPS") are calculated by dividing the earnings for the period by the weighted average number of common shares outstanding during the period.

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 period, 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 period. 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.

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.

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 4). 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.

3. Mor Gro Farms Inc. Net Asset Acquisition

On February 1, 2021, the Company through 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, which was finalized in the fourth quarter of fiscal 2021, 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

4. Bearer plants & Biological assets**Bearer plants**

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

(\$000s)	March 31, 2022	December 31, 2021
Bearer plants – beginning of the period	348	392
Additions acquired through the GR2 acquisition (note 3)	-	811
Additions	3,800	3,753
Impairment in bearer plants	-	(1,085)
Depreciation of bearer plants	(19)	(3,523)
Bearer plants – end of the period	4,129	348

Bearer plant costs of \$4,129 as at March 31, 2022 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 impairment charge of \$1,085.

Biological assets

The Company did not have any biological assets as at December 31, 2021 however it did have biological assets as at March 31, 2022, consisting of tomatoes growing on the vines. These tomatoes were harvested and sold in the second quarter. 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)	March 31, 2022
Biological assets – beginning of the period	-
Net change in unrealized gains due to biological asset transformation	(1,079)
Biological assets – end of the period	(1,079)

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.

5. Property, plant and equipment:

(\$000s)	Land	Greenhouse	Buildings	Machinery and equipment	Vehicle	Right- of-use assets	Total
Cost:							
Balance – December 31, 2021	4,603	34,696	2,248	5,360	24	608	47,539
Additions	-	-	-	5	21	-	26
Balance – March 31, 2022	4,603	34,696	2,248	5,365	45	608	47,565
Accumulated depreciation:							
Balance – December 31, 2021	-	4,129	147	1,305	2	225	5,808
Additions	-	447	22	133	2	40	644
Balance – March 31, 2022	-	4,576	169	1,438	4	265	6,452
Net book value							
Balance – March 31, 2022	4,603	30,120	2,079	3,927	41	343	41,113
Net book value							
Balance – December 31, 2021	4,603	30,567	2,101	4,055	22	383	41,731

6. Lease obligations

Continuity schedule:

(\$000s)	March 31, 2022	December 31, 2021
Lease obligation – beginning of the period	438	317
Arising during the period	-	230
Lease payments, excluding interest	(36)	(109)
Less: Current portion	(155)	(163)
Long term lease obligation – end of the period	247	275

Balance sheet summary:

(\$000s)	March 31, 2022	December 31, 2021
Current lease obligation -end of period	155	163
Long term lease obligation -end of period	247	275
Total lease obligation – end of the period	402	438

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.

In Q1 of fiscal 2021, as part of the GR2 acquisition, the Company 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 a total of 23 months remaining on its 36-month lease ending December 31, 2023.

In Q1 of fiscal 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 \$4,894 plus applicable taxes and common area expenses for 60 months ending December 31, 2025.

In Q3 of fiscal 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 \$306 plus applicable taxes for 36 months ending September 17, 2023.

In Q4 of fiscal 2019 the Company leased equipment with a value of \$93 at an effective annual interest rate of 5.5%, with blended monthly payments of \$1,515 plus applicable taxes for 72 months ending in October 2025.

7. Long-term debt

Continuity schedule:

(\$000s)	March 31, 2022	December 31, 2021
Loans and mortgages, gross of deferred financing fees -beginning of the period	31,414	20,254
Arising during the period	-	13,000
Repayments during the period	(498)	(1,840)
Less: Current portion	(2,036)	(2,019)
Long-term portion	28,880	29,395
Deferred financing fees	(32)	(37)
Long-term portion, net of deferred financing fees	28,848	29,358

Balance sheet summary:

(\$000s)	March 31, 2022	December 31, 2021
Current portion of long-term debt -end of period	2,036	2,019
Long term portion of long-term debt -end of period	28,848	29,358
Total long-term debt obligation – end of the period	30,884	31,377

On January 19, 2021, the Company entered 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 3).

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 March 1, 2022, RBC temporarily increased the Company’s operating line by \$1,250 to \$6,250 (previously at \$5,000). 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. As at March 31, 2022, there was \$5,492 drawn on the facility (December 31, 2021: \$2,914 drawn). Borrowings under this facility are expected to resolve with operating requirements and have a zero balance at least 1 Business Day in each fiscal year. This facility bears interest rate of bank prime plus 1% per annum.

On January 13, 2021, the Company’s credit facility was increased by \$1,500 to \$5,000 (previously at \$3,500). This increase was provided by RBC as part of the GR2 acquisition.

8. Share capital

	Number of Shares	Amount (\$000s)
Common shares:		
Common Shares, March 31, 2022, and December 31, 2021	45,355,734	4,212

9. Contributed surplus

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.

Shared Based Compensation

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2022 and December 31, 2021	2,016,667	\$0.23

The Company recorded stock-based compensation expense of \$31 for the three-months ending March 31, 2022 (\$68 for the three-months ending March 31, 2021).

There are a total of 3,465 warrants outstanding as at March 31, 2022 (3,465 as at December 31, 2021).

10. 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 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.

11. Revenue

<i>(\$000s)</i>	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Sales of tomatoes	97	121
Rent ¹	148	148
Total	245	269

(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 2021 the customer exercised its first one-year option extension. The lease is expected to expire no later than June 2023.

12. Expenses by nature

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

(\$000s)	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021 ¹
Production Costs ¹		
Raw materials and consumables used	475	1,433
Labor	386	380
Depreciation (note 5) ¹	566	402
Unrealized gain on change in fair value of biological assets (note 4)	(1,079)	(1,143)
Repairs and maintenance	70	82
Total	418	1,154

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. Refer to note 3.

(\$000s)	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Selling, general and administrative expenses ¹		
Salaries	145	131
Marketing board fees	8	11
Insurance	65	57
Depreciation (note 5) ¹	94	93
Office Rent	13	28
Professional services	72	133
Land transfer taxes on GR2 acquisition	-	306
Stock based compensation	31	68
Other	151	197
Total	579	1,024

1) Depreciation included in selling, general and administrative expenses relate to the depreciation of the greenhouse range that is being leased to our one customer. A total of \$80 of depreciation, relating to the amortization on the 15 acres of greenhouse range being leased, was reclassified in the comparative period from production costs and into selling, general and administrative expenses to conform to the current period's presentation.

13. 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	March 31, 2022	December 31, 2021
Cash	Financial asset	Amortized cost	-	-
Trade receivables	Financial asset	Amortized cost	172	-
Other receivables	Financial asset	Amortized cost	479	1,011
Line of Credit	Financial liabilities	Amortized cost	5,492	2,914
Trade payables	Financial liabilities	Amortized cost	6,301	3,117

Lease obligations	Financial liabilities	Amortized cost	402	438
Long-term debt	Financial liabilities	Amortized cost	30,884	31,377

Management of financial 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 March 31, 2022, is the carrying value of its cash, trade and other receivables. All trade receivables, as of May 30, 2022, and owed as at March 31, 2022, have been collected in full. Other receivables consist primarily of amounts owed by the Federal and Provincial Governments and have been or are expected to be collected in full.

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. On March 1, 2022, the Royal Bank of Canada temporarily increased the Company's operating line by \$1,250 to \$6,250. With this extension the Company has met its short-term funding requirements for 2022. The temporary increase on the Company's operating line will revert back to \$5,000, from \$6,250, on July 15, 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.

14. Commitments and Contingencies

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

<i>(\$000s)</i>	Total	Less than 1 Year	1 – 5 Years	After 5 Years
Purchase commitments	1,963	1,963	-	-

Purchase commitments relate to input costs for the 2022 crop season and commitments to acquire gas through to November 2022.

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

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 is probable, and the amount can be reasonably estimated.

Based on the Company's knowledge of events as at March 31, 2022, no such matters were identified.

15. Subsequent Events

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.