

Management's Discussion and Analysis of

# GREEN RISE FOODS INC.

For the years ended December 31, 2023, and December 31, 2022

(Canadian Dollars)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Green Rise Foods Inc. (hereinafter "Green Rise" or "the Company") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess the financial condition of the Company as at December 31, 2023, and the results of operations for the year ended December 31, 2023.

The MD&A is prepared as of April 16, 2024, and should be read in conjunction with the audited consolidated financial statements ("financial statements") of Green Rise as at December 31, 2023. 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 adverse weather and viruses;
- retention and acquisition of skilled personnel;
- negative consumer perception;
- product liability;
- insurance coverage;

- regulatory or agency proceedings, investigations and audits;
- litigation;
- constraints on marketing products;
- fraudulent or illegal activity by the Company’s employees, contractors and consultants;
- information technology systems and cyber-attacks;
- breaches of security and risks related to breaches of applicable privacy laws;
- access to capital;
- estimates or judgments relating to critical accounting policies; and
- extended economic downturn caused by pandemics.

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**

Green Rise was incorporated under the Business Corporations Act (Ontario) on June 9, 2017. On June 15, 2018, Bull Market Farms Inc. (a wholly owned subsidiary of Green Rise) was acquired its first farm with an existing 51-acre producing greenhouse (“GR1”) of fresh produce located in Leamington, Ontario. GR1 has grown beefsteak tomatoes in the past and is currently growing medley and piccolo varieties. The Company also leases 15-acres of its GR1 greenhouse to one-customer, who is currently growing organic peppers. With the Transaction, the Company completed its first greenhouse range acquisition.

The Company has plans to increase its cultivation capacity and product diversification. It continues to execute on this plan and has completed, through Bull Market, the following acquisitions:

- On February 1, 2021, the Company acquired its second range, a 20.5-acre producing greenhouse (“GR2”) located in Kingsville, Ontario. The GR2 farm currently is producing beef steak tomatoes.
- On June 30, 2022, the Company acquired its third range, a 15-acre producing greenhouse (“GR3”) located in Kingsville, Ontario. The GR3 farm is currently producing mini peppers.

The Company aims to be the best in quality and lowest cost grower of greenhouse-grown fresh produce. To achieve this status, the Company’s goals include:

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

These items have helped Green Rise achieve key milestones and weather certain headwinds listed on page 4, 5 & 6 of this MD&A under the heading “Highlights for Fiscal 2023” and “Highlights Subsequent to Fiscal 2023”.

On January 1, 2023, Bull Market, along with its subsidiary 2801511 Ontario Inc. (“280”) were amalgamated into Green Rise. Pursuant to the amalgamation, all of the issued and outstanding shares of Bull Market and 280 were cancelled and the assets, obligations, and liabilities of Bull Market and 280 were assumed by Green Rise. No securities of Green Rise were issued in connection with the amalgamation and the share capital of Green Rise remained unchanged. All three companies are Ontario corporations governed by the Business Corporations Act (Ontario) (“the Act”) and the amalgamation is pursuant to Section 177 of the Act.

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

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

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

The seasonal operations consist of the growing, packaging and sale of produce to one major customer.

### **Highlights for Fiscal 2023**

- Adjusted EBITDA for the twelve-month period ended December 31, 2023, came in at \$2.8 million as compared to \$4.2 million for the comparative period. For the three-month period ended December 31, 2023, Adjusted EBITDA equalled \$(0.7) million vs \$1.2 million for the three-month period ended December 31, 2022. A reconciliation of this non-gap measure to net income on an IFRS basis, is included on page **18** of this MD&A. The prior year amount included \$2.1 million awarded on the 2021 AgriStability program which was received in December 2022.
- The Company generated record fresh produce sales of \$25.6 million as compared to \$22.4 million in the prior year. The impact of operating the GR3 greenhouse on a full year basis vs half a year as GR3 was acquired on June 30, 2022, accounted for \$2.0 million of this growth. Produce revenues decreased slightly for the three-month period ended December 31, 2023, to \$4.0 million as compared to \$4.3 million for the three-month prior year period. The Company is very pleased that all of its varietal selections remained virus free in 2023. However adverse weather and environmental conditions in late Q3 and during Q4 slowed down the Company’s robust record produce revenue growth for the year and for the 4<sup>th</sup> quarter ended December 31, 2023.
- The Company installed a trial LED lighting system covering a small portion of its grow capacity at its GR1 and GR2 greenhouses. The investment allows the Company to evaluate the benefit of having lights. The Company expects this technology will minimize the impact that darker days have on produce yields. The evaluation will continue in 2024 and 2025 before any large investment in LED lights are made.
- The Company entered into a new lease agreement, with Mastron Enterprises Ltd., leasing a 15-acre organic greenhouse located on its GR1 property. The new lease ends on December 31, 2026, and includes 2, two-year option renewals.
- The Company successfully refinanced two of its mortgages on its GR1 greenhouse range. On July 18, 2023, with an effective date of June 30, 2023, the Company refinanced a \$12.8 million mortgage loan. The terms are for three years at a fixed annual rate of interest of 5.75% with monthly blended principal and interest payments of \$106 thousand. On December 27, 2023, the Company refinanced a \$4.1 million mortgage loan. Immediately following the refinancing, the Company entered into a 3-year interest rate swap with an all-in rate of 5.53%. Principal and interest ranging between \$116 to \$122 thousand are payable each quarter on this interest rate swap. The Company’s GR1 property

continues to be held as collateral on these mortgages. With these new mortgages, the Company has been able to keep its consolidated weighted cost of debt to under 5%, despite the rising interest rate environment noted in 2022 and 2023. The weighted average cost of debt on the Company's mortgages is 4.75% per annum as at December 31, 2023 (3.86% as at December 31, 2022). All of the Company's mortgage costs are now fixed for 2024 and 2025 with the next renewal occurring on June 30, 2026.

- The Company made principal repayments on its long-term debt of \$2.4 million (\$2.1 million in 2022). Based on its most recent valuations, it is estimated that the Company has ~\$25 million in unrealized equity (difference between the fair value of its greenhouse ranges vs their recorded costs in the consolidated statement of financial position).
- The Company realized produce yields below expectations and as a result was in breach to comply with its annual fixed charge coverage ratio for the year-ended December 31, 2023, which requires the Company to maintain a fixed charge coverage ratio of 1.1:1. As a result, the Company's mortgages, all held with Royal Bank of Canada, were classified as current as at December 31, 2023, on the Company's statement of financial position. The Company did however obtain subsequently a tolerance letter which allows the Company to remediate its covenant breach by August 1, 2024. Refer to the subsequent event highlights on page 6 of this MD&A.
- The Company's working capital deficit, after adjusting for the impact of long-term mortgages increased from \$4.2 million as at December 31, 2022, to \$6.7 million as at December 31, 2023 (see table below). The Company did take steps to improve its liquidity position subsequent to December 31, 2023. Refer to the subsequent event highlights on page 6 of this MD&A.

	December 31, 2023	December 31, 2022
Working capital deficit	\$48,970	\$22,858
Current portion of mortgages, maturing within 12-months	-	(17,685)
Current portion of mortgages	(2,092)	(988)
Current portion of mortgages, not maturing within 12-months, classified as current	(40,223)	-
Adjusted working capital deficit	\$6,655	\$4,185

- The pursuit by the Company of insurance recoveries, to the extent obtained, will mitigate the financial effects of the crop loss at the GR2 farm that occurred in 2021. Proceedings are anticipated to be held in Q2 and Q3 of 2024 to determine the extent of liability coverage and the quantum of insurance recoveries. However, to date, no insurance recoveries have been received or recorded in the Company's results, nor can such recoveries be assured.
- In April of 2023, the Company was approved to participate in the Farm Property Class Tax Rate Program ("the Farm Tax Program"), starting in 2023. The program allows the Company's farmland to be taxed no more than 25% of the municipality's residential property tax rate. It is administered by AgriCorp, an Ontario Government agency created in 1997. With our acceptance into the program, the Company has saved \$170 thousand in 2023 as a result of this program.
- On January 1, 2023, Bull Market, along with its subsidiary 2801511 Ontario Inc. ("280") were amalgamated into Green Rise. Pursuant to the amalgamation, all of the issued and outstanding shares of Bull Market and 280 were cancelled and the assets, obligations and liabilities of Bull Market and 280 were assumed by Green Rise. The amalgamation has lowered certain administration costs and allowed the Company to participate in certain AgriCorp programs, including the Farm Tax Program noted previously.

### Highlights Subsequent to 2023:

- On March 27, 2024, the Company received advance rents in the amount of \$1,006, from Mastron Enterprises Ltd., its principal customer, who also leases a portion of its GR1 greenhouse. The advance rents cover the periods from April 1, 2024, to March 31, 2025.
- On March 27, 2024, the Company converted \$1,987, from its trade accounts payable to a three-year, interest-bearing promissory note. The Company's principal customer is the counterparty for both the trade accounts payable balance and interest only promissory note. The promissory note bears annual interest at 8.31%, on the principal outstanding balance with interest payable at the end of each month. The promissory note also has two early payment triggers for principal repayment which include (1) proceeds from the AgriStability Program and (2) proceeds from insurance claims.
- On April 5, 2024, the Company received \$619 in proceeds from the 2022 AgriStability Program. The Program is administered by AgriCorp, an Ontario Government agency created in 1997. The grant was received as a result of the Company's farming income in 2022 dropping below 70% of the Company's historical average farming income.
- On April 16, 2024, the Company obtained a tolerance letter, from the Royal Bank of Canada, which allows the Company to remediate its breach of its annual fixed charge coverage ratio ("the ratio"), for the year ended December 31, 2023, by August 1, 2024. The remediation requires the Company to raise an amount of capital that when factored into the ratio, for the year ended December 31, 2023, would allow the Company to comply with the required ratio of 1.1:1. The Company is in the process of raising this additional capital.
- The 2024 crop season is progressing and as at the date of this report, fresh produce is being produced and picked at the Company's GR1, GR2 and GR3 greenhouses. The Company's labor costs are as budgeted, and the Company continues to monitor inflationary pressures on input costs. The Company's management continuously monitors the health of its crops and its forecasted fresh produce yields against actuals. The Company expects to improve its produce yields by maintaining strict operating policies to minimize viruses, waste and maximize labor efficiencies while maintaining strict financial discipline on all costs.

### 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 Dec 31, 2023	Three-months ended Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Revenues				
-Fresh produce revenues	\$4,036	\$4,292	\$25,584	\$22,415
-Rental and other revenues	288	123	886	641
Total revenues	\$4,324	\$4,415	\$26,470	\$23,056
Cost of Goods Sold				
-Production costs <sup>1</sup>	3,366	3,920	16,093	14,667
-Depreciation and amortization	2,068	2,433	8,492	8,105
-SG&A, excluding depreciation	495	720	2,544	2,835
-Net change in unrealized (gain) loss on biological asset	2,400	557	-	-
Loss from operations	\$(4,005)	\$(3,215)	\$(659)	\$(2,551)
-Interest (expense)	(1,189)	(458)	(2,375)	(1,669)
-Other income (expense)	61	2,281	207	2,281
-Income tax (expense) recovery	1,357	(42)	774	171
Net loss	\$(3,776)	\$(1,434)	\$(2,053)	\$(1,768)

1. Production costs include raw materials, labor and repairs and maintenance expenses.

## **Results for the year ended December 31, 2023**

### ***Loss from operations***

#### *Revenue*

The Company generated \$25.6 million in fresh produce revenue as compared to \$22.4 million in the prior year comparative period. Of the \$3.2 million increase in revenues, \$2.0 million related to having the GR3 mini-pepper greenhouse for a full year of production as compared to six-months in the prior year period. The remaining increase was mainly the result of higher production out of the Company's GR2 greenhouse. This was the first year using a rugose resistant variety for the Company's beefsteak production. The Company was pleased that GR2 remained virus free. Adverse weather and environmental conditions noted in late Q3 and throughout Q4 capped the production increases expected for the full year resulting in annual production yields below the Company's expectations.

#### *Production costs*

Production costs came in at \$16.1 million for the current year ended December 31, 2023, as compared to \$14.7 million in the comparative prior year period. A total of \$1.0 million of this increase related to the additional labor attributed to operating the GR3 mini-pepper greenhouse for a full year as compared to six-months in the prior year period. The remaining increase was mainly due to higher natural gas prices which were committed to in October 2022 for 1 year, when prices were higher as compared to 2023.

#### *Depreciation and amortization*

Depreciation costs were \$8.5 million as compared to \$8.1 million in the prior year period. This increase of \$0.4 million was attributed primarily to higher seed purchase costs associated with the beefsteak rugose resistant seeds and to a full year of depreciation on the GR3 mini-pepper building and equipment as the prior year only included depreciation from the acquisition date of June 30, 2022.

#### *SG&A, excluding depreciation*

Selling, general and administrative expenses, excluding depreciation on the 15-acre leased greenhouse at the Company's GR1 facility amounted to \$2.5 million as compared to \$2.8 million for the same period in the prior year. The prior year included one-time legal and land transfer taxes of \$0.4 million, relating to the acquisition of GR2. Higher legal expenses incurred in the current period from the company's litigation of its 2021 GR2 crop loss were offset by the benefit of the Company's first year of participation in the AgriCorp Farm tax program. Non-recurring legal expenses in 2023 and the land transfer and legal expenses incurred on the GR3 acquisition in the prior year have been added back in adjusted earnings. See the reconciliation of earnings to adjusted earnings on page 19 of this MD&A.

#### *Net loss*

#### *Interest expense*

Interest expense increased by \$0.7 million as compared to the prior year. The increase was mainly the result of holding the debt for a full year on the GR3 mini-pepper farm acquisition and the resulting higher interest rate costs resulting from the renewal of the June 30, 2023, mortgage on the GR1 property. In addition, with the slower production yields and shipments in late Q3 and throughout Q4, the Company generated lower cash flows during this period and as a result carried higher balances on its operating lines. Lastly, the Company recorded a \$78 thousand unrealized loss on its interest rate swaps for the year ended December 31, 2023, as compared to a \$11 thousand unrealized gain in the prior year period. The mark to market adjustments on interest rate swaps are recorded under interest expense on the Company's consolidated statement of loss and comprehensive loss.

### *Other income*

In 2022 the Company was awarded a total of \$2.1 million as other income in the statement of loss and comprehensive loss relating to proceeds received on the 2021 AgriStability program. While the Company submitted an application for the 2022 AgriStability program, no amounts were received or recognized in the Company's consolidated statement of loss and comprehensive loss in 2023. Subsequent to December 31, 2023, the Company was awarded \$0.6 million. This amount will be recognized in 2024, the year it was awarded and received. The Program is administered by AgriCorp, an Ontario Government agency created in 1997.

### *Income tax recovery*

The income tax recovery came in at \$0.8 million as compared to a recovery of \$0.2 million in the prior year period. With the amalgamation of Bull Market Farms Inc., into Green Rise Foods, effective January 1, 2023, the Company recognized non-capital losses previously not recognized and reduced its deferred income tax liability to nil.

## **SIGNIFICANT TRANSACTIONS (IN THOUSANDS UNLESS OTHERWISE STATED)**

### **Acquisition of 16-acre greenhouse property:**

On June 30, 2022, the Company, through its wholly owned subsidiary Bull Market Farms Inc. ("Bull Market"), purchased the assets used in a 16-acre greenhouse property ("the property") located in Kingsville, Ontario, for consideration of \$15,051. The purchase price was funded via a first charge mortgage on the property with an aggregate principal amount of \$15,350, with collateral in the amount of \$20,000 secured against the property. The mortgage has an open variable interest rate at prime plus 1.0% per annum. As part of the funding requirements of the mortgage with RBC, the Company postponed the payment of \$483. Subject to RBC's approval, the postponed payment is expected to be paid by July 31, 2024.

The property was acquired from 2073834 Ontario Limited, an entity principally owned and controlled by Mr. Adam Suder, the Chief Growth Officer of the Company. The acquisition was considered a "related party transaction" under Multilateral Instrument 61-101 – Protection of Minority Holders in Special Transactions ("MI 61-101") and, as such, the acquisition was subject to the formal valuation and disinterested shareholder approval requirements of MI 61-101. The Company received formal shareholder approval at its annual general meeting held on June 29, 2022.

The transaction constitutes a business combination under IFRS 3 -Business Combinations. In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired and liabilities assumed, based on their estimated fair values at the date of the acquisition. The Company used a combination of a direct comparison approach and a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the assets acquired. The purchase price allocation is summarized in the following table:

Purchase Price Consideration	(\$000s)
Cash consideration paid	14,517
Purchase price paid by July 31, 2023	51
Remaining consideration payable	483
<b>Total Consideration</b>	<b>15,051</b>
<b>Net Identifiable Assets Acquired</b>	
Receivables	42
Inventory	18
Bearer plants	1,316
Biological assets	743
Property, plant and equipment	13,423
Accounts payable	(491)
<b>Total net assets acquired</b>	<b>15,051</b>



The acquisition adds mini-pepper cultivation grow capacity, under annual fixed contract pricing. In addition to increasing price stability, the acquisition further diversifies the Company's product lines as it can now offer mini peppers in addition to medley, piccolo and beefsteak tomatoes. The increased production also allows the Company to increase its buying power and with that the ability to improve the Company's gross margins.

The Company recorded \$3,663 of revenue and a \$964 net loss in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022, as a result of the acquisition. If the acquisition occurred as of January 1, 2022, revenue for the year ended December 31, 2022, would have been \$5,010 and earnings would have been \$584.

## Seasonality

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

## SUMMARY OF QUARTERLY RESULTS

<i>(\$ thousands)</i>	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022 <sup>1</sup>	June 30, 2022 <sup>1</sup>	March 31, 2022 <sup>1</sup>
Revenues	4,324	10,938	11,050	158	4,415	10,106	8,290	245
Earnings (loss) from operations	(4,005)	812	2,743	(209)	(3,215)	747	669	(752)
Net earnings (loss)	(3,776)	344	1,948	(569)	(1,434)	97	277	(708)
Basic and diluted EPS	(0.08)	0.01	0.04	(0.01)	(0.03)	0.00	0.01	(0.02)
Total assets	54,082	57,352	62,641	61,389	55,781	59,254	63,504	47,906
Total liabilities	52,519	52,029	57,726	58,463	52,326	54,405	59,188	43,717
Equity	1,563	5,323	4,915	2,926	3,455	4,849	4,316	4,189

1. Government assistance revenue previously reported under revenues has been reclassified to other income -government assistant to conform to the current period's presentation.

## Results for the three-month period ended December 31, 2023

### Loss from operations

#### Revenue

The Company generated \$4.3 million in revenue as compared to \$4.4 million in the prior year comparative period. Darker days translated to lower production yields at the Company's GR1 greenhouse. New varieties used at the GR2 and GR3 greenhouses helped offset the adverse weather factor but still came below expectations. The total reduction in produce revenues was \$0.3 million as compared to the prior year quarterly period. The lower produce yields were offset primarily by higher rent revenues of \$0.15 million, driven by the newly signed organic lease, at GR1, effective June 16, 2023. The new lease has basic monthly rent of \$90 thousand as compared to \$47 thousand in the prior lease.

#### Production costs including depreciation and the net change in unrealized (gains) losses on biological assets.

Production costs including depreciation and the change in unrealized losses on biological assets came in at \$7.8 million as compared to \$6.9 million in the prior year comparative period. The fourth quarter started favorably with the abundance of fruit noted on the vines as at September 30, 2023 (\$2.4 million vs \$0.6 million as at September 30, 2022) however darker days slowed produce growth and sales in November and December. This was offset by certain acquisition related adjustments in the prior year comparative period. Labor and packaging costs were also slightly lower in the current quarter reflecting the lower production yields, as compared to the prior year quarter ended.

### *SG&A, excluding depreciation*

Selling, general and administrative expenses, excluding depreciation on the 15-acre leased greenhouse at the Company's GR1 facility, amounted to \$0.5 million as compared to \$0.7 million for the same period in the prior year. Additional SG&A expenses relating to legal fees relating to the amalgamation and accounting entries to expense the GR3 acquisition legal fees, were the main factors driving SG&A higher in the prior year comparative period.

### **Net loss**

#### *Interest expense*

Interest expense increased by \$0.7 million as compared to the prior year. The increase was mainly the result of the change in the mark to market adjustment on the interest rate swaps. As at September 30, 2023, the swap in place at GR3 had an unrealized gain of \$523 thousand (Unrealized loss of \$76 thousand as at September 30, 2022). As at December 31, 2023, the swaps in place at GR1 and GR3 had an unrealized loss of \$78 thousand (unrealized gain of \$11 thousand as at December 31, 2022).

#### *Other income*

In the prior year three-month comparative period ended December 31, 2022, the Company received proceeds of \$2.1 million on its 2021 AgriStability submission. The program is administered by AgriCorp, an Ontario Government agency created in 1997, and provides support to farmers when their operating margins fall below 70% of a historical average. Grants such as these are recorded for accounting income purposes when they are received.

#### *Income tax recovery*

An income tax recovery of \$1.4 million as compared to an expense of \$42 thousand was noted for the three month-ended comparisons of December 31, 2023, and 2022. With the amalgamation of Bull Market Farms Inc., into Green Rise Foods, effective January 1, 2023, the Company recognized non-capital losses previously not recognized and reduced its deferred income tax liability to nil.

### **SELECT ANNUAL INFORMATION:**

<i>(\$ thousands)</i>	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total revenues	26,470	23,056	17,711
Loss from operations	(659)	(2,551)	(3,065)
Net loss	(2,053)	(1,768)	(3,415)
Total assets	54,082	55,781	45,248
Total long-term liabilities	118	26,505	30,615
Basic and diluted loss per share	(0.04)	(0.04)	(0.08)
Weighted average number of common shares outstanding			
Basic	46,425,824	45,718,565	45,056,648
Diluted	46,425,824	45,718,565	45,056,648

### **Revenues**

Revenues increased by \$3.4 million and \$5.4 million respectively over the last two fiscal years. The increases were mainly driven by the acquisitions of the GR2 and GR3 greenhouses, in 2021 and 2022 respectively. Other factors impacting revenues are weather and environmental conditions and the pricing the Company receives on the produce it grows and the lease payments the Company receives on its lease of a portion (15-acres) of its GR1 greenhouses.

## **Loss from operations and net loss**

Loss from operations and net loss 2023, 2022 and 2021

The operational loss noted for the year ended December 31, 2023, was the result of adverse weather and environmental conditions, impacting production yields adversely. The Company's growers, senior leadership and external consultant completed a complete review of all operational processes during the fourth quarter of 2023 to help mitigate and better manage yields and environmental factors. Several recommendations and changes were made and have been implemented for the 2024 crop season. In addition, 2024 will be the second year of planting the rugose resistant beefsteak seed and the third year of the proprietary piccolo seed. Having multiple years of experience in dealing with specific varieties provides a benefit to crop management practices and maximizing produce yields.

The Company has also taken steps to fix interest rate costs in the near term. Interest rates on all mortgages are fixed throughout 2024, 2025 and up to June 30, 2026, at a weighted average rate of 4.75%.

In 2022 rugose was the main factor impacting the Company's operating margins. This factor was addressed in 2023 via a rugose resistant seed. While the Company's farms remained virus free its beefsteak yields did fall below expectations. Adjustments to operational processes to minimize waste are expected to add significant yields to its beefsteak shipments in 2024.

The operational losses noted for the year ended December 31, 2021, was primarily attributed (1) the GR2 crop loss; (2) Lower beef steak pricing and yields at the Company's GR1 facility and (3) The increased labor costs associated with the Government mandated COVID protocols. The GR2 crop loss was a once in a century loss and the Company continues to seek insurance recoveries, through litigation. In addition, the Company's GR1 produce selection is now entirely based on fixed contract pricing which has effectively eliminated the price volatility from open market prices.

## **Assets and long-term liabilities**

The increase in assets and long-term liabilities noted for the year-ended December 31, 2023, 2022, and 2021 were primarily the result of the GR3 and GR2 acquisitions which occurred on June 30, 2022, and February 1, 2021. The reduction in long-term liabilities noted for the year ended December 31, 2023, is the result of all long-term debt held with the Royal Bank of Canada being classified as current as a result of the Company not meeting its fixed charge coverage ratio of 1.1:1 for the year ended December 31, 2023. Also, see the discussion on page 6 and 16 relating to measures which are anticipated to address this situation.

## **Basic and diluted earnings (loss) per common share**

This is a function of net loss and the weighted average number of common shares outstanding. The slight uptick in common shares is the result of the exercise of stock options that occurred in both 2022 and 2023.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition Review

<i>(\$ thousands)</i>	<b>December 31, 2023</b>	December 31, 2022
Cash	-	-
Working Capital (Deficit) <sup>1</sup>	(48,970)	(22,858)
Total Assets	54,082	55,781
Total Liabilities	52,519	52,326
Net Equity	1,563	3,455

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

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company is exposed to risks related to seasonality as there is limited revenue from January through to mid April. If the current resources and cash generated from operations is insufficient to satisfy its obligations, the Company can draw on its credit facility.

As at the date of this MD&A, the Company had successfully planted its 2024 crops. The picking and packing of fresh produce has started and all three greenhouses and the Company's crops are healthy.

As at December 31, 2023, the Company's operating line was \$7,300 of which \$3,755 had been drawn leaving an undrawn balance of \$3,545 (\$6,600 of which \$438 was drawn and \$6,162 was undrawn as at December 31, 2022). To ensure cash resources are sufficient prior to the generation of meaningful cash flows from the 2024 harvest, the following items were executed/realized:

- On April 5, 2024, the Company received \$619 in proceeds from the 2022 AgriStability Program. The Program is administered by AgriCorp, an Ontario Government agency created in 1997. The grant was received as a result of the Company's farming income in 2022 dropping below 70% of the Company's historical average farming income.
- On March 27, 2024, the Company received advance rents in the amount of \$1,006, from Mastron Enterprises Ltd., its principal customer, who also leases a portion of its GR1 greenhouse. The advance rents cover the periods from April 1, 2024, to March 31, 2025.
- On March 27, 2024, the Company converted \$1,987, from its trade accounts payable to a three-year, interest-bearing promissory note. The Company's principal customer is the counterparty for both the trade accounts payable balance and interest only promissory note. The promissory note bears annual interest at 8.31%, on the principal outstanding balance with interest payable at the end of each month. The promissory note also has two early payment triggers for principal repayment which include (1) proceeds from the AgriStability Program and (2) proceeds from insurance claims.
- On July 18, 2023, a new revolver facility with a maximum drawing amount of \$0.8 million was established with an annual interest of prime plus 1% on drawn balances. The purpose of this revolver facility is primarily to fund capital expenditures and requires approval from RBC before an amount can be drawn. The total drawn balance as at December 31, 2023, was \$466.

With these measures in addition to the measures anticipated to address this situation as discussed on page 6 & 16, along with the Company achieving production yields that are aligned with historical averages, under normal operating conditions, the Company is anticipated to have sufficient cash flow to carry out operations throughout 2024.

The Company had a working capital deficit of \$48,970 as at December 31, 2023 (\$22,858 deficit as at December 31, 2022). The Company was in breach to comply with its annual fixed charge coverage covenant ratio, for the year ended December 31, 2023. This covenant requires the Company to maintain a ratio of 1.1:1 and as a result the Company's entire mortgage balance, including \$40,223 which would normally be classified as long-term, has been classified as current on the Company's statement of financial position. However, the Company has obtained subsequently a tolerance letter which allows the Company to remediate this covenant breach by August 1, 2024. The remediation requires the Company to raise an amount of capital that when factored into the ratio, for the year ended December 31, 2023, would allow the Company to comply with the required ratio of 1.1:1. The Company is in the process of raising this additional capital.

The Company also completed a detailed review of its operational processes in November 2023 with its growers, executive leadership, and crop consultant. Several recommendations were made and have been implemented to address controllable processes that impact the greenhouse environment and ultimately production yields and waste. The Company will also be implementing piece rate programs to continue to improve labor efficiencies and if necessary, will raise additional capital through debt. The Company currently anticipates that these measures will improve operational results and that along with the measures described on page 6 and 16 of this MD&A will provide sufficient cash flow to meet its obligations in 2024.

Total Assets decreased by \$1.7 million. The decrease was in line with the amortization taken on the Company's property, plant and equipment which was offset by property, plant and equipment additions during the year and the timing of receipt of certain consumables for the 2024 crop (recorded as inventory).

Total Liabilities remained relatively flat and increased by \$0.2 million as compared to the amount reported as at December 31, 2022. The overall decrease in mortgage debt of ~\$2.3 million, as a result of scheduled principal repayments, coupled with a reduction of \$0.5 million in trade payables and accrued liabilities and the elimination of the deferred tax liability were offset by the increase in the operating line balance.

Equity decreased as a result of the net loss of \$2.1 million recorded during the current year period. This was offset by stock options exercised during the year and stock-based compensation which increased contributed surplus.

## **CAPITAL MANAGEMENT**

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which at December 31, 2023, totaled \$1,563 (2022 \$3,455).

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.

The Company manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company's management holds strict financial metrics when evaluating returns on greenhouses and in deciding the composition (debt vs equity) in funding deals or addressing any shortfalls in capital. The Company continued to pay down its mortgage debt (Paid \$2.4 million in 2023 (2022: \$2.2 million)) and utilizes its equity position in its real properties to refinance and fund deals. The Company also assesses government programs such as AgriStability, to help address any years where gross margins fall below the Company's 5-year historic gross margin average.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2023 the payments due by period are set out in the following table:

<i>(\$000s)</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Operating line	4,221	4,221	-	-
Trade, tax and other payables	5,279	5,279	-	-
Payable to 2073834 Ontario Ltd.	453	453	-	-
Lease obligations	251	133	118	-
Mortgage loans	42,315	42,315	-	-
<b>Total</b>	<b>52,519</b>	<b>52,401</b>	<b>118</b>	<b>-</b>

## COMMITMENTS

The Company has entered into an agreement with its principal customer for a 10-year period to supply fresh produce from its GR1 facility. The pricing for this is set annually and is fixed. The Company has also entered into an agreement with this same customer at its GR3 facility which is renewed annually.

As at December 31, 2023, the Company had \$0.9 million relating to purchase commitments. These commitments relate to input costs for the 2024 crop season and commitments to acquire gas through to February 2024.

## OFF BALANCE SHEET ARRANGEMENTS

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

## TRANSACTIONS BETWEEN RELATED PARTIES AND KEY MANAGEMENT COMPENSATION (In thousands unless otherwise stated)

Key management personnel are those persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors. For the year ended December 31, 2023, the Company paid \$577 in management salaries (2022: \$477), \$nil in management bonuses (2022: \$nil) and had \$78 in stock-based compensation (2022: \$86). The Company also incurred \$2 in professional fees to one of its directors (\$10 in 2022). The transactions were at fair value and related to legal services in both 2023 and 2022 and paid to the same director. As at December 31, 2023, the Company also held a non-interest-bearing note receivable for \$82 (2022: \$82) from one of its officers and in 2022 the Company held a non-interest note payable to another one of its officers, with the note payable paid in full in 2023. The note receivable is expected to be settled with the payment of the note payable due to 2073834 Ontario Ltd. This is expected to occur in Q2 of Fiscal 2025.

On June 30, 2022, the Company acquired its third greenhouse range from 2073834 Ontario Ltd., ("207") a company principally controlled by Adam Suder the Company's Chief Growth Officer. Total consideration for this acquisition was \$15,051. Of this amount \$14,634 has been paid in cash and \$417 is expected to be paid by July 31, 2025. In addition, a total of \$36 in finance related costs are also expected to be paid to 207 in Q2 of Fiscal 2025. The amounts due to 207 have been included as a note payable in current liabilities in the Consolidated Statement of Financial Position. The Company must obtain the Royal Bank of Canada's approval for the payment of this liability and this approval is not expected to take place until May 2025.

## RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. These risks have been identified in the December 31, 2023, consolidated financial statements and on page 2, 3 and 16 of this MD&A. 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.

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 a future epidemic, pandemic or contagious disease occurs, it may significantly impact the results and operations of the Company and will depend on further developments, which are highly uncertain and cannot be predicted.

## CRITICAL ACCOUNTING JUDGMENT AND ESTIMATION UNCERTAINTIES

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

- Estimated useful life of property, plant and equipment

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

- Leases:

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

- Estimated fair value of biological assets

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 2023 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.

- Bearer plants

The classification of bearer assets is a significant judgment. Expenditures for bearer plants are recorded in investing activities on the statement of cash flows. Bearer plants 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 incurred a net loss of \$2,053 during the year ended December 31, 2023 (2022 net loss of \$1,768) and had a working capital deficit of \$48,970 on December 31, 2023 (2022 working capital deficit of \$22,858). The Company's ability to continue as a going concern is dependent on its ability to generate sufficient cash flows from its operations to meet its obligations as they come due, to remediate its breach of the fixed charge coverage ratio as described below and to have adequate cash resources at the end of the year to fund the investment required to set-up the following year's bearer plants.

Actions executed and events occurring subsequent to year-end (note 18) to improve immediate cash flows of the Company include the advancement of prepaid rent, the conversion of \$1,987 in payables into a 3-year promissory note and the receipt of \$619 on the 2022 AgriStability grant. The Company also depends on certain levels of sunlight to help achieve its targeted annual production yields. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations that are in line with its annual plan.

The Company was in breach to comply with its annual fixed charge coverage covenant ratio, for the year ended December 31, 2023. This covenant requires the Company to maintain a ratio of 1.1:1, however the Company has obtained subsequently a tolerance letter (note 18) which allows the Company to remediate this covenant breach by August 1, 2024. The remediation requires the Company to raise \$3,022, which is the amount of capital that when factored into the ratio, for the year-ended December 31, 2023, would allow the Company to comply with the required ratio of 1.1:1. The Company is in the process of raising this additional capital. While the Company has been successful in the past in raising capital, there is no assurance that it will be successful in closing further financings in the future or obtaining waivers of covenant breaches if required in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### **New and amended accounting pronouncements**

The Company has adopted the following revised IFRS amendments, effective January 1, 2023. These changes were made in accordance with the applicable transitional provisions and had no impact on the financial statements of the Company.

#### **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. The application of the amendment did not have an impact on the Company.

#### **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 application of the amendment did not have an impact on the Company.

### **New accounting standards issued but not yet effective**

#### **IAS 1 – Presentation of Financial Statements**

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

The amendments are effective for annual periods beginning no earlier than January 1, 2024, and are to be applied retrospectively. The extent of the impact of adoption of this standard is currently under evaluation.

### **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, 46,505,732 total shares and 1,416,670 stock options were outstanding.

### **APPROVAL**

The Board of Directors of the Company approved the disclosure in this MD&A on April 16, 2024.

## NON-IFRS MEASURES

The Company has presented certain non-IFRS financial measures and non-IFRS ratios in this document. The Company believes these measures and ratios, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

### EBITDA and Adjusted EBITDA

The Company utilizes EBITDA and adjusted EBITDA to measure its financial performance. Earnings before interest, taxes, depreciation, and amortization (EBITDA) and Adjusted EBITDA are a non-IFRS financial measure and non-IFRS ratios, respectively, and are common financial performance measures in the agricultural industry; however, they have no standard meaning under IFRS. EBITDA represents earnings before interest, income taxes, depreciation, and amortization. EBITDA is then adjusted to include or exclude specific items that are relevant or irrelevant to the Company's annual cash flow generation such as: (1) bearer plant amortization and unfunded CAPEX; (2) non-cash items such as stock-based compensation and the net change in unrealized (gain) loss on biological assets and (3) non-reoccurring items such as the impairment of bearer plants, certain one-time legal or acquisition related expenses and purchase price adjustments on acquisitions. The objective of Adjusted EBITDA is to present the annual cash flows generated by the Company before interest and principal repayments on its debt obligations.

(\$ thousands)	Three-months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net loss	<b>\$(3,776)</b>	\$(1,434)	<b>\$(2,053)</b>	\$(1,768)
Additions (Deductions)				
Depreciation	<b>2,068</b>	2,433	<b>8,492</b>	8,105
Interest expense	<b>1,189</b>	458	<b>2,375</b>	1,669
Deferred income tax expense (recovery)	<b>(1,357)</b>	42	<b>(774)</b>	(171)
<b>EBITDA</b>	<b>\$(1,876)</b>	\$1,499	<b>\$8,040</b>	\$7,835
Additions (Deductions)				
Bearer plant amortization	<b>(1,342)</b>	(1,730)	<b>(5,611)</b>	(5,519)
Unfunded CAPEX	<b>87</b>	(84)	<b>(68)</b>	(249)
Stock based compensation	<b>16</b>	40	<b>133</b>	127
Land transfer taxes, non-reoccurring legal expenses & other non-cash adjustment	<b>11</b>	(87)	<b>264</b>	350
Purchase price accounting adjustments on non-PP&E	-	985	-	1,628
Net change in unrealized (gain) loss on biological assets	<b>2,400</b>	557	-	-
<b>Adjusted EBITDA</b>	<b>\$(704)</b>	\$1,180	<b>\$2,758</b>	\$4,172

### Adjusted Earnings (Loss)

The Company utilizes adjusted earnings (defined as net earnings adjusted for (1) non-recurring expenses such as impairment on bearer plants and purchase price adjustments allocated to assets other than property, plant and equipment and (2) unrealized (gains) and losses in biological assets and mark to market adjustments in the interest rate swap. 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:

(\$ thousands)	Three-months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net loss	<b>\$(3,776)</b>	\$(1,434)	<b>\$(2,053)</b>	\$(1,768)
Additions (Deductions)				
Purchase price accounting adjustments	-	985	-	1,628
Land transfer taxes and non-reoccurring legals expenses	<b>11</b>	-	<b>264</b>	361
Mark to market adjustment on interest rate swap	<b>601</b>	(87)	<b>78</b>	(11)
Net change in unrealized (gain) loss on biological assets	<b>2,400</b>	557	-	-
<b>Adjusted earnings (loss)</b>	<b>\$(764)</b>	\$21	<b>\$(1,711)</b>	\$210

### Selected Adjusted Production Cost Ratios to Produce Sales:

The Company utilizes labor and adjusted production costs as a percentage of produce sales to measure its financial performance. Adjusted production costs are not recognized measures under IFRS; however, management believes that adjusted production costs as a ratio to produce sales is a useful supplemental measure to provide readers with an indication of margins as compared to reoccurring costs in prior periods. The Company calculates adjusted production costs and the ratio of adjusted production costs to produce sales as follows:

(In 000s)	Three-months ended December 31, 2023	Three-months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Production costs	\$3,365	\$3,920	\$16,093	\$14,667
Deduct Purchase price adjustments impacting production costs	-	(985)	-	(1,628)
Adjusted production costs	\$3,365	\$2,935	16,093	13,039
Produce sales	\$4,036	\$4,292	\$25,584	22,415
Adjusted production costs as % of produce sales	83.4%	68.4%	62.9%	58.2%
Production labor	1,844	1,575	8,276	6,924
Production labor as a % of Adjusted produce sales	45.7%	36.7%	32.3%	30.9%