Consolidated Financial Statements of

GREEN RISE FOODS INC.

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

(Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements, the notes thereto, and other information in the Management's Discussion and Analysis of Green Rise Foods Inc., ("Green Rise") as of and for the years ended December 31, 2023, and 2022 are the responsibility of management and have been approved by the Board of Directors.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Green Rise Foods Inc.

Opinion

We have audited the consolidated financial statements of Green Rise Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,053 thousand during the year ended December 31, 2023 and, as of that date, the Company has a working capital deficiency of $48,970 thousand. In addition, as at December 31, 2023, the Company was not in compliance with its debt covenants, as outlined in Note 1 of the financial statements. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 16, 2024
Toronto, Ontario

Green Rise Foods Inc.
Consolidated Statements of Financial Position
(Amounts are in thousands of Canadian Dollars)

	December 31, 2023	December 31, 2022
Assets		
Current Assets:		
Cash	**$ -**	$ -
Trade and other receivables	**543**	421
Inventory	**990**	491
Bearer plants (note 5)	**1,731**	1,691
Prepaid expenses and deposits	**167**	360
	3,431	2,963
Non-current assets		
Due from related party (note 12)	**82**	-
Property, plant, and equipment (note 6)	**50,569**	52,818
Total assets	**$ 54,082**	$ 55,781
Liabilities		
Current liabilities:		
Operating line (note 8)	**$ 4,221**	$ 438
Trade payables	**5,279**	5,758
Payable to 2073834 Ontario Ltd. (note 12)	**453**	453
Current portion of lease obligation (note 7)	**133**	208
Long-term debt (note 8)	**42,315**	18,964
	52,401	25,821
Non-current liabilities:		
Lease obligation (note 7)	**118**	89
Long-term debt (note 8)	**-**	25,620
Deferred income tax liabilities (note 9)	**-**	796
Total Liabilities	**52,519**	52,326
Shareholder’s Equity		
Share capital (note 10)	**4,693**	4,641
Contributed surplus (note 11)	**1,821**	1,712
Deficit	**(4,951)**	(2,898)
Total shareholder’s equity	**1,563**	3,455
Total Liabilities and Equity	**$ 54,082**	$ 55,781

Approved by the Board of Directors

(Signed) “Enrico (Rick) Paolone”
Director

(Signed) “Jerry Mancini”
Director

Going concern Note 1

Commitments Note 17

Subsequent events Note 18

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

Green Rise Foods Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Amounts are in thousands of Canadian Dollars, except per share amounts)

		For the year ended December 31, 2023		For the year ended December 31, 2022
Revenue (note 13)	$	**26,470**	$	23,056
Cost of sales (note 14)		**(24,211)**		(22,398)
Gross profit		**2,259**		658
Selling, general and administrative expenses (note 14)		**(2,918)**		(3,209)
Loss from operations		**(659)**		(2,551)
Interest expense		**(2,375)**		(1,669)
Other income -government assistance (note 15)		**207**		2,281
Loss before income taxes		**(2,827)**		(1,939)
Income tax recovery (note 9)		**774**		171
Net loss and comprehensive loss for the year		**(2,053)**		(1,768)
Basic and diluted loss per share	$	**(0.04)**	$	(0.04)
Weighted average number of common shares outstanding				
Basic		**46,425,824**		45,718,565
Diluted		**46,425,824**		45,718,565

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

Green Rise Foods Inc.
Consolidated Statements of Changes in Equity
(Amounts are in thousands of Canadian Dollars, except per share amounts)

(thousands except share amounts)	Number of shares	Share-Capital ($)	Contributed Surplus ($)	(Deficit) ($)	Total Equity ($)
Balance, December 31, 2022	**46,389,066**	**$ 4,641**	**$ 1,712**	**$ (2,898)**	**$ 3,455**
Stock options exercised (note 11)	116,666	52	(24)	-	28
Stock based compensation (note 11)	-	-	133	-	133
Comprehensive loss for the year	-	-	-	(2,053)	(2,053)
Balance, December 31, 2023	**46,505,732**	**$ 4,693**	**$ 1,821**	**$ (4,951)**	**$ 1,563**

	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 options exercised (note 11)	1,033,332	429	(199)	-	230
Stock based compensation (note 11)	-	-	127	-	127
Comprehensive loss for the year	-	-	-	(1,768)	(1,768)
Balance, December 31, 2022	46,389,066	$ 4,641	$ 1,712	$ (2,898)	$ 3,455

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

Green Rise Foods Inc.
Consolidated Statements of Cash Flows
(Amounts are in thousands of Canadian Dollars)

	December 31, 2023	December 31, 2022
Cash provided by (used in):		
Operating activities:		
Net loss for the year	$ (2,053)	$ (1,768)
Adjustments for:		
Depreciation of property, plant and equipment and bearer plants	8,492	8,105
Amortization of deferred financing fees	19	18
Mark to market adjustment on interest rate swap (note 8)	89	(11)
Stock based compensation (note 11)	133	127
Income tax recovery (note 9)	(796)	(171)
Net changes in non-cash working capital		
Trade receivable	(204)	632
Inventory	(656)	329
Biological assets (note 4)	-	743
Prepaid expenses	193	(67)
Trade payable	(479)	581
Net cash inflow from operating activities	4,738	8,518
Investing activities:		
Costs incurred on bearer plants (note 5)	(5,494)	(4,483)
Cash paid in business combination (note 4)	-	(14,517)
Acquisition of property, plant and equipment (note 6)	(527)	(249)
Net cash outflow from investing activities	(6,021)	(19,249)
Financing activities:		
Proceeds from long-term loan with Bank (note 8)	-	15,350
Repayment of long-term debts with Bank (note 8)	(2,377)	(2,150)
Draws (repayment) on operating line (note 8)	3,783	(2,476)
Advance to 2073834 Ont Ltd (note 4)	-	(82)
Proceeds from stock options exercised (note 11)	28	230
Payment of lease obligations (note 7)	(151)	(141)
Net cash inflow from financing activities	1,283	10,731
Change in cash during the year	-	-
Cash - Beginning of year	-	-
Cash - End of year	$ -	$ -

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

1. **Nature of operations and Going concern**

Green Rise Foods Inc. ("Green Rise" or "the Company") is a grower of fresh produce using controlled environment agriculture technologies. The Company has 89 acres of greenhouse ranges ("ranges") including 51-acres of ranges ("Green Rise 1" or "GR1") located in Leamington, Ontario, and 22-acres and 16-acres of ranges ("Green Rise 2" or "GR2" and "Green Rise 3" or "GR3") located in Kingsville, Ontario. The total growing capacity of the Company's ranges, factoring in walkways and machinery and equipment is 86.5 acres, of which 15 acres of its GR1 ranges is leased to the Company's one major customer. The Company began its operations in 2018 by acquiring its GR1 ranges, via its wholly owned subsidiary Bull Market Farms Inc.

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.

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

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

The seasonal operation consists of the growing, packaging and the sale of produce to primarily one major customer.

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.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its net assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

2. Basis of preparation

Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 16, 2024.

Basis of Consolidation

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

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

Basis of Measurement

The consolidated financial statements have been prepared on an historical cost basis, except for biological assets, which are measured at fair value less costs to sell, inventory which is measured at the lower of cost and net realizable value and the interest-rate swap contract which is measured at fair value.

Statement of Financial Position items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

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

3. Material Accounting Policy Information

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in note 3 in certain instances."

Cash

Cash consists of cash deposits held with banks. Cash balances are reported net against operating line balances providing the accounts are held with the same bank. Operating lines are paid down automatically overnight from cash deposits held in order to minimize interest expense.

Inventories

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

Inventories also include harvested agricultural produce that is held for resale, valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested tomatoes are transferred from biological assets into inventory at fair value less costs to sell upon harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Cost of sales consists of direct costs attributable to sales including raw materials, consumables, labour and costs transferred from biological assets at harvest. As at December 31, 2023, there was no harvested agricultural produce inventory on hand (December 31, 2022 –$NIL).

Biological assets

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

The Company remeasures biological assets to fair value less costs to sell at each reporting period up to the point harvest, which becomes the basis for the cost of inventory after that. Gains or losses arising from changes in fair value less cost to sell are included in cost of sales on the statement of loss and comprehensive loss and presented as "unrealized gain on changes in fair value of biological assets" in note 14. When inventory is sold, the fair value adjustment to biological assets included in inventory upon harvest is included in cost of sales on the statement of loss and comprehensive loss and presented as "realized fair value amounts included in inventory sold" in note 14.

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 loss and comprehensive loss.

Depreciation

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

Residual values and useful lives are reviewed annually.

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

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

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 loss and comprehensive loss during the reporting period.

Provisions

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

Revenue

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

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

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

Leases

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

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

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

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

Financial instruments

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

Financial assets and liabilities	Classification	Measurement
Cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Operating line	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Lease obligations	Amortized cost	Amortized cost
Payable to 2073834 Ontario Ltd.	Amortized cost	Amortized cost
Interest rate swap	Fair value through profit or loss	Fair value
Long- term debt	Amortized cost	Amortized cost

Financial assets

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

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 FVTPL. 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.

Interest Rate Swap

The fair value of interest rate swaps has been determined using a discounted cash flow model. The interest rate swap held with the Royal Bank of Canada is measured at FVTPL. The mark to market adjustment is recorded in interest expense on the statement of loss and comprehensive loss.

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 loss and comprehensive loss because it may exclude items of income or expense that are taxable or deductible in other years and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted as at the reporting date.

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

Deferred income tax 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.

Loss per share

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

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

Share based compensation

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

Related party transactions

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

Share issuance costs

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

Deferred financing fees

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

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 on the statement of loss and comprehensive loss. Government assistance based on a prior period result is recognized in other income on the statement of loss and comprehensive loss.

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:

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

JUDGMENTS:

Bearer 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.

New and amended accounting policies

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.

4. Business Combinations

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
Total Consideration	15,051

Net Identifiable Assets Acquired	
Receivables	42
Inventory	18
Bearer plants	1,316
Biological assets	743
Property, plant and equipment	13,423
Accounts payable	(491)
Total net assets acquired	15,051

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.

5. Bearer plants & Biological assets

Bearer pants

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

($000s)	December 31, 2023	December 31, 2022
Bearer plants – beginning of the year	**1,691**	1,411
Additions acquired through acquisitions (note 4)	**-**	1,316
Additions reclassified from inventory	**157**	-
Additions acquired	**5,494**	4,483
Depreciation of bearer plants	**(5,611)**	(5,519)
Bearer plants – end of the year	**1,731**	1,691

Bearer plant costs of $1,731 as of December 31, 2023 ($1,691 as at December 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, 2023, pertaining to the 2024 crop.

Biological assets

The Company did not have any biological assets as of December 31, 2023 (December 31, 2022 -$NIL) however it did have biological assets throughout the year, consisting of unharvested tomato and mini-pepper produce growing on the vines. All tomatoes and mini-peppers were harvested as agricultural produce and sold during the year. The growing cycle for each harvest is approximately six weeks for tomatoes and five weeks for mini-peppers.

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

($000s)	**December 31, 2023**	December 31, 2022
Biological assets – beginning of the year	**-**	-
Biological asset acquired through acquisitions (note 4)	**-**	743
Unrealized gains due to biological asset transformation	**22,015**	18,364
Fair value of harvested biological asset	**(22,015)**	(19,107)
Biological assets – end of the year	**-**	-

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

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

6. Property, plant and equipment:

($000s)	**Land**	**Greenhouse**	**Buildings**	**Machinery & equipment**	**Vehicle**	**Right-of-use assets**	**Total**
Cost:							
Balance – December 31, 2022	6,470	44,332	2,806	6,950	45	608	**61,211**
Additions	-	6	27	494	-	105	**632**
Balance – December 31, 2023	6,470	44,338	2,833	7,444	45	713	**61,843**
Accumulated depreciation:							
Balance – December 31, 2022	-	5,835	247	1,926	7	378	**8,393**
Additions	-	1,900	113	711	5	152	**2,881**
Balance – December, 2023	-	7,735	360	2,637	12	530	**11,274**
Net book value							
Balance – December 31, 2023	6,470	36,603	2,473	4,807	33	183	**50,569**

($000s)	Land	Greenhouse	Buildings	Machinery & 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 vis acquisitions (note 4)	1,867	9,636	545	1,375	-	-	13,423
Additions	-	-	13	215	21	-	249
Balance – December 31, 2022	6,470	44,332	2,806	6,950	45	608	61,211
Accumulated depreciation:							
Balance – December 31, 2021	-	4,129	147	1,305	2	225	5,808
Additions	-	1,706	100	621	5	153	2,585
Balance – December, 2022	-	5,835	247	1,926	7	378	8,393
Net book value							
Balance – December 31, 2022	6,470	38,497	2,559	5,024	38	230	52,818

7. Lease obligations

Continuity schedule:

($000s)	**December 31, 2023**	December 31, 2022
Lease obligations – beginning of the year	**297**	438
Additions during the year	**105**	-
Lease payments, excluding interest	**(151)**	(141)
Less: Current portion	**(133)**	(208)
Long term lease obligations – end of the year	**118**	89

Balance sheet summary:

($000s)	**December 31, 2023**	December 31, 2022
Current lease obligations -end of year	**133**	208
Long term lease obligations -end of year	**118**	89
Total lease obligations – end of the year	**251**	297

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

During 2023, the Company leased a truck for its GR1 greenhouse range with a value of $35 with an effective interest rate of 5.5% with blended biweekly payments of $0.5 plus applicable taxes for 36 months ending in August 2026.

During 2021, the Company, through its acquisition of GR2 acquired the use of an equipment labeler with a value of $230 with an effective interest rate of 5.5% with annual payments of $38 plus applicable taxes with 12 months remaining on its 36-month term ending December 31, 2023. In 2023, the Company exercised its right to extend the lease for the use of the equipment labeler for an additional two years, with a value of $70 with an effective interest rate of 7.95% with annual payments of $38 plus applicable taxes.

8. Long-term debt

Continuity schedule:

($000s)	**December 31, 2023**	December 31, 2022
Loans and mortgages, gross of deferred financing fees -beginning of the year	**44,584**	31,377
Arising during the period (note 3)	**-**	15,350
Unamortized deferred financing fees reclassified to current	**-**	18
Amortization of deferred financing fees in current	**19**	-
Repayments during the period	**(2,377)**	(2,150)
Mark to market valuation loss (gain) on interest rate swap	**89**	(11)
Less: Current portion	**(42,315)**	(18,964)
Long-term portion	-	25,620

Balance sheet summary:

($000s)	**December 31, 2023**	December 31, 2022
Current portion of long-term debt -end of period	**42,315**	18,964
Long term portion of long-term debt -end of period	**-**	25,620
Total long-term debt obligation – end of the period	**42,315**	44,584

On December 27, 2023, the Company refinanced a mortgage on its GR1 property ("the open mortgage"), with a principal balance of $4,113, with the Royal Bank of Canada ("RBC"). Immediately following the approval, the Company entered into an interest rate swap agreement with RBC for the same notional amount of $4,113 and term of 3-years at an all-in-interest rate fixed at 3.98% for three years and the credit spread is currently fixed at 1.55%. The credit spread is set annually by RBC. The next annual review of the credit spread is in Q2 of 2024.

Effectively the Company swapped the interest rate and repayment obligations of the open mortgage with the interest and repayment obligations of the interest rate swap. The interest rate is paid quarterly and has the same principal repayments amounts as the open mortgage. The interest rate swap is measured at fair value which resulted in an unrealized loss of $50 for the period ended December 31, 2023. The loss has been recorded in the statement of loss and comprehensive loss as an increase to interest expense. The interest rate swap quarterly blended payments including interest and principal range from $116 to $123 over the 3-year term.

The open mortgage replaced a prior mortgage, which was entered into on December 31, 2020, for a 3-year term at a fixed rate of 1.95% and was also held with RBC and had interest and principal monthly payments of $32.

On July 18, 2023, with an effective date of June 30, 2023, the Company refinanced another mortgage on its GR1 property, with a principal balance of $12,773, with RBC. The new mortgage has a term of 3-years, bears interest at a rate of 5.75% per annum and has monthly payments of $106 representing blended interest and principal.

The new mortgage replaced a prior mortgage, which was entered into on June 30, 2018, for a 5-year term at a fixed rate of 3.99% and was also held with RBC and had interest and principal monthly payments of $129.

On June 30, 2022, the Company entered into a first mortgage with RBC in the amount of $15,350. The mortgage has an open variable interest rate at the prime interest rate plus 1.0% per annum. Proceeds from this mortgage were used entirely to fund the GR3 acquisition (refer to note 4) and resulting closing transaction costs and taxes. On July 20, 2022, and in order to manage the volatility of interest rates, the Company entered into an interest rate swap agreement, with RBC for a notional amount of $15,350 and term of 5-years at an all-in interest rate fixed at 3.84% for five years and the credit spread currently fixed at 1.25%. The credit spread is set annually by RBC. The next annual review of the Company's credit spread will be finalized in Q2 of fiscal 2024. Effectively the Company swapped the interest rate and repayment obligations on the open mortgage with the interest and repayment obligations of the interest rate swap. The interest rate swap is paid out quarterly and has the same principal repayment amounts as the open mortgage. The interest rate swap is measured at fair value which resulted in an unrealized loss of $78 for the period ended December 31, 2023 ($11 unrealized gain for the period ended December 31, 2022). The unrealized loss (gain in the comparative period in 2022) has been recorded in the statement of loss and comprehensive loss as an increase to interest expense (2022: decrease to interest expense).

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, 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 and a first collateral mortgage in the amount of $20,000 constituting a first fixed charge on the land and improvements located at 795 Road 4 East, Kingsville, Ontario.

Credit Facilities

On July 18, 2023, with an effective date of June 30, 2023, the Company made the following amendments to its Credit Facilities. (1) The Company's RBC credit facility was increased to $7.3 million on its three operating lines ($6.6 million as at December 31, 2022). (2) 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. (3) The annual certification on a fixed coverage ratio was changed to 1.1 to 1 from 1.25 to 1. The RBC credit facilities are secured via a general security agreement against all the assets of the Company, including receivables, inventory and machinery and equipment.

As at December 31, 2023, $3,755 had been drawn on the credit facility ($438 as at December 31, 2022) leaving an undrawn balance of $3,545 ($6,162 as at December 31, 2022). All the operating lines bear an interest rate of prime plus 1% per annum.

As at December 31, 2023, $466 had been drawn on the revolver leaving an undrawn balance of $334. The facility was put into effect in 2023 and was not available as at December 31, 2022.

Financial Covenants

Borrowings under the RBC credit facilities are expected to resolve with operating requirements and have a zero balance of at least 1 Business Day in each fiscal year. The credit facility also requires an annual certification on a fixed charge coverage ratio of 1.1 to 1. The Company was in breach to comply with its annual fixed charge coverage covenant ratio for the year ended December 31, 2023, and as a result the entire mortgage balance has been classified as current on the statement of financial position. The Company has however obtained subsequently a tolerance letter (note 18) which allows the Company to remediate the 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.

9. Income Taxes

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

Income taxes recovery

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

($000s)	December 31, 2023 $	December 31, 2022 $
Loss before income taxes	**(2,827)**	(1,939)
Combined basic federal and provincial tax	**750**	514
Adjustment for prior years	**-**	(17)
Change in unrecognized temporary differences	**76**	(273)
Tax effect on stock-based compensation	**(36)**	(34)
Other	**(16)**	(19)
Income tax recovery	**774**	171

The statutory rate in effect for the year ended December 31, 2023, was 26.5% (2022 – 26.5%).

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

($000s)	December 31, 2023 $	December 31, 2022 $
Property, plant and equipment	**(3,314)**	(3,026)
Unrealized loss (gain) on derivative contracts	**18**	(3)
Financing costs	**28**	1
Non-capital losses	**3,268**	2,232
Total deferred tax liability	**-**	(796)

The Company has additional non-capital losses of $3,170 (December 31, 2022: $3,250) for which no deferred tax asset has been recognized. In addition, the Company had $202, in the prior year ended December 31, 2022, in deductible share issuance costs for which no deferred tax asset has been recognized. As of December 31, 2023, and 2022, management has not recognized these deferred tax assets because it is not probable that the benefit can be realized.

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

($000s)	December 31, 2023 $
Year of Expiry	
2036:	**$167**
2037:	**88**
2038:	**55**
2039:	**467**
2040:	**749**
2041:	**6,031**
2042:	**4,111**
2043:	**3,835**
Total	**$15,503**

10. Share capital

	Number of Shares	Amount *($000s)*
Common shares:		
Common Shares, December 31, 2021	45,355,734	4,212
Stock options exercised during the year (i)	1,033,332	429
Common Shares, December 31, 2022	46,389,066	4,641
Stock options exercised during the year (ii)	116,666	52
Common Shares, December 31, 2023	46,505,732	4,693

i. During the third quarter of 2022, 100,000 options with a strike price of $0.10 were exercised, 100,000 options with a strike price of $0.20 were exercised and 833,332 options with a strike price of $0.24 were exercised, resulting in the issuance of 1,033,332 shares and net cash proceeds of $230. In addition, a total of $199, representing the stock-based compensation of these options that had previously been credited to contributed surplus was reclassified into share capital. The share price on the days of exercise ranged from 60 to 80 cents per share.

ii. During the third quarter of 2023, 116,666 options with a strike price of $0.24 were exercised, resulting in the issuance of 116,666 shares and net cash proceeds of $28. In addition, a total of $24, representing the stock-based compensation of these options that had previously been credited to contributed surplus was reclassified into share capital. The share price on the day of exercise was 50 cents per share.

11. Contributed surplus

Stock Option Continuity

	Number of Options	**Weighted Average Exercise Price**
Balance, December 31, 2021	2,016,668	$0.23
Options exercised during the year	(1,033,332)	$0.22
Options issued during the year	550,000	$0.56
Balance, December 31, 2022	**1,533,336**	$0.35
Options exercised during the year	**(116,666)**	$0.24
Balance at December 31, 2023	**1,416,670**	$0.36

Stock Option Plan

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

On October 4, 2022, the Company issued 550,000 options to an officer and management of the Company. The estimated fair value of the stock options was based on a Black-Scholes valuation model and amounted to $252. The following assumptions were used -stock exercise price $0.56, expected dividend yield -0%, expected volatility -114%, risk free rate 3.85%, vesting period -5 years and expected life of five years. Volatility was estimated based upon historical price observations over a 3-year period. No options were exercised in 2023 (none were available for exercise in 2022).

The stock option compensation expense and charge to contributed surplus relating to the stock options vested during the year ended December 31, 2023, was $133 (December 31, 2022, $127).

	Stock options outstanding		Stock options exercisable	
Exercise prices	**Stock options outstanding**	**Weighted Average remaining contractual life (years)**	**Stock options exercisable**	**Weighted average exercise price ($/option)**
$0.20	100,000	0.06	100,000	$0.02
$0.24	766,670	0.90	766,670	$0.19
$0.56	550,000	1.46	110,000	$0.06
$0.20 - $0.56	1,416,670	2.42	976,670	$0.27

12. Related party transactions

Key management personnel are those persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors. For the year ended December 31, 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, as described in note 4, 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, 2024. 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.

13. Revenue

($000s)	**For the year ended December 31, 2023**	For the year ended December 31, 2022
Sales of fresh produce	**25,584**	22,415
Rent and Other[1]	**886**	641
Total	**26,470**	23,056

The Company leases a portion of its greenhouse space at GR1 to its principal customer. The current lease commenced on June 16, 2023, with a term to December 31, 2026, and has 2, two-year option renewals. These renewals are at the option of the principal customer with the same terms and conditions excluding basic rent which will be set at fair market value at the time of renewal.

14. Expenses by nature

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

($000s)	For the year ended December 31, 2023	For the year ended December 31, 2022
Production Costs		
Raw materials and consumables used[1]	**7,416**	7,383
Labor[1]	**8,276**	6,924
Depreciation (notes 5 and 6)	**8,118**	7,731
Realized fair value amounts of biological assets (note 5)	**22,015**	19,107
Unrealized gain on change in fair value of biological assets (note 5)	**(22,015)**	(19,107)
Repairs and maintenance	**365**	262
Other	**36**	98
Total	**24,211**	22,398

($000s)	For the year ended December 31, 2023	For the year ended December 31, 2022
Selling, general and administrative expenses		
Salaries	**662**	687
Marketing board fees	**70**	71
Insurance	**380**	346
Depreciation (notes 5 & 6) [1]	**374**	374
Office Rent	**53**	44
Professional services	**471**	581
Legal fees relating to the insurance claim and amalgamation	**264**	-
Land transfer taxes and legal costs on acquisitions (note 4)	**-**	361
Stock based compensation (note 10)	**133**	127
Other	**511**	618
Total	**2,918**	3,209

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

15. Other income -government assistance

($000s)	For the year ended December 31, 2023	For the year ended December 31, 2022
Government Programs		
AgriStability	**-**	2,118
SDRM	**144**	66
Fuel tax credit program	**51**	77
Other	**12**	20
Total	**207**	2,281

During the year the Company was awarded $144 (2022: $66) on the self-directed risk management program ("SDRM"). The SDRM program helps growers manage risks beyond their control to help mitigate risk associated with farm businesses. Both programs are administered by AgriCorp, an Ontario Government agency. The Company has finalized its 2022 AgriStability application and submitted it in June 2023. However as of December 31, 2023, it had not yet received any amounts on this program nor recognized any amounts in its statement of loss and comprehensive loss. In 2022, the Company was awarded and paid $2.1 million on its 2021 AgriStability submission which was recorded in other income -government assistance in the statement of loss and comprehensive loss for the year-ended December 31, 2022. The Program is administered by AgriCorp, an Ontario Government agency created in 1997. Finally on the fuel tax program, the Company has a recorded $51 in the statement of loss and comprehensive loss ($77 in 2022). The amount in 2022 was fully collected in 2023 and the amount recognized in 2023 is expected to be collected in Q2 Fiscal 2024. This program allows farming businesses, with one or more establishments in Ontario, Manitoba, Saskatchewan, and Alberta, to have a portion of their fuel charges and farming expenses returned to them.

16. Financial instruments

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

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

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

Assets/Liabilities	Category	Measurement	December 31, 2023	December 31, 2022
Trade receivables	Financial asset	Amortized cost	172	68
Other receivables	Financial asset	Amortized cost	371	353
Long-term receivables	Financial asset	Amortized cost	82	-
Interest rate swap	Financial asset (liabilities)[1]	Fair value	(78)	11
Operating line	Financial liabilities	Amortized cost	4,221	438
Trade payables	Financial liabilities	Amortized cost	5,279	5,758
Payable to 2073834 Ontario Ltd.	Financial liabilities	Amortized cost	453	453
Lease obligations	Financial liabilities	Amortized cost	251	297
Long-term debt	Financial liabilities	Amortized cost	42,315	44,584

1. Interest rate swap asset / (liabilities) is presented on the consolidated statements of financial position in long-term debt. The interest rate swap is classified as level 2 in the fair value hierarchy as the fair value has been determined based on inputs which can be substantially observed or corroborated in the marketplace.

Management of financial risk

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

Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes its maximum exposure to credit risk is the carrying value of its trade and other receivables. As at December 31, 2023, a total of $172 was owed by customers (December 31, 2022: $68), $nil in rent payable on the leased 15-acre organic farm at GR1 (December 31, 2022: $52), $269 related to HST (December 31, 2022: $99) and $51 related to amounts owed on the Return of Fuel Charge Credit Program (December 31, 2022: $77). In addition, there was $51 owed from one of the Company's gas suppliers, relating to gas consumption in 2023 which exceeded the allowable allotment per the Company's gas contract with Enbridge. The gas surplus was sold in December 2023 and collected in full in January 2024. All amounts have been collected subsequent to year-end with exception to the non-interest-bearing loan for $82 to an officer of the Company (refer to note 12). This amount is expected to be settled in Q3 of Fiscal 2025 and was classified in long-term receivables for the period ended December 31, 2023 (included in other receivables for the period ended December 31, 2022).

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 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. The Company has also agreed with certain large Vendors to extend credit terms to Q2 or Q3 of 2024, when the Company's greenhouses are at full production and cash flow generation is highest in the year. The table below summarizes the timing of the due dates of the Company's financial obligations.

As at December 31, 2023, the following obligations are due:

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

As at December 31, 2023, the Company's operating line is $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). Subsequent to year-end the Company received a $1,006 prepayment of rent on its 15-acre organic farm, covering the basic rent for rental periods from April 1, 2024, to March 31, 2025. In addition, the Company's main distribution partner, agreed to convert $1,987 of current payables due to an interest only 36-month note payable (note 18). Principal repayments on the note payable are accelerated and triggered on the receipt of AgriStability grants and settlements on the Company's insurance claim on its GR2 2021 crop loss. With these measures, the Company's short term liquidity needs are covered until meaningful cash flows are generated by the 2024 crop.

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 did not meet 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 and as a result, the entire mortgage balance, including $40,223 which would normally be classified as long-term, has been classified as current on the statement of financial position. The Company expects to manage this risk exposure by increasing produce yields, minimizing waste, and improving labor efficiencies. The Company has also obtained subsequently a tolerance letter (note 18) which allows the Company to remediate this covenant breach by August 1, 2024. With these measures and the remediation of the covenant breach, the Company expects to have enough cash resources to meet its obligations in 2024 and have sufficient cash resources as at December 31, 2024, to fully fund its 2025 bearer plants investments.

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, with exception to its GR3 mortgage which has an open rate interest rate, 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. To mitigate the interest rate risk on open variable loans, the Company uses derivative financial instruments (interest rate swaps) to exchange the variable rate inherent in the long-term debt for a fixed rate (see note 8).

Management of capital risk

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.

17. Commitment and contingencies

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

($000s)	**Total**	**Less than 1 Year**	**1 – 5 Years**	**After 5 Years**
Purchase commitments	865	865	-	-

Purchase commitments consist primarily of commitments to pay for raw material inputs for the 2024 Crop that were entered into in 2023 but delivered to the Company's greenhouse ranges in January 2024 and commitments to acquire gas through to February 2024.

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. The Company has also assumed an agreement, as part of its newly acquired GR3 acquisition (see note 4). The initial agreement, dated January 1, 2021, was for a term of 2 years. The Agreement automatically renews each year unless otherwise terminated by either party not later than 90 days prior to the end of the applicable term.

Contingencies

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

Based on the Company's knowledge of events at December 31, 2023, no such matters were identified.

18. Subsequent Events

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. The amount received was discounted at an annual rate of 8.31% and net of transactional costs of $3. The total gross basic rent over this period is $1,050.

On March 27, 2024, the Company converted $1,987, from its trade accounts payable to a three-year, interest-bearing promissory note. The total balance of this trade accounts payable was $1,829 as at December 31, 2023. 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 the rate per annum secured by the Federal Reserve Bank of New York ("SOFR") 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.