Management's Discussion and Analysis of

# GREEN RISE FOODS INC.

For the three and nine months ended September 30, 2024

(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 September 30, 2024, and the results of operations for the three and nine-month periods ended September 30, 2024.

The MD&A is prepared as of October 28, 2024, and should be read in conjunction with the unaudited interim condensed consolidated financial statements (“financial statements”) of Green Rise as at September 30, 2024. 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 IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board.

All amounts in this discussion are expressed in thousands 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 and insurance coverage;

- regulatory or agency proceedings, investigations and audits;
- litigation;
- constraints on marketing products;
- fraudulent or illegal activity by the Company's employees, contractors and consultants;
- information technology systems and cyber-attacks;
- breaches of security and risks related to breaches of applicable privacy laws;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- the impact on profitability resulting from higher input costs; and
- 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" and other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements of this MD&A. 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 is a controlled environment agriculture grower of fresh produce.  The Company has 89 acres of greenhouse ranges segmented into three different ranges:  (1)  51-acres of ranges ("Green Rise 1" or "GR1") located in Leamington, Ontario;  (2) 22-acres ("Green Rise 2" or "GR2") located in Kingsville, Ontario and an additional16-acres ("Green Rise 3" or "GR3") also located in Kingsville, Ontario. The Company began its operations in 2018 by acquiring its GR1 ranges, via its wholly owned subsidiary Bull Market Farms Inc. ("Bull Market").

The Company plans to increase its cultivation capacity and product diversification on a as available and as needed basis and as market conditions allow.

- 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 is considered to be the best in quality and lowest cost grower of greenhouse-grown fresh produce.  The Company continues to work towards excellence throughout its operations by:

- Diversifying its greenhouses and pack-lines to continue to offer multi-sku products of fresh produce to meet the needs of our customers;
- Maintaining policies that attract, motivate, and retain a highly skilled workforce specific to the greenhouse fresh produce industry;
- Improving processes by seeking out new technologies that help increase yields, reduce the Company's carbon footprint, drive costs lower, improve product quality and reduce inefficiencies;
- Maintaining strict financial disciplines to provide consistent financial returns to our shareholders.

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 was 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 operations consist of the growing, packaging and sale of produce primarily to one major customer.

***Highlights YTD and Q3 Fiscal 2024***

- Adjusted EBITDA for the nine-month period ended September 30, 2024, came in at $6.7 million as compared to $3.5 million for the comparative prior year period. For the three-month period ended September 30, 2024, Adjusted EBITDA equalled $3.6 million as compared to $3.0 million for the three-month period ended September 30, 2023. A reconciliation of this non-gap measure to net income on an IFRS basis, is included on page 15 of this MD&A.

- Fresh produce sales of $23.9 million were realized in the nine-month period ended September 30, 2024 ($21.5 million for the comparative period) representing an increase of $2.4 million or 11%. For the three-months ended September 30, 2024, sales also increased by $0.8 million or 8% from the comparative prior year three-month period ended.

- On April 5, 2024, the Company was awarded $619 on the 2022 AgriStability Program an insurance program designed to assist farmers with fluctuations in weather and other factors impacting farming income in Ontario.

- The Company as at September 30, 2024, had a working capital surplus of $2,138 which compares to a $6,655 working capital deficit as at December 31, 2023, after adjusting for the impact of mortgages as illustrated in the table below. Improvements to the working capital ratio were driven by positive operating results in addition to the completion of significant transactions described on page 5 of this MD&A, under the heading "Significant Transactions"

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Working capital (deficit) | $(38,916) | $(48,970) |
| Less current portion of mortgages | 2,214 | 2,092 |
| Less current portion of mortgages, not maturing within 12-months, classified as current | 38,840 | 40,223 |
| Adjusted working capital surplus (deficit) | $2,138 | $(6,655) |

- 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. Green Rise continues to pursue the recovery of its losses suffered in 2021. However, to date, no insurance recoveries have been received or recorded in the Company's results, nor can such recoveries be assured.

**SIGNIFICANT TRANSACTIONS (*IN THOUSANDS UNLESS OTERHWISE STATED*)**

On March 27, 2024, the Company received $1,009, from its principal customer to cover the basic monthly rent due, for the period April 1, 2024, to March 31, 2025, on the portion of the GR1 greenhouse leased to this principal customer. The amount received was discounted at an annual rate of 8.31%. The total undiscounted 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 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 which include (1) proceeds from the AgriStability Program and (2) proceeds from insurance claims. With the receipt of the 2022 AgriStability grant on April 5, 2024, a total of $619 was paid down on this promissory note in the second quarter leaving a balance of $1,368 as at September 30, 2024. A mortgage and general security agreement, second only to that of the Royal Bank of Canada mortgage and general security agreements, has also been provided on this promissory note.

On July 12, 2024, the Company completed a private placement with Mr. George Hatzoglou, the Company's Chief Financial Officer. The transaction involved the issuance to the Chief Financial Officer of 500,000 common shares at a cash purchase price of $0.60 per share or $300 in the aggregate. The 500,000 common shares are subject to a four-month hold period.

On July 15, 2024, the Company received an update from the Royal Bank of Canada ("RBC") on its breach of its annual fixed charge coverage ratio ("the ratio"), for the year ended December 31, 2023. The updated remediation required the Company to raise $1.5 million as of August 1, 2024 (RBC had originally required the Company to make a capital injection of $3 million by August 1, 2024), in order to bring the Company into compliance with the required ratio of 1.1:1., for the period ended December 31, 2023. RBC subsequently reduced the capital injection requirement to $1.2 million, after crediting the recent $300 private placement with the Company's Chief Financial Officer and postponing the remaining $1.5 million until November 1, 2024, subject to review by RBC at that time to determine whether it would no longer be necessary considering then prevailing cash flows of the business and the results of operations. The Company is currently in discussions with RBC to determine whether the additional capital is required given the positive operational results, and fully expects to take, if necessary, steps to remediate the 2023 covenant breach.

On August 29, 2024, the Company issued to three directors of the Company, Messrs. Vincent Narang, Enrico Paolone and Stanely Thomas, or family corporations controlled by them or with which they have a relationship, an aggregate of $1.2 million of non-convertible promissory notes (each a "Note" and collectively, the "Notes"). The Notes bear interest at 8.31% per annum calculated and paid monthly, provided the Company is in compliance with its banking agreements and obligations, with the principal to be paid at maturity on June 30, 2026, provided that such payment of principal is no longer subject to postponement in favor of RBC, or the latter has consented to such payment. The Company, if and when authorized by RBC, also has the option, from time to time, to repay any principal amount owing under the Notes and any unpaid interest thereon on or before maturity. The Company has provided a general security agreement for the Notes and interest is payable from the earlier of August 1, 2024 and the day the loans were advanced.

**Seasonality**

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

***Overall Performance***

**SELECT QUARTERLY INFORMATION**

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

| *($ thousands)* | **Three-months ended September 30, 2024** | Three-months ended September 30, 2023 | **Nine-months ended September 30, 2024** | Nine-months ended September 30, 2023 |
|---|---|---|---|---|
| Revenue | | | | |
| -Produce revenue | **$11,505** | $10,655 | **$23,876** | $21,548 |
| -Rent revenue | **279** | 283 | **836** | 598 |
| Total revenue | **$11,784** | $10,938 | **$24,712** | $22,146 |
| -Production costs[1] | **5,756** | 5,559 | **12,894** | 12,728 |
| -Depreciation | **2,659** | 2,871 | **6,194** | 6,423 |
| -SG&A, excluding depreciation | **670** | 483 | **1,934** | 2,049 |
| -Net change in unrealized loss (gain) on biological asset | **934** | 1,213 | **(2,637)** | (2,400) |
| Earnings from operations | **$1,765** | $812 | **$6,327** | $3,346 |
| -Interest expense | **(1,099)** | `(364) | **(2,189)** | (1,186) |
| -Other income -government assistance | **158** | - | **777** | 146 |
| -Income tax expense | **(223)** | (104) | **(1,343)** | (583) |
| Net earnings | **$601** | $344 | **$3,572** | $1,723 |

1. *Production costs include raw materials, labor, repairs and maintenance expenses and other cost of sales.*

**SUMMARY OF QUARTERLY RESULTS**

| *($ thousands)* | September 30, 2024 | June 30, 2024 | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 11,784 | 12,620 | 308 | 4,324 | 10,938 | 11,050 | 158 | 4,415 |
| Earnings (loss) from operations | 1,765 | 3,477 | 1,085 | (4,005) | 812 | 2,743 | (209) | (3,215) |
| Net earnings (loss) | 601 | 2,227 | 744 | (3,776) | 344 | 1,948 | (569) | (1,434) |
| Basic and diluted EPS | 0.01 | 0.04 | 0.02 | (0.08) | 0.01 | 0.04 | (0.01) | (0.03) |
| Total assets | 55,197 | 60,729 | 59,216 | 54,082 | 57,352 | 62,641 | 61,389 | 55,781 |
| Total liabilities | 49,484 | 56,125 | 56,892 | 52,519 | 52,029 | 57,726 | 58,463 | 52,326 |
| Equity | 5,713 | 4,604 | 2,324 | 1,563 | 5,323 | 4,915 | 2,926 | 3,455 |

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 and nine-month periods ended September 30, 2024**

***Income from Operations***

*Revenue*

For the nine-month period ended September 30, 2024, the Company generated total revenues of $24.7 million as compared to $22.1 million in the prior year period. Certain adjustments to operational processes, optimal weather conditions and higher rental revenues on the Company's 15-acre leased greenhouse at its GR1 property helped contribute to the resulting $2.6 million increase in revenues. Fresh produce pounds shipped were higher across all three of the Company's greenhouse ranges. Similar to the factors sited for the increase in revenues for the nine-month period ended, revenues for the three-month period ended September 30, 2024, were $0.8 million higher as compared to the three-month period ended September 30, 2023.

*Production costs and depreciation*

Production costs of $12.9 million, for the nine-month period ended September 30, 2024, were relatively flat as compared to production costs of $12.7 million noted in the same nine-month comparative prior year period. Higher labor costs, given the increased production volumes were offset by lower energy costs and consumption resulting from lower prices on gas forward contracts and warmer days.

Depreciation costs came in slightly lower ($0.2 million for both the nine and three-month periods ended September 30, 2024 as compared to the same periods in the prior year) mainly resulting from lower costs incurred (and subsequent amortization) on the bearer plants investment in 2024 as compared to 2023 and the fact that the roof at one of the double poly facilities was fully amortized by the end of Q2 of fiscal 2024, resulting in no depreciation for the greenhouse roof in the third quarter of F'2024.

*SG&A*

SG&A, excluding depreciation, decreased by $0.1 million as compared to the prior year nine-month period ended. This decrease was attributable mainly to lower legal fees incurred relating to the Company's pursuit of seeking insurance recoveries on the crop loss it experienced at its GR2 greenhouse in 2021. For the three-month period ending September 30, 2024, the increase of $0.2 million mainly related to legal fees incurred in the quarter on the CFO private placement and the $1.2 million related party non-convertible notes issuance, in addition to slightly higher administrative costs providing infrastructure and support over operational controls and procedures.

*Net change in unrealized gains on biological asset*

The net change in unrealized gain on biological assets was $0.2 million higher for the nine-month period ended September 30, 2024, as compared to the prior year period. As part of its operational review completed in late 2023, the Company added additional preventative measures to its biological and fertilizer programs in 2024, increasing plant strength across its farms. These actions helped increase the number of fruits on the vines which translated to a higher unrealized biological asset gain for nine-month period ended September 30, 2024, and lowered the realized loss on biological transformations for the three-month period ended September 30, 2024, as compared to the respective prior year comparative periods.

**Net Income (Includes Income from operations, Interest expense, other income -governance assistance and deferred taxes)**

*Interest expense*

Interest expense for the nine-month period ended September 30, 2024, increased by $1.0 million as compared to the prior year comparative period. The increase was mainly attributable to the change in the unrealized loss (gain) on the mark to market adjustment on the Company's interest rate swaps. The impact is illustrated in the table below. The remaining increase is the result of the higher interest costs associated with the GR1 main mortgage renewal (effective June 30, 2023) and the GR1 VTB mortgage renewal (effective December 27, 2023).

| | |
|---|---|
| Unrealized (gain) on mark to market adjustment December 31, 2023: | $78 |
| Unrealized loss on mark to market adjustment September 30, 2024: | 363 |
| | $285 |
| Unrealized (gain) on mark to market adjustment December 31, 2022: | $(11) |
| Unrealized (gain) on mark to market adjustment September 30, 2023: | (534) |
| | $(523) |
| Total change to interest expense nine-month period ended September 30, 2024, vs 2023: | $808 |

For the three-month period ended September 30, 2024, interest expense increased by $0.7 million. Similar to the nine-month, the change in the mark to market adjustment on the Company's interest rate swaps was the key factor for this increase, as illustrated in the table below:

| | |
|---|---|
| Unrealized (gain) on mark to market adjustment June 30, 2024:<br>Unrealized loss on mark to market adjustment September 30, 2024: | $(86)<br>363<br>$449 |
| Unrealized (gain) on mark to market adjustment June 30, 2023:<br>Unrealized (gain) on mark to market adjustment September 30, 2023: | $(295)<br>(534)<br>$(239) |
| Total change to interest expense 3-month period ended September 30, 2024, vs 2023: | $688 |

*Other income -government assistance*

Other income increased by $0.6 million and $0.2 million respectively for the nine-month period ended September 30, 2024, and the three-month period ended September 30, 2024, as compared to their respective prior year comparative periods. This primarily relates to the timing of the self-directed risk management program ("SDRM") which $158 thousand was received in Q3 of fiscal 2024 ($146 thousand was received in Q1 fiscal 2023) and the receipt of the 2022 AgriStability grant where $0.6 million was received in Q2 of fiscal 2024 (nil in the prior comparative periods).

*Deferred income taxes*

The deferred income tax expense came in at $1.3 million as compared to $0.6 million for the nine-month period ended September 30, 2023. Higher operational profits were the main factor contributing to the higher deferred income tax expense. For the three-month period ended September 30, 2024, deferred income tax expense came in at $0.2 million as compared to $0.1 million for the three-month period ended September 30, 2023. Similar to the nine-month period ended, higher operational profits were the main factor contributing for the increase in deferred tax expense for the three-month period ended September 30, 2024, as compared to the prior year comparative period.

**LIQUIDITY AND CAPITAL RESOURCES**

Financial Condition Review

| *($ thousands)* | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| Cash | - | - |
| Working Capital Deficit[1] | (38,916) | (48,970) |
| Total Assets | 55,197 | 54,082 |
| Total Liabilities | 49,484 | 52,519 |
| Net Equity | 5,713 | 1,563 |

1) The working capital deficit 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 completed ~85% of the 2024 harvesting cycle. As of week 43, the Company, subject to comments expressed elsewhere in this MD&A and the financial statements, has achieved shipped production yields that are at the high end of historical averages and inline with its annual targets. At these levels the Company is anticipated to have sufficient cash flows to carry out operations through out 2024 and to fund its bearer plant investments for 2025.

As at September 30, 2024, the Company's operating line was $7,300 of which $1,005 had been drawn leaving an undrawn balance of $6,295 ($7,300 of which $3,755 was drawn and $3,545 was undrawn as at December 31, 2023). As of the date of this MD&A, the Company's trade payables are current, and it expects to use operating cash flows generated from operations to pay down its operating lines. Management anticipates that it will zero out its operating lines by mid November 2024, providing it continues to achieve results in line with its annual targets.

The Company had a working capital deficit of $38,916 as of September 30, 2024 ($48,970 deficit as of December 31, 2023). The improvement in the working capital deficit was primarily the result of the following factors: (1) Implementation of several controllable processes that impact the greenhouse environment and ultimately plant health, production yields, waste and labor efficiencies; (2) Measures taken in March 2024 to strengthen liquidity by renegotiating $1,987 in trade payables due to its principal customer, into a 3-year interest only promissory note, subject to payment triggers relating to the receipt of AgriStability or insurance recoveries. The $619 receipt of the 2022 AgriStability grant in April 2024 was used to pay down this promissory note which also resulted in a $619 reduction in the working capital deficit. Finally, measures taken in the third quarter of fiscal 2024 to raise $1.5 million via a $300 thousand private placement with the Company's CFO and the issuance of three $400 thousand non-convertible notes to three directors of the Company, Messrs. Vincent Narang, Enrico Paolone and Stanley Thomas, or family corporations controlled by them or with which they have a relationship, further contributed to this improvement. The notes are due on June 30, 2026, provided that such payment of principal is no longer postponed in favor of RBC, or the latter has consented to such payment.

Total Assets increased by $1.1 million reflecting primarily the increase in trade receivables resulting from the 2024 harvest, the recording of the unrealized (gain) in biological assets as a result of the fresh produce on the bearer plants vines as at September 30, 2024. Offsetting this increase was the amortization taken on the Company's property, plant and equipment and the amortization on the bearer plant assets and consumables acquired at the end of 2023 for the 2024 harvest.

Total Liabilities decreased by $3.0 million as compared to the amount reported as at December 31, 2023. The overall decrease was driven by the reduction in the operating lines and trade payables and the scheduled payments made on the Company's mortgage balances. The reduction in these liability balances were attributable to the cash generated from operations, the prepaid rent arrangement and promissory note issued to the Company's principal customer, and the non-convertible notes issued to three directors of the Company Messrs. Vincent Narang, Enrico Paolone and Stanely Thomas. In addition, the increase in deferred income taxes was also a factor offsetting the decrease in total liabilities as compared to the period ended December 31, 2023.

Equity increased by $3.5 million from the period ended December 31, 2023. The increase primarily reflects the net income generated for the nine-month period ended September 30, 2024, and the $300 raised via the CFO private placement on July 3, 2024.

## CAPITAL MANAGEMENT

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which as at September 30, 2024, totaled $5,713 (December 31, 2023, $1,563).

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 $1.5 million in the first nine-months of 2024 ($1.8 million in the first nine-months of 2023)) 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.

***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 one mortgage on its GR1 property and the GR3 mortgage which have 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.

## CONTRACTUAL OBLIGATIONS

As at September 30, 2024, the payments due by period are set out in the following table:

| *($000s)* | Total | Less than 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|
| Operating line | 1,584 | 1,584 | - | - |
| Trade payables | 1,852 | 1,852 | - | - |
| Deferred rent revenue | 515 | 515 | - | - |
| Payable to 2073834 Ontario Ltd. | 453 | 453 | - | - |
| Lease obligations | 112 | 101 | 11 | - |
| Promissory notes | 2,568 | - | 2,568 | - |
| Mortgage loans | 41,054 | 41,054 | - | - |
| Total | 48,138 | 45,559 | 2,579 | - |

### COMMITMENTS

As at September 30, 2024, 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 | 1,481 | 718 | 763 | - |

Purchase commitments consist of commitments to acquire gas through to February 2027.

The Company has entered into an agreement with its principal customer for a 10-year period to supply produce at its GR1 greenhouse range. This agreement expires in 2028. The Company has also entered into a second supply agreement on its GR3 property, to supply produce at its GR3 property with the same customer. The second agreement automatically renews each year unless otherwise terminated by either party not later than 90 days prior to the end of the applicable term.

### OFF BALANCE SHEET ARRANGEMENTS

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

### 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 September 30, 2024, no such matters requiring accrual were identified.

## 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 nine-month period ended September 30, 2024, the Company paid $483 in management salaries ($442 for the nine-month period ended September 30, 2023) and had $119 in stock-based compensation ($69 for the nine-month period ended September 30, 2023). For the three-month period ended September 30, 2024, the Company paid $164 in management salaries and incurred $88 in stock-based compensation ($155 and $21 respectively for the three-month period ended September 30, 2023).

The Company also incurred $23 in professional fees to one of its Directors, for the period ended September 30, 2024 ($2 for professional fees provided for the period ended September 30, 2023). The professional fees provided were at fair value and related to legal services.

On August 29, 2024, the Company also raised $1.2 million in non-convertible notes from three directors of the Company or family corporations controlled by them or with which they have a relationship (the "Lenders"). During the quarter, a total of $17 in interest payments was incurred and paid out on the notes.

On July 3, 2024, the Company raised $300 via a private placement with the CFO of the Company. A total of 500,000 shares were issued at a price of $0.60 per common share. There was no discount to the market price when the securities were priced and there is a four-month holding restricted period in which the shares cannot be traded.

As of September 30, 2024, the Company also held non-interest-bearing notes receivable for $112 from two of its officers ($82 for the period ended September 30, 2023). One of the notes with a face value of $30 is expected to be settled in the fourth quarter of 2024 and the other note, with a face value of $82, is expected to be settled in Q2 of Fiscal 2025.

A total of 450,000 stock options were exercised during the nine-month period ended September 30, 2024, with directors of the Company. A total of 450,000 common shares were issued and total proceeds were $104 thousand. There was a total of 100,000 stock options exercised in the comparative period to the CFO of the Company. A total of 100,000 common shares were issued and total proceeds were $24.

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. Payment for the remaining $417 plus $36 in finance related costs are payable as at September 30, 2024, but are expected to be paid in Q2 of Fiscal 2025, subject to the approval by the Royal Bank of Canada.

## RISK 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, 11 & 12 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 December 31, 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 had a working capital deficit of $38,916 on September 30, 2024 (December 31, 2023, a working capital deficit of $48,970). 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 its 2023 annual 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 during the first and second quarters, 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 Program. Furthermore, several operational changes enacted in the first quarter and maintained in the second and third quarters have helped achieve cash flows from operations that are aligned with the Company's annual plan. The success of the Company to continue to generate sufficient cash flows from operations is dependent on these items as well as weather as sunny days and cool nights are key factors in driving production yields higher and ultimately revenues and cash flows.

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. Following a review by the Company's lender the Royal Bank of Canada ("RBC"), the Company was required to inject $3 million by August 1, 2024, to bring the Company into compliance with its 2023 annual fixed charge coverage covenant ratio. In light of discussions held in the summer between the Company and RBC and operational results realized from the Company's 2024 harvest, the originally contemplated injection, by August 1, 2024, was reduced by RBC to $1.5 million. This was satisfied on or prior to August 1, 2024 by a $300 private placement and the issuance to certain directors of the Company, in the aggregate, of $1.2 million in non-convertible promissory notes. Furthermore, the remaining $1.5 million capital injection was postponed by RBC to November 1, 2024, subject to review by RBC to determine whether it would no longer be necessary considering then prevailing cash flows and the results of operations. The Company is currently in discussions with RBC to determine whether any additional capital is required given the recent positive operational results, and fully expects to take, if necessary, steps to remediate the 2023 covenant breach. 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 Accounting Standards issued but not Effective**

IFRS 18 – *Presentation and Disclosure in Financial Statements*

On April 9, 2024, the IASB issued IFRS 18 "Presentation and Disclosure in the Financial Statements" ("IFRS 18") replacing IAS 1. IFRS 18 introduces categories and defined subtotals in the statement of profit or loss, disclosures on management-defined performance measures, and requirements to improve the aggregation and disaggregation of information in the financial statements. As a result of IFRS 18, amendments to IAS 7 were also issued to require that entities use the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities and also to remove presentation alternatives for interest and dividends paid and received. Similarly, amendments to IAS 33 "Earnings per Share" were issued to permit disclosure of additional earnings per share figures using any other component of the statement of profit or loss, provided the numerator is a total or subtotal defined under IFRS 18. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively, with early adoption permitted. The Company is currently assessing the impact of the standard on its financial statements.

## 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, 47,589,066 total shares and 1,833,336 stock options were outstanding.

## APPROVAL

The Board of Directors of the Company approved the disclosure in this MD&A on October 28, 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 reoccurring annual cash flows generated by the Company before interest and principal repayments on its debt obligations.

| | Three-months ended | | Nine-months ended | |
|---|---|---|---|---|
| *($ thousands)* | **September 30, 2024** | September 30, 2023 | **September 30, 2024** | September 30, 2023 |
| Net earnings | **$601** | $344 | **$3,572** | $1,723 |
| Additions (Deductions) | | | | |
| Depreciation | **2,659** | 2,871 | **6,194** | 6,424 |
| Interest expense | **1,099** | 364 | **2,189** | 1,186 |
| Deferred income tax expense (recovery) | **223** | 104 | **1,343** | 583 |
| **EBITDA** | **$4,582** | $3,683 | **$13,298** | $9,916 |
| Additions (Deductions) | | | | |
| Bearer plant amortization | **(1,967)** | (2,144) | **(4,085)** | (4,269) |
| Unfunded CAPEX | **(47)** | (37) | **(40)** | (155) |
| Stock based compensation | **96** | 36 | **142** | 117 |
| Non-recurring legal fees | **50** | 253 | **50** | 253 |
| Net change in unrealized loss (gain) on biological assets | **934** | 1,213 | **(2,637)** | (2,400) |
| **Adjusted EBITDA** | **$3,648** | $3,004 | **$6,728** | $3,462 |

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### Adjusted Earnings or (Loss)

The Company utilizes Adjusted Earnings or (Loss) (defined as net earnings or (loss) 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 losses (gains) in biological assets and unrealized losses (gains) in mark to market adjustments in interest rate swaps. Adjusted Earnings or (Loss) is not a recognized measure under IFRS; however, management believes that Adjusted Earnings or (Loss) is a useful supplemental measure to net earnings (loss) as these measures provide readers with an indication of recurring earnings compared to prior periods. The Company calculates Adjusted Earnings or (Loss) as follows:

| | Three-months ended | | Nine-months ended | |
|---|---|---|---|---|
| *($ thousands)* | **September 30, 2024** | September 30, 2023 | **September 30, 2024** | September 30, 2023 |
| Net earnings | **$601** | $344 | **$3,572** | $1,723 |
| Additions (Deductions) | | | | |
| Mark to market loss (gain) adjustment on interest rate swap | **371** | (240) | **285** | (523) |
| Net change in unrealized (gain) loss on biological assets | **934** | 1,213 | **(2,637)** | (2,400) |
| **Adjusted earnings (loss)** | **$1,906** | $1,317 | **$1,220** | $(1,200) |

### Selected 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 (Production costs include raw materials and consumables, labor and repairs and maintenance):

| **(In 000s)** | **Three-months ended September 30, 2024** | **Three-months ended September 30, 2023** | **Nine-months ended September 30, 2024** | **Nine-months ended September 30, 2023** |
|---|---|---|---|---|
| Production costs | $5,758 | $5,560 | $12,895 | $12,728 |
| | | | | |
| Produce sales | $11,505 | $10,655 | $23,876 | $21,548 |
| Production costs as % of produce sales | 50.0% | 52.2% | 54.0% | 59.1% |
| | | | | |
| Production labor | $3,390 | $2,984 | $6,922 | $6,432 |
| Production labor as a % of produce sales | 29.5% | 28.0% | 29.0% | 29.9% |