Management's Discussion and Analysis of

# GREEN RISE FOODS INC.

## (Formerly Green Rise Capital Corporation)

For the three months ended March 31, 2021 and March 31, 2020

(Canadian Dollars)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Green Rise Foods Inc. (formerly Green Rise Capital Corporation and hereinafter "Green Rise" or "the Company") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess the financial condition of the Company as at March 31, 2021, and the results of operations for the period ended March 31, 2021.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements ("financial statements") of Green Rise as at March 31, 2021. The accompanying financial statements have been prepared by and are the responsibility of Green Rise's management. The financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts in this discussion are expressed in millions of Canadian dollars (CAD), unless otherwise indicated.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A. Such statements can, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate," "potential," "proposed," "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- expansion of facilities;
- changes in laws, regulations and guidelines;
- legislative or regulatory reform and compliance;
- competition;
- environmental regulations and risks;
- limited operating history;
- risks inherent in an agricultural business;
- reliance on a single location;
- retention and acquisition of skilled personnel;
- negative consumer perception;
- product liability;

- insurance coverage;
- regulatory or agency proceedings, investigations and audits;
- litigation;
- constraints on marketing products;
- fraudulent or illegal activity by the Company's employees, contractors and consultants;
- information technology systems and cyber-attacks;
- breaches of security and risks related to breaches of applicable privacy laws;
- access to capital;
- estimates or judgments relating to critical accounting policies; and
- extended economic downturn caused by the COVID-19 pandemic.

In addition to the factors set out above and those identified in this MD&A under "Risks and Uncertainties", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

**OVERVIEW OF GREEN RISE FOODS INC.**

Green Rise Foods Inc. was incorporated under the Business Corporations Act (Ontario) on June 9, 2017.

On September 30, 2019, the Company completed its acquisition of Bull Market Farms Inc. ("Bull Market"). In 2018, Bull Market acquired its farm with an existing 51-acre producing greenhouse ("GR1") and is a grower of greenhouse fresh produce located in Leamington, Ontario. The GR1 farm produces two types of tomatoes – beefsteak and a varietal of medley cherry tomatoes. With the Transaction, the Company completed its first greenhouse range acquisition. On February 1, 2021 the Company completed its acquisition of its second range, a 22-acre producing greenhouse ("GR2") located in Kingsville Ontario. The GR2 farm produces beefsteak tomatoes. The Company plans to continue to grow its cultivation capacity with a core goal of being the "best-in-class" contract grower of greenhouse-grown fresh produce. To achieve the "best-in-class" status, the Company maintains a strict financial discipline, seeks out new technologies to help improve its processes and employs policies to maintain and attract the best human capital. These items have helped Green Rise achieve key milestones listed on page 4 of this MD&A under the heading "Highlights for Fiscal 2021".

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

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

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

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

***Highlights for Fiscal 2021***

- On January 13, 2021, the Company amended its credit facilities agreement ("the credit facility") between its wholly owned subsidiary Bull Market Farms Inc. ("Bull Market") and the Royal Bank of Canada. As a result, the credit facility was increased from $3.5 million to $5.0 million.

- On February 1, 2021, the Company completed the acquisition, through Bull Market, of the net assets of Mor Gro Farms Inc., comprising a 22-acre greenhouse range on a 57-acre property in Kingsville, Ontario for cash consideration of $15.9 million. As a result of the transaction, a bargain purchase gain of $1.9 million was generated and recognized during the first quarter.

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

- The Company generated quarterly earnings of $0.6 million as compared to a $0.6 million net loss for the same period in the prior year.

- Adjusted EBITDA amounted to negative $1.1 million as compared to negative $0.6 million in the prior year period. The negative cash flow is consistent with the seasonality of the Company's crop cycle which produces minimal amounts of revenue in the first quarter of the year as the greenhouses are prepared for the upcoming grow season.

- Tomato sales of $121 thousand were realized in the current period as compared to nil in the prior year period.

- The Company has scene a substantial increase in its crop yields. For the week ended May 21, 2021, year to date shipments of fresh produce equalled 3.6 million pounds as compared 1.7 million pounds in the same period in the prior year. This represents a 114% increase from the prior year period.

- The higher crop yields in the current period have resulted in a substantial increase in the value of the Company's biological assets as at March 31, 2021 which was recorded at $1.1 million as compared to $0.2 million in the same period in the prior year.

- In March 2021, the Company had a mechanical malfunction at its newly acquired GR2 facility. A decision to replant the crop was made which resulted in an impairment charge of $1.1 million during the quarter. This has deferred the pick cycle at our GR2 facility to a maximum of 3 months. In addition, the Company has filed an insurance claim to cover the loss. No insurance recoveries were booked during the quarter and the Company does not expect the revenue, cost of sales, net income and EBITDA impact from this event to have a significant impact on its annual results. The Company will continue to monitor it over the coming quarters.

### *Significant Transactions*

Mor Gro Farms Inc. Net Asset Acquisition

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

| **Purchase Price Cash Consideration** | ***($000s)*** |
|---|---|
| **Total Cash Consideration** | **15,858** |

| **Net Identifiable Assets Acquired** | |
|---|---|
| Property, plant and equipment | 18,455 |
| Bearer plants | 811 |
| Other assets | 180 |
| Accounts payable and contracts assumed | (960) |
| Deferred tax liability | (696) |
| Total net assets acquired | 17,790 |
| Bargain purchase gain | 1,932 |

In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired, based primarily on their estimated fair values at the date of acquisition. The Company used a combination of a direct comparison approach and a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the assets acquired.

### *Overall Performance*

## SELECT QUARTERLY INFORMATION

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

| *($ thousands)* | **Three months ended March 31, 2021** | Three months ended March 31, 2020 |
|---|---|---|
| Total revenue | **269** | 141 |
| -Production costs[1] | **1,895** | 548 |
| -Depreciation | **517** | 375 |
| -SG&A, excluding depreciation | **931** | 223 |
| -Net change in unrealized gain on biological asset | **(1,143)** | (240) |
| Loss from operations | **(1,931)** | (765) |
| -Interest expense | **262** | 225 |
| -Bargain purchase gain | **(1,932)** | - |
| -Deferred income tax recovery | **(856)** | (387) |
| Net earnings (loss) | **595** | (603) |
| Adjusted EBITDA | **(1,079)** | (630) |

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

**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. It is expected that the bearer plants that were replanted this year at our GR2 facility will produce fresh produce into January 2022 with the process of cleaning and preparation for the next grow season to occur after the last harvest.

**Results for the quarter ended March 31, 2021**

***Loss from Operations***

*Revenue*

The Company generated revenue of $269 thousand as compared to $141 thousand in the prior year period. The current period includes tomato sales of $121 thousand vs nil in the prior year comparative period. Brighter and warmer days have translated to expected higher crop yields as compared to the prior year period.

*Production costs*

Production costs were higher by $1.3 million mainly due to from Company's decision to replant the newly acquired Mor Gro Farms Inc. greenhouse crop resulting in an impairment charge of $1.1 million. The remaining increase of $0.2 million relates to the costs to run the new Mor Gro greenhouse range acquired on February 1, 2021.

*Depreciation*

Depreciation increased by $142 thousand as compared to the prior year period, as a result of the depreciation on the acquired assets (primarily the greenhouse, building, bunk house and equipment) from the Mor Gro Farms Inc. greenhouse range acquired on February 1, 2021.

*SG&A*

SG&A, excluding depreciation, increased by $0.7 million as compared to the prior year period, as a result of several factors including: (1) $0.3 million in land transfer taxes paid on the Mor Gro Farms Inc. ("GR2") net asset acquisition. (2) $0.1 million in severance payments paid in the current period as compared to nil in the prior year period. The remaining increase in costs relates to additional professional fees, salaries and office expenses associated with public company compliance costs.

Net change in unrealized gain on biological asset

With brighter and warmer days, crop yields have been significantly higher this period, as compared to the prior year period. This has resulted in an increase of $0.9 million in the gain on biological assets, as compared to the prior year period.

***Net Earnings (includes Loss from Operations, Interest expense, bargain purchase gain and deferred taxes)***

*Interest expense*

Interest expense increased slightly by $37 thousand as compared to the prior year period. An increase of $61 thousand in interest expense related to the $13 million mortgage which came into effect on the closing date of the Mor Gro Farms net asset acquisition on February 1, 2021. This additional interest was offset by the refinancing of a $5 million promissory note, which occurred in December 2020, held by the Company's one customer. The promissory note was issued in 2018 as part of the Bull Market Farm acquisition. It carried an annual interest charge of 5.5% as compared to the $5 million refinanced loan with the Royal Bank of Canada which carries a fixed interest rate of 1.95%, for 36 months. This has translated to savings of $45 thousand as compared to the prior year period.

*Bargain purchase gain*

This gain is a result of the acquisition of the net assets of the Mor Gro Farms Inc. greenhouse on February 1, 2021. In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired based on primarily on estimates of fair value at the date of acquisition. The difference between the fair value of the underlying assets acquired and the purchase price has resulted in the bargain purchase gain of $1.9 million. There were no acquisitions that took place in the comparative prior year period.

*Deferred taxes*

The deferred income tax recovery came in at $0.9 million as compared to $0.4 million in the prior year period. This increase is the result of increase in loss from operations noted in the current period.

***Summary of quarterly results***

| *($ thousands)* | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 30, 2019 | September 30, 2019 | June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 269 | 2,827 | 6,633 | 5,812 | 141 | 2,432 | 5,893 | 5,231 |
| Earnings (loss) from operations | (1,931) | (838) | 1,949 | 2,256 | (765) | (584) | 559 | 1,737 |
| Net earnings (loss) | 595 | (1,013) | 1,219 | 1,262 | (603) | (1,082) | (1,496) | 1,474 |
| Basic and diluted EPS | 0.01 | (0.02) | 0.02 | 0.02 | (0.01) | (0.02) | (0.05) | 0.05 |
| | | | | | | | | |
| Total assets | 50,941 | 32,153 | 33,189 | 33,684 | 32,524 | 31,904 | 34,048 | 32,387 |
| Total liabilities | 42,326 | 24,201 | 24,296 | 24,248 | 24,350 | 23,135 | 24,219 | 28,388 |
| Equity | 8,615 | 7,952 | 8,893 | 9,436 | 8,174 | 8,769 | 9,829 | 3,999 |

## LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Review

| ($ thousands) | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash | - | 3,057 |
| Working Capital (Deficit)[1] | (4,306) | 1,485 |
| Total Assets | 50,941 | 32,153 |
| Total Liabilities | 42,326 | 24,201 |
| Net Equity | 8,615 | 7,952 |

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

As at March 31, 2021 the Company had current liabilities of $9.5 million and a working capital deficit of $4.3 million.

During the quarter cash decreased by $3.1 million and the Company had drawn $3.2 million on its credit facilities, as the Company prepared for the upcoming grow season. Cash was used to execute three key activities being: (1) To close the net asset acquisition of Mor Gro Farms Inc. (2) To invest in the bearer plants for the 2021 crop season and (3) to fund operations, investing and financing activities as Q1 is mainly a time to prepare for a saleable crop and historically none to minimal revenues are generated. Accordingly, $3.2 million was used to close the Mor Gro acquisition (includes $0.3 million for land transfer taxes), $2.7 million was used to invest in the 2021 bearer plants, $0.3 million was used for capital investments in equipment and $0.4 million was used to repay long-term debt.

In Q1 the Company is exposed to risks related to seasonality as there is limited revenue from January through to March. Accordingly, the Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. With additional investments in bearer plants required as a result of the additional 22-acres of cultivation capacity with the acquisition of the Mor Gro Farms Inc. greenhouse, the Company amended its credit facilities with the Royal Bank of Canada on January 13, 2021 by increasing its operating line availability from $3.5 million to $5.0 million. As at March 31, 2021 the Company had utilized $3.2 million of the facility to support its operations leaving $1.5 million available.

The Company has scene a substantial increase in its crop yields. For the week ended May 21, 2021, year to date shipments of fresh produce equalled 3.6 million pounds as compared 1.7 million pounds in the same period in the prior year. This represents a 114% increase from the prior year period. This increase in fresh produce yields has translated to higher cash flows and sales in the second quarter. The cash flow is being utilized to paydown the Company's operating line and accounts payable. The Company expects to fully pay down its credit facility in the third quarter.

Total Assets increased by $18.8 million as compared to December 31, 2020 which is mainly attributed to acquiring 18.5 million of assets from the Mor Gro Farms Inc. net asset acquisition.

Total Liabilities increased by $18.1 million. This is a result of an increase of $12.6 million relating to the first mortgage on the Mor Gro Farms Inc. property and secondly $2.2 million related to the increase in trade payables as compared to the balance as at December 31, 2020. The increase in payables is consistent with investments made to the bearer plants in Q1 and with the additional costs incurred as a result of the replanting. Finally, the Company had drawn $3.2 million on its operating line which accounted for the remaining increase in the Company's total liabilities.

The increase in equity reflects the net income earned for the period plus the stock-based compensation expense which increased contributed surplus by $68 thousand for the period.

## CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available to support the development of management's planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but instead relies on the expertise of management to sustain future development of the business.

Management expects to generate sufficient cash flows from operations to meet its debt servicing, principal payment, and working capital requirements over both the short and long-term through increased profitability and strong management of working capital and capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and fit with the Company's long-term strategic objectives.

In the definition of capital, the Company includes equity, which is comprised of share capital, contributed surplus and retained earnings.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2021 the payments due by period are set out in the following table:

| *($000s)* | **Total** | **Less than 1 Year** | **1 – 5 Years** | **After 5 Years** |
|---|---|---|---|---|
| Trade Payables | 4,336 | 4,336 | - | - |
| Lease obligations | 300 | 86 | 214 | - |
| Long-term debt | 32,836 | 1,960 | 8,518 | 22,358 |
| Total | 37,472 | 6,382 | 8,732 | 22,358 |

## COMMITMENTS

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

## OFF BALANCE SHEET ARRANGEMENTS

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

## TRANSACTIONS BETWEEN RELATED PARTIES AND KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors. For the 3-month period ended March 31, 2021 the Company paid $97 thousand in cash compensation (2020 – $32 thousand) and had $68 thousand (2020 – $6 thousand) of stock-based compensation attributed to key members of management.

## RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health emergency of International Concern", and on March 11, 2020 declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Company's operations, suppliers or other vendors and customer base. The operations for the Company's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Company's operations, or those of its customers, may adversely impact the Company's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Company operates, resulting in an economic downturn that could affect demand for its services. As of the date of this management, discussion and analysis, the Company's operations have been classified as an essential service and there has been no disruption to the current operating activities. The extent to which COVID-19 impacts the Company's future results will depend on further developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

## CRITICAL ACCOUNTING JUDGMENT AND ESTIMATION UNCERTAINTIES

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

- Estimated useful lives of property, plant and equipment

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

- Estimated fair value of biological asset

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

- Bearer plants

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

## NEW ACCOUNTING PRONOUNCEMENTS

**IAS 1:** Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

**IAS 16:** Amendments to IAS 16, Property, Plant and Equipment

On May 14, 2020, the IASB published an amendment to IAS 16 Property, Plant and Equipment. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

**IAS 41:** Amendments to IAS 41, Agriculture

In May 2020, the IASB published Annual Improvements to IFRS Standards 2018–2020 Cycle, containing the following amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2022. IAS 41 Agriculture–The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

**IFRS 3:** Amendment to IFRS 3, Business Combinations

On May 14, 2020, the IASB issued amendments to IFRS 3 Business Combinations that added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently evaluating the impact of this amendment on its financial statements.

***Critical accounting judgments and estimation uncertainties***

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amount included in the financial statements.

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

ESTIMATES:

*Leases:*

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

*Estimated fair value of biological asset*

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant estimates include those related to the valuation of biological assets (See note 5 to the Green Rise 2020 consolidated financial statements). Biological assets are measured at the fair value less costs to sell, which is calculated as expected sales of harvested biological produce, less costs to sell and costs to complete. Management estimates the sales price of the produce on the vine by utilizing actual sales prices in the following period, estimates the expected yield based on historical production, and estimates the costs to sell and costs to complete, which includes packaging and transportation costs. Stage of growth and remaining costs to complete for in-progress produce are estimated by management based on historical production. The estimated inputs are subject to fluctuations based on the timing and prevailing growing conditions and market conditions.

*JUDGMENTS:*

*Bearer assets*

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR as defined in National Instrument 52-109 -Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). In particular the Chief Executive Officer and Chief Financial Officer are not required to make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (b) process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, 44,922,402 total shares were outstanding.

## APPROVAL

The Board of Directors of the Company approved the disclosure in this MD&A on May 27, 2021.

## NON-IFRS MEASURES

*EBITDA and Adjusted EBITDA*

The Company utilizes EBITDA and adjusted EBITDA to measure its financial performance. EBITDA is (defined as earnings before interest, depreciation, amortization, net unrealized gains and losses on biological assets, income taxes and non-recurring expenses such as listing expenses and non-reoccurring legal fees) to measure its financial performance. EBITDA and Adjusted EBITDA are not recognized measures, however management believes that EBITDA and Adjusted EBITDA are useful supplemental measures to net earnings as these measures provide readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as provide an indication of recurring earnings compared to prior periods. The Company calculates EBITDA and adjusted EBITDA as follows:

| | Three Months Ended | |
|---|---|---|
| *($ thousands)* | **March 31, 2021** | March 31, 2020 |
| Net earnings (loss) | **$595** | $(603) |
| Additions (Deductions) | | |
| Depreciation | **517** | 375 |
| Interest expense | **262** | 225 |
| Deferred income tax recovery | **(856)** | (387) |
| **EBITDA** | **$518** | $(390) |
| Additions (Deductions) | | |
| Impairment of bearer plants | **$1,068** | - |
| Bargain purchase gain | **(1,932)** | - |
| Land transfer tax on acquisition | **306** | - |
| Employee termination payments | **104** | - |
| Net change in unrealized gain on biological assets | **(1,143)** | (240) |
| **Adjusted EBITDA** | **$(1,079)** | $(630) |

*Adjusted Earnings*

The Company utilizes adjusted earnings (defined as net earnings before non-recurring expenses such as listing expenses and non-reoccurring legal fees) to measure its financial performance. Adjusted earnings are not recognized measures under IFRS; however, management believes that adjusted earnings is a useful supplemental measure to net earnings as these measures provide readers with an indication of recurring earnings compared to prior periods. The Company calculates adjusted earnings as follows:

| | Three Months Ended | |
|---|---|---|
| *($ thousands)* | **March 31, 2021** | March 31, 2020 |
| Net earnings (loss) | **$595** | $(603) |
| Additions (Deductions) | | |
| Impairment on bearer plants | **1,068** | - |
| Bargain purchase gain on acquisition | **(1,932)** | - |
| Land transfer tax on acquisition | **306** | - |
| Employee termination payments | **104** | - |
| Net change in unrealized gain on biological assets | **(1,143)** | (240) |
| **Adjusted Net loss** | **$(1,002)** | $(843) |