

Consolidated Financial Statements of

GREEN RISE FOODS INC.

(Formerly Green Rise Capital Corporation)

For the years ended December 31, 2020 and December 31, 2019

(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. (formerly Green Rise Capital Corporation), doing business as Green Rise Foods (Green Rise) as of and for the years ended December 31, 2020 and 2019 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, judgements and policies that it believes appropriate in the circumstances.

Green Rise maintains a system of internal accounting controls which provide 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"

Chief Executive Officer

(Signed) "George Hatzoglou"

Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Green Rise Foods Inc. (formerly Green Rise Capital Corp.)

Opinion

We have audited the consolidated financial statements of Green Rise Foods Inc. (formerly Green Rise Capital Corp.), (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of earnings (loss) and comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, 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.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

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 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.

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 23, 2021
Toronto, Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(thousands)</i>	December 31, 2020	December 31, 2019
Assets		
Current Assets:		
Cash	\$ 3,057	\$ 2,919
Trade and other receivables	684	482
Inventory	141	148
Bearer plants (note 5)	392	-
Prepaid expenses	376	102
	4,650	3,651
Property, plant and equipment (note 6)	27,503	28,253
Total Assets	\$ 32,153	\$ 31,904
Liabilities		
Current Liabilities		
Trade payables	\$ 1,831	\$ 840
Current portion of lease obligation (note 7)	81	14
Current portion of long-term debt (note 8)	1,253	920
	3,165	1,774
Promissory Note (note 9)	-	5,000
Lease obligation (note 7)	236	77
Long-term debt (note 8)	18,945	15,268
Deferred income tax liability (note 10)	1,855	1,016
Total Liabilities	24,201	23,135
Equity		
Share Capital (note 11)	4,030	5,828
Contributed Surplus (note 12)	1,637	1,521
Retained Earnings	2,285	1,420
Total Equity	7,952	8,769
Total Liabilities and Equity	\$ 32,153	\$ 31,904

Approved by the Board of Directors

(Signed) "Vincent Narang"
Director

(Signed) "Enrico (Rick) Paolone"
Director

Commitments Note 17

Subsequent events Note 18

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

For the years ended December 31, 2020 and December 31, 2019

	For the year ended December 31, 2020	For the year ended December 31, 2019
<i>(thousands, except per share amounts)</i>		
Revenue (note 14)	\$ 15,413	\$ 13,697
Cost of sales (note 15)	(10,744)	(10,750)
Gross profit	4,669	2,947
Selling, general and administrative expenses (note 15)	(2,067)	(2,047)
Earnings from operations	2,602	900
Interest expense	(898)	(999)
Listing expense (note 4)	-	(2,317)
Earnings (loss) before income taxes	1,704	(2,416)
Deferred income tax (expense) recovery (note 10)	(839)	181
Net earnings (loss) and comprehensive earnings (loss) for the year	865	(2,235)
Basic and diluted earnings (loss) per share	\$ 0.02	\$ (0.06)
Weighted average number of common shares outstanding (note 11)		
Basic	54,727,382	37,527,813
Diluted	56,393,848	37,527,813

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

Depreciation of \$312 in the comparative period, was reclassified from cost of sales to selling, general and administrative expenses to conform to the current year's presentation. Refer to note 15.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and December 31, 2019

<i>(thousands except share amounts)</i>	Number of shares	Share Capital (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance, December 31, 2019	59,896,535	\$ 5,828	\$ 1,521	\$ 1,420	\$ 8,769
Shares purchased for cancellation (note 11)	(14,974,133)	(1,647)	-	-	(1,647)
Costs related to shares purchased for cancellation (note 11)	-	(151)	-	-	(151)
Stock based compensation (note 12)	-	-	116	-	116
Comprehensive earnings for the year	-	-	-	865	865
Balance, December 31, 2020	44,922,402	\$ 4,030	\$ 1,637	\$ 2,285	\$ 7,952

	Number of shares	Share Capital (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance, December 31, 2018	11,388,690	\$ -	\$ -	\$ 3,655	\$ 3,655
Shares issued	18,343,000	3,669	-	-	3,669
Share issuance costs	-	(160)	-	-	(160)
Warrants exercised	164,845	41	(25)	-	16
Shares and options issued related to the RTO Transaction	30,000,000	2,278	40	-	2,318
Stock based compensation	-	-	6	-	6
Extinguishment of shareholder loan	-	-	1,500	-	1,500
Comprehensive loss for the year	-	-	-	(2,235)	(2,235)
Balance, December 31, 2019	59,896,535	\$ 5,828	\$ 1,521	\$ 1,420	\$ 8,769

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and December 31, 2019

<i>(thousands)</i>	December 31, 2020	December 31, 2019
Cash provided by (used in):		
Operating activities:		
Net earnings (loss) for the year	\$ 865	\$ (2,235)
Adjustments for:		
Depreciation of property, plant and equipment and bearer plants	3,664	3,331
Listing expense (note 4)	-	2,317
Stock based compensation (note 12)	116	6
Deferred income tax expense (recovery) (note 10)	839	(181)
Net changes in non-cash working capital		
Trade receivable	(202)	136
Inventory	7	(148)
Prepaid expenses	(274)	(81)
Trade payable	991	110
Net cash inflow from operating activities	6,006	3,255
Investing activities:		
Costs incurred on bearer plants (note 5)	(2,563)	(1,953)
Cash acquired from RTO Transaction (note 4)	-	208
Acquisition of property, plant and equipment (note 6)	(458)	(425)
Net cash outflow from investing activities	(3,021)	(2,170)
Financing activities:		
Repayment of promissory note (note 9)	(5,000)	-
Proceeds from long-term loan with Bank (note 8)	5,000	-
Repayment of long-term debts with Bank (note 8)	(934)	(897)
Financing costs paid on new loan with Bank (note 8)	(56)	-
Share issuance (net)	-	3,455
Repayment of shareholder loan (note 12 & 13)	-	(1,500)
Proceeds from warrants exercised	-	16
Payment of lease obligations (note 7)	(59)	(2)
Shares repurchased for cancellation and related costs (note 11)	(1,798)	-
Net cash inflow (outflow) from financing activities	(2,847)	1,072
Change in cash during the year	138	2,157
Cash - Beginning of year	2,919	762
Cash - End of year	\$ 3,057	\$ 2,919

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 and December 31, 2019.

(Tabular amounts in thousands)

1. Nature of operations

Green Rise Foods Inc. (formerly Green Rise Capital Corporation) doing business as Green Rise Foods (“Green Rise” or “the Company”) is a grower of fresh produce with 51 acres of greenhouse ranges located in Leamington, Ontario. As noted in note 18 and subsequent to year-end, on February 1, 2021, the Company acquired a second range in Kingsville, Ontario increasing its acres of greenhouse ranges by 22 to 73 acres.

On September 30, 2019, Bull Market Farms Inc. (“Bull Market”) and Green Rise completed a reverse takeover transaction (the “RTO Transaction”), providing for the acquisition by Green Rise of all of the issued and outstanding common shares of Bull Market. Pursuant to a Securities Exchange Agreement, all common shares of Bull Market were exchanged for common shares of Green Rise, and Bull Market became a wholly owned subsidiary of Green Rise, which is continuing on with the business of Bull Market. As a result, the consolidated statements of financial position are presented as a continuance of Bull Market and the comparative figures presented in the consolidated financial statements are those of Bull Market. See Note 4 for details. 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.

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

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

2. Basis of preparation

Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2021.

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. See Note 4 regarding the basis of consolidation subsequent to the RTO Transaction.

These consolidated financial statements include the accounts of the Company and the wholly owned subsidiary, Bull Market Farms Inc. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transaction 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, and inventory, which is measured at the lower of cost and net realizable value.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

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

3. Significant Accounting Policies

Cash

Cash consists of cash deposits held with banks.

Inventories

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

Inventories also include harvested agricultural produce that is held for resale, valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested tomatoes are transferred from biological assets into inventory at fair value less costs to sell upon harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Cost of sales consists of direct costs attributable to sales including raw materials, consumables, labour and costs transferred from biological assets at harvest. As at December 31, 2020 there was no harvested agricultural produce inventory on hand (December 31, 2019 –\$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 biological assets at each reporting date. Such costs consist of raw materials, labour and directly attributable overhead costs.

The Company remeasures biological assets to fair value less costs to sell at each reporting period up to the point of harvest, which becomes the basis for the cost of inventory after that. Gains or losses arising from changes in fair value less cost to sell are included in "unrealized gain on changes in fair value of biological assets" in cost of sales on the statement of earnings (loss) and comprehensive earnings (loss) and presented in note 15. When inventory is sold, the fair value adjustment to biological assets included in inventory is expensed through "realized fair value amounts included in inventory sold" in cost of sales on the statement of earnings (loss) and comprehensive earnings (loss) and presented in note 15.

To determine the fair value less costs to sell of biological assets, the expected yield is multiplied by the expected selling price, and expected selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory are deducted.

In determining the fair value less cost to sell of the biological assets, the Company estimates the following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy:

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

Bearer plants

Bearer plants are measured at cost less depreciation and impairment. Bearer plant costs include expenditures that are directly attributable to the acquisition of the asset and any costs directly attributable to bringing the bearer plants to the location and condition necessary for them to be capable of operating in the manner intended by management, including costs associated with site preparation, propagation, labour, supplies and overhead costs incurred before the plant is able to produce a commercial harvest. Bearer plants are depreciated based on the expected yield profile of the plants over their life.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are carried at cost, less any accumulated depreciation and any accumulated impairment charges.

Property, plant and equipment costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bring the assets to a working condition for their intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is presented net within gain/loss on disposal of assets in the statement of earnings and comprehensive earnings.

Depreciation

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

Residual values and useful lives are reviewed annually.

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

	Buildings	Greenhouses	Machinery and equipment
Years	25	5 – 25	10

Construction in process reflects the cost of assets under construction, which are not depreciated until they are available for use.

Impairment of long-lived assets

At each reporting period, the Company assesses whether there is an indication that an asset may be impaired. For the purposes of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs). The recoverable amount is the higher of fair value less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the statement of earnings and comprehensive earnings during the reporting period.

Provisions

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

Revenue

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

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

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

Leases

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

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

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

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

Financial instruments

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

Financial assets and liabilities	Classification	Measurement
Cash	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Promissory note	Amortized cost	Amortized cost
Long- term debt	Amortized cost	Amortized cost

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company’s intent is to hold these receivables until cash flows are collected. Trade receivables are recognized initially at fair value, net of any transaction costs incurred and are subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss (FVTPL), or the Company has opted to measure them at FVPTL. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Current and deferred income taxes

Income tax expense represents the sum of current and deferred income taxes. Current income taxes payable are based on taxable earnings for the period. Taxable earnings may differ from earnings before income tax as reported in the statement of earnings and comprehensive earnings because it may exclude items of income or expense that are taxable or deductible in other years and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted as at the balance sheet date.

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

Deferred income tax is calculated at the income tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on income tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is reflected in equity. Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority.

Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the earnings 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.

Shares Repurchased for Cancellation

The costs relating to the Company's repurchase of its own equity instruments for cancellation, including related costs associated with the repurchase, are recorded as a reduction in share capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Critical accounting judgments and estimation uncertainties

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

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

ESTIMATES:

Leases:

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

Estimated fair value of biological asset

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant estimates include those related to the valuation of biological assets (Note 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 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.

Reverse takeover transaction

The classification of the reverse takeover as a capital transaction was a significant judgment by management. The key judgments and considerations made by management are more fully described in Note 4 – Reverse takeover transaction.

Critical accounting judgments and estimation uncertainties continued

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 did not have a business combination in the year and management is currently assessing the impact of this amendment.

4. Reverse takeover transaction

On September 30, 2019, the Company and Bull Market completed the RTO Transaction, whereby the shareholders of Bull Market held a majority of the outstanding common shares of the resulting issuer (50.1%). The substance of the RTO Transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the RTO Transaction has been accounted for as a capital transaction with Bull Market being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The RTO Transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of Bull Market, together with a deemed issuance of shares equivalent to the shares held by the former shareholders of Green Rise. The operating results for the prior year of Green Rise have been consolidated from October 1, 2019; the period subsequent to the close of the RTO transaction.

Details of the RTO Transaction are as follows:

Purchase Price Consideration Paid	(\$000s)
Fair value of common shares issued	2,278
Fair value of options	15
Fair value of warrants	25
Total	2,318

Net Identifiable Assets Acquired	(\$000s)
Cash	208
Other assets	262
Accounts payable and accrued liabilities	(469)
Total net assets acquired	1
Consideration paid representing the Listing expense	2,317

The Company has accounted for the RTO Transaction as an asset acquisition under the scope of IFRS 2 - Share Based Payments. Consideration consisted entirely of shares, options and warrants of the Company which were measured at the estimated fair value on the date of acquisition.

1. The fair value of the common shares issued to former Green Rise shareholders was determined to be \$2,278 based on the fair value of common shares issued through Concurrent Financing (see note 11), which closed on September 30, 2019.
2. The estimated fair value of the previously issued 100,000 stock options, based on the Black-Scholes valuation model amounted to \$15. The amount was based on the following assumptions – current stock price \$0.20, expected dividend yield – 0%, expected volatility – 100%, risk free rate – 1.43% and an expected life of three years.
3. The estimated fair value of the previously issued 168,310 warrants, based on the Black-Scholes valuation model amounted to \$25. The value was based on the following assumptions – current stock price \$0.20, expected dividend yield – 0%, expected volatility – 100%, risk free rate – 1.43% and an expected life of three years.

The transaction costs relating to the RTO Transaction plus the aggregate of the fair value of the consideration paid has been recognized as listing expense in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

5. Bearer plants & Biological assets

Bearer plants

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

(\$000s)	December 31, 2020	December 31, 2019
Bearer plants – beginning of the year	-	-
Additions	2,563	1,953
Depreciation of bearer plants	(2,171)	(1,953)
Bearer plants – end of the year	392	-

Bearer plant costs of \$392 as at December 31, 2020 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, 2020 pertaining to the 2021 crop.

Biological assets

The Company did not have any biological assets as at December 31, 2020 (December 31, 2019 -\$NIL) however it did have biological assets throughout the year, consisting of tomatoes growing on the vines. All tomatoes were harvested as agricultural produce and sold during the year. The growing cycle for each harvest is approximately six weeks.

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

(\$000s)	December 31, 2020	December 31, 2019
Biological assets – beginning of the year	-	-
Unrealized gains due to biological asset transformation	12,103	10,532
Fair value of harvested biological asset	(12,103)	(10,532)
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 six weeks 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 and equipment	Right-of-use assets	Total
Cost:						
Balance – December 31, 2019	2,054	24,668	476	3,048	93	30,339
Additions	-	-	23	435	285	743
Balance – December 31, 2020	2,054	24,668	499	3,483	378	31,082
Accumulated depreciation:						
Balance – December 31, 2019	-	1,587	29	467	3	2,086
Additions	-	1,082	38	303	70	1,493
Balance – December, 2020	-	2,669	67	770	73	3,579
Net book value						
Balance – December 31, 2020	2,054	21,999	432	2,713	305	27,503

(\$000s)	Land	Greenhouse	Buildings	Machinery and equipment	Right-of-use assets	Total
Cost:						
Balance – December 31, 2018	2,054	24,273	476	3,019	-	29,822
Additions	-	395	-	29	93	517
Balance – December 31, 2019	2,054	24,668	476	3,048	93	30,339
Accumulated depreciation:						
Balance – December 31, 2018	-	534	10	164	-	708
Additions	-	1,053	19	303	3	1,378
Balance – December, 2019	-	1,587	29	467	3	2,086
Net book value						
Balance – December 31, 2019	2,054	23,081	447	2,581	90	28,253

7. Lease obligations

Continuity schedule:

(\$000s)	December 31, 2020	December 31, 2019
Lease obligation – beginning of the year	91	-
Arising during the year	285	93
Lease payments, excluding interest	(59)	(2)
Less: Current portion	(81)	(14)
Long term lease obligation – end of the year	236	77

Balance sheet summary:

(\$000s)	December 31, 2020	December 31, 2019
Current lease obligation -end of year	81	14
Long term lease obligation -end of year	236	77
Total lease obligation – end of the year	317	91

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 2020, the Company leased office space for its head office with a value of \$262 with an effective interest rate of 5.5% with blended monthly payments of \$4,894 plus applicable taxes and common area expenses for 60 months ending December 31, 2025.

During 2020, the Company leased a truck for its Bull Market Farm greenhouse range with a value of \$23, with an effective interest rate of 3.0% with blended biweekly payments of \$306 plus applicable taxes for 36 months ending September 17, 2023.

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

8. Long-term debt

Continuity schedule:

(\$000s)	December 31, 2020	December 31, 2019
Loans and mortgages -beginning of the year	16,188	17,085
Arising during the year	5,000	-
Repayments during the year	(934)	(897)
Less: Current portion	(1,253)	(920)
Long term portion	19,001	15,268
Deferred financing fees	(56)	-
Long term portion, net of deferred financing fees	18,945	15,268

Balance sheet summary:

(\$000s)	December 31, 2020	December 31, 2019
Current portion of long-term debt -end of year	1,253	920
Long term portion of long-term debt -end of year	18,945	15,268
Total long-term debt obligation – end of the year	20,198	16,188

In December 2020, Bull Market entered into a second loan agreement with the Royal Bank of Canada in the amount of \$5,000 for a term of three years. The second loan bears interest of 1.95% per annum with monthly payments of \$32 representing blended payments of interest and principal. Proceeds from this mortgage were used entirely to repay a \$5,000 promissory note that was used to fund the purchase of Bull Market on June 15, 2018. This promissory note bore interest of 5.5% per annum with payments of \$23 monthly representing interest only.

In 2018, Bull Market entered into a first loan with the Royal Bank of Canada in the amount of \$17,500 for a term of five years. The loan bears interest of 3.99% per annum with monthly payments of \$129 representing blended payments of interest and principal.

On November 16, 2020 Bull Market's credit facility was increased by \$1,500 to \$3,500 (December 31, 2019: \$2,000). As at December 31, 2020 there was \$NIL drawn (December 31, 2019: \$NIL). The facility must be repaid by the end of a fiscal year, is repayable on demand and carries an interest rate of bank prime plus 1% per annum.

9. Promissory Note

<i>(\$000s)</i>	December 31, 2020	December 31, 2019
Promissory Note – beginning of the year	5,000	5,000
Repayments during the year	(5,000)	-
Promissory Note – end of the year	-	5,000

On June 15, 2018, Bull Market purchased an operating greenhouse and accompanying land for a purchase price of \$26,075. The purchase price was funded through a payment of \$20,000, a payable of \$1,075 and a \$5,000 promissory note to the seller. The promissory notes had interest terms of 5.5% (monthly compounding) with payments of \$23 payable monthly representing payment of interest balances only. As referred to in note 8, the promissory note was repaid in full in December 2020 using proceeds from a second loan with the Royal Bank of Canada in the amount of \$5,000.

10. Income Taxes

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

Income taxes

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

<i>(\$000s)</i>	2020 \$	2019 \$
Earnings (loss) before income taxes	1,704	(2,416)
Combined basic federal and provincial tax	452	(640)
Adjustment for prior years	202	188
Listing expense	-	441
Change in unrecognized temporary differences	185	(170)
Net deferred income tax expense (recovery)	839	(181)

The statutory rate in effect for the year ended December 31, 2020 was 26.5% (2019 – 26.5%).

The deferred income tax assets and liabilities presented on the balance sheet are net amounts and are comprised of the following:

<i>(\$000s)</i>	December 31, 2020 \$	December 31, 2019 \$
Property, plant and equipment	(1,985)	(1,531)
Financing costs	12	-
Non-capital losses	118	515
Total	(1,855)	(1,016)

The Company has additional non-capital losses of \$1,199 (December 31, 2019: \$952) for which no deferred tax asset has been recognized. In addition, the Company has \$452 in deductible share issuance costs for which no deferred tax asset has been recognized. As of December 31, 2020, 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, 2020
	\$
Year of Expiry	
2036:	\$167
2037:	88
2038:	55
2039:	520
2040:	816
Total	\$1,646

11. Share capital

	Number of Shares	Amount (\$000s)
Common shares:		
Common Shares, December 31, 2018	11,388,690	-
Shares issued by private placement (i)	18,343,000	3,669
Issuance pursuant to the reverse takeover transaction (ii)	30,000,000	2,278
Share issue costs, net	-	(160)
Shares issued on exercise of warrants (iii)	164,845	41
Common Shares, December 31, 2019	59,896,535	5,828
Shares repurchased for cancellation (iv)	(14,974,133)	(1,647)
Share issue costs, net	-	(151)
Common Shares, December 31, 2020	44,922,402	4,030

- i. On August 20, 2019, the Company announced that it closed a non-brokered private placement of subscription receipts for gross proceeds of \$3,669. The subscription receipts were issued in connection with the previously announced proposed acquisition of Bull Market Farms and were held in escrow until the escrow release conditions were met, which occurred on September 30, 2019. Accordingly, each subscription receipt was exchanged into one common share of the Company, resulting in the issuance of 18,343,000 common shares.
- ii. On September 30, 2019 pursuant to the RTO Transaction, the outstanding Bull Market Shares were exchanged for Green Rise Shares on the basis of 315,789.47 Green Rise shares for each Bull Market Share, resulting in the existing holders of Bull Market Shares becoming holders of Green Rise post-Transaction. Based on the Definitive Agreement, a total of 30,000,000 shares were issued to existing Bull Market Shareholders.
- iii. During the fourth quarter of 2019, 164,485 warrants were exercised for net cash proceeds of \$16, resulting in the issuance of 164,845 additional shares.
- iv. On August 27, 2020, the Company repurchased 14,974,133 of its common shares at a purchase price of \$0.11 per share for total costs of \$1,647. The common shares repurchased were available as a result of a settlement agreement reached with three former directors, one of which also held the position of CFO and the other COO ("the selling shareholders"). The selling shareholders agreed to sell in aggregate 26,210,527 of the Company shares and received total consideration of \$2,883. The remaining shares that were not repurchased for cancellation were sold to other parties which included Enrico Paolone (director & co-founder) and Vincent Narang (CEO, director & co-founder). Approval for the transaction was granted by the Ontario Security Exchange on August 20, 2020 and by the TSX Venture Exchange on August 25, 2020.

12. Contributed surplus

On September 30, 2019, the former shareholders of Bull Market settled \$1,500 of shareholder loans by way of a capital contribution which has been recorded as a component of Contributed Surplus.

As part of the RTO consideration, the Company was required to revalue the previously issued stock options and warrants by Green Rise. These amounts have been reflected as part of the purchase acquisition price (see Note 4).

The share purchase options previously issued were valued at \$0.15 per option and are fully exercisable (see Note 4).

Shared Based Compensation

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	500,000	\$0.18
Issued during the year	2,050,000	\$0.24
Forfeited during the year	(100,000)	\$0.20
Balance at December 31, 2020	2,450,000	\$0.23

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 August 28, 2020, the Company issued 2,050,000 stock options to certain directors and management of the Company. The estimated fair value of the stock options was based on a Black-Scholes valuation model and amounted to \$430. The following assumptions were used -stock exercise price \$0.24, expected dividend yield -0%, expected volatility -75%, risk free rate -0.17%, vesting period -3 years and expected life of five years. As a result, the Company recorded stock-based compensation expense of \$116 during the year (2019: \$6). Volatility was estimated based upon historical price observations over the expected term of the options.

In 2019, the Company issued 400,000 stock options to directors of the Company. The estimated fair value of the stock options was based on a Black-Scholes valuation model and amounted to \$48. The following assumptions were used – stock exercise price \$0.20, expected dividend yield – 0%, expected volatility – 75%, risk free rate – 1.45%, fully vested on grant date and an expected life of five years.

The stock option compensation expense and charge to contributed surplus relating to the stock options vested during the year ended December 31, 2020 was \$116 (December 31, 2019 \$6).

Exercise prices	Stock options outstanding		Stock options exercisable	
	Stock options outstanding	Weighted average remaining contractual life (years)	Stock options exercisable	Weighted average exercise price (\$/option)
\$0.10	100,000	0.1	100,000	\$0.00
\$0.20	300,000	0.4	300,000	\$0.03
\$0.24	2,050,000	3.9	-	\$0.20
\$0.10 - \$0.24	2,450,000	4.4	400,000	\$0.23

Warrants

The previously issued share purchase warrants were re-valued at \$0.15 per warrant and are fully exercisable (see Note 4). There are a total of 3,465 warrants outstanding as at December 31, 2020. There were no warrants issued or converted in 2020 (2019: 168,310 issued and 164,845 converted both with values of \$25)

Pursuant to the completion of the initial public offering of Green Rise, which closed on November 29, 2017, the Corporation issued to Haywood Securities Inc. a total of 182,000 share purchase warrants exercisable at a price of \$0.10 per share and expiring 60 months from the closing date of the offering. All warrants were exercisable on issuance, as there are no vesting conditions attached. The fair value of the shares issued on exercise of the warrants was \$0.20 per share.

13. 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, 2020 the Company paid \$332 in cash compensation (2019 – \$1,118) and had \$89 (2019 – \$6) of stock-based compensation attributed to key members of management.

In 2019, shareholder loans of \$3.0 million were extinguished as part of the RTO Transaction through a cash payment of \$1,500 and \$1,500 settled as a capital contribution to the Company and recorded as contributed surplus.

14. Revenue

(\$000s)	For the year ended December 31, 2020	For the year ended December 31, 2019
Sales of tomatoes	14,825	13,134
Rent ¹	588	563
Total	15,413	13,697

- 1) The Company leased a portion of the greenhouse space for a three-year period, with an optional two-year extension. The lease is expected to expire no later than June 2022.

15. Expenses by nature

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

(\$000s)	For the year ended December 31, 2020	For the year ended December 31, 2019
Production Costs ¹		
Raw materials and consumables used	2,932	3,224
Labor ²	4,043	4,086
Depreciation (notes 5 and 6) ¹	3,292	3,019
Realized fair value amounts of biological assets (note 5)	12,103	10,532
Unrealized gain on change in fair value of biological assets (note 5)	(12,103)	(10,532)
Repairs and maintenance	431	419
Other	46	2
Total	10,744	10,750

- 1) A total of \$312 of depreciation in the comparative period was reclassified from production costs and into selling, general and administrative expenses to conform to the current year's presentation. This depreciation relates to the annual amortization on the 15 acres of greenhouse range currently being leased out to our one customer.
- 2) During the year the Company participated in various government programs that supported COVID-19 measures primarily relating to the costs associated with the quarantine of migrant workers on arrival into Canada and the costs of social distancing of its employees at its range. A total of \$110 has been netted against labor costs (December 31, 2019: \$NIL).

<i>(\$000s)</i>	For the year ended December 31, 2020	For the year ended December 31, 2019
Selling, general and administrative expenses ¹		
Salaries	330	1,214
Marketing board fees	66	66
Insurance	148	91
Depreciation (notes 5 & 6) ¹	372	312
Office Rent	47	-
Professional services	766	149
Other	338	215
Total	2,067	2,047

- 1) Depreciation included in selling, general and administrative expenses relate to the depreciation of the greenhouse range that is being leased to our one customer. The remaining balance for 2020 of \$51 relates to the amortization of the use of the corporate office entered during the current year. A total of \$312 of depreciation, relating to the amortization on the 15 acres of greenhouse range being leased, was reclassified in the comparative period from production costs and into selling, general and administrative expenses to conform to the current year's presentation.

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, 2020	December 31, 2019
Cash	Financial Asset	Amortized cost	3,057	2,919
Trade receivables	Financial Asset	Amortized cost	60	81
Trade payables	Financial liabilities	Amortized cost	1,831	840
Lease obligations	Financial liabilities	Amortized cost	317	91
Promissory note	Financial liabilities	Amortized cost	-	5,000
Long-term debt	Financial liabilities	Amortized cost	20,198	16,188

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 as at December 31, 2020 is the carrying value of its cash and trade receivables (cash and trade receivables as at December 31, 2019). As at December 31, 2020 all cash was held with the Royal Bank of Canada and the balance in trade and other receivables of \$0.6 million was owed by the Government as it related to HST refunds and Government grants and reimbursements relating to additional costs incurred as a result of COVID-19 protocols. All of these receivables were collected subsequent to year-end.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its obligations as they fall due. It is the Company's intention to meet its obligations through the collection of current accounts receivable and cash from sales. The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company is exposed to risks related to seasonality as there is limited revenue from January through March. If the current resources and cash generated from operations is insufficient to satisfy its obligations, the Company has an undrawn credit facility of \$3,500 (December 31, 2019: \$2,000) of which \$NIL is drawn as at December 31, 2020 (December 31, 2019: \$NIL), which can be used to fund short-term obligations. The Company ensures there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its cash holdings.

All current liabilities are expected to be settled within one year.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans have fixed rates of interest and are therefore subject to the risk of changes in fair value if the prevailing interest rate were to increase or decrease.

Management of capital risk

The Company's objectives when managing capital are to safeguard its assets and maintain a competitive cost structure, continue as a going concern and provide returns to its shareholders. In addition, the Company works with all relevant stakeholders to ensure the safety of its operations and employees and to remain in compliance with all environmental regulations.

17. Commitments and Contingencies

As at December 31, 2020 the payments due by period are set out in the following table:

<i>(\$000s)</i>	Total	Less than 1 Year	1 – 5 Years	After 5 Years
Purchase commitments	528	528	-	-

Purchase commitments consist primarily of commitments to pay for raw material inputs for the 2021 Crop that were entered into in 2020 but delivered to the Company's greenhouse ranges in January 2021.

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

Contingencies

The Company may be involved in legal proceedings from time to time arising in the ordinary course of business. Contingencies will be accrued when the outcome is probable, and the amount can be reasonably estimated. Based on the Company's knowledge of events at December 31, 2020, no such matters were identified.

18. Subsequent Events

On January 13, 2021, the Company entered into an amended credit facilities agreement with the Royal Bank of Canada. As a result, Bull Markets credit facility was increased from \$3,500 to \$5,000.

On February 1, 2021, the Company completed the acquisition, through its wholly owned subsidiary, Bull Market Farms Inc., of the net assets of Mor Gro Farms Inc., comprising a 22-acre greenhouse range on a 57-acre property in Kingsville, Ontario for a purchase price of \$15.5 million. The acquisition was funded through a \$13 million first mortgage on the property provided by the Royal Bank of Canada. As part of the asset purchase agreement, the Company also agreed to reimburse Mor Gro Farms Inc., for costs incurred, relating to the 2021 Crop and the installation of new irrigation equipment for the property. On closing a total of \$360 thousand had been paid by Mor Gro Farms Inc. relating to such costs and an additional \$700 thousand was to be paid directly to the vendors and suppliers of these items, by the Company, post closing date. The Company also assumed a contract relating to a fully automated packing line valued up to \$1.7 million Euros or ~\$2.6 million Canadian Dollars. Payment for this packing line is due over a 4 (four) year period and will begin once the site acceptance testing is completed and the line is commissioned. The purchase price allocation will be disclosed in the Company's first quarter 2021 report and is subject to refinement as the Company completes the valuation of the assets acquired and assumed.