



Canyon Creek Food Company Ltd.  
Consolidated Financial Statements  
For the three months ended August 31, 2025  
(unaudited)



Canyon Creek Food Company Ltd.  
Interim Consolidated Financial Statements  
For the three months ended August 31, 2025  
(Unaudited)

To the Shareholders of Canyon Creek Food Company Ltd.

The consolidated interim financial statements of Canyon Creek Food Company Ltd. as at and for the three-month period ended August 31, 2025, have been compiled by management.

No audit or review of this information has been performed by the company's auditors.

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



Canyon Creek Food Company Ltd.  
Consolidated Statements of Financial Position  
(in Canadian dollars) (unaudited)

	August 31, 2025	May 31, 2025
	\$	\$
<b>(Going Concern – note 1)</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash	996	1,549
Trade and other receivables (note 21c)	878,517	319,226
Inventories (note 6)	921,237	1,031,533
Prepaid expenses	21,848	26,935
	<u>1,822,598</u>	<u>1,379,243</u>
<b>Non-current assets</b>		
Property and equipment (note 7)	2,180,074	2,099,677
Right-of-use assets (note 13)	1,375,750	1,524,059
	<u>3,555,824</u>	<u>3,623,736</u>
<b>Total assets</b>	<u>5,378,422</u>	<u>5,002,979</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (notes 11 and 22)	3,113,257	3,152,252
Bank equipment loan (note 11)	903,463	1,048,113
Trade payables and other liabilities (note 8)	3,183,948	3,397,643
Current accrued interest (note 14)	956,825	931,294
Current loans payable (note 12)	345,000	345,000
Current license and royalty liability (note 9)	895,348	890,349
Current lease liability (note 13)	289,061	394,245
	<u>9,686,902</u>	<u>10,158,896</u>
<b>Non-current liabilities</b>		
Accrued interest (notes 12 and 14)	18,249,356	17,853,506
Loans payable (note 12)	20,153,500	18,953,500
License and royalty liability (note 9)	538,540	523,545
Lease liability (note 13)	1,631,959	1,631,959
	<u>39,573,355</u>	<u>38,962,510</u>
<b>Total liabilities</b>	<u>50,260,257</u>	<u>49,121,406</u>
<b>Shareholders' deficiency</b>		
Share capital (note 15)	12,921,322	12,921,322
Contributed surplus	182,400	182,400
Deficit	(57,985,557)	(57,222,149)
	<u>(44,881,835)</u>	<u>(44,118,427)</u>
<b>Total shareholders' deficiency</b>	<u>(44,881,835)</u>	<u>(44,118,427)</u>
<b>Total shareholder's deficiency and liabilities</b>	<u>5,378,422</u>	<u>5,002,979</u>

**(Subsequent event – note 23)**

**Approved by the Board of Directors**

(Signed) "Brian Halina"

\_\_\_\_\_  
Director

(Signed) "Terence Alty"

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Director

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



Canyon Creek Food Company Ltd.  
 Consolidated Statements of Operations and Comprehensive Loss  
*(in Canadian dollars) (unaudited)*

	<b>3-month period ended August 31 2025 \$</b>	<b>3-month Period ended August 31 2024 \$</b>
<b>Revenue (notes 17 and 20)</b>		
Revenue from customers	1,672,287	1,596,809
<b>Direct expenses</b>		
Cost of sales (notes 18)	1,449,246	1,383,344
Depreciation on property and equipment (note 7)	38,354	71,670
Depreciation on right-of-use assets (note 13)	53,211	15,727
	1,540,811	1,470,741
<b>Gross margin</b>	131,476	126,068
<b>Selling expenses (note 18)</b>		
General	30,776	146,017
Wages and benefits	35,334	49,206
	66,109	195,223
<b>General and administrative expenses (note 18)</b>		
Wages and benefits	130,221	134,598
Office and general	88,841	106,550
Professional fees	35,589	41,696
	254,651	282,844
<b>Research and technical expenses</b>	989	-
<b>Loss from operations before other expenses</b>	(190,273)	(351,999)
Finance costs (note 19)	573,135	600,739
<b>Net loss and comprehensive loss for the period</b>	(763,408)	(952,738)
<b>Loss per share</b>		
Basic and diluted (note 16)	(0.02)	(0.03)

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



Canyon Creek Food Company Ltd.  
 Consolidated Statements of Changes in Shareholders' Deficiency  
*(in Canadian dollars) (unaudited)*

	Share Capital \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Deficiency \$
<b>Balance at May 31, 2025</b>	12,921,322	182,400	(57,222,149)	(44,118,427)
Net loss and comprehensive loss for the period	-	-	(763,408)	(763,408)
<b>Balance at August 31, 2025</b>	<u>12,921,322</u>	<u>182,400</u>	<u>(57,985,557)</u>	<u>(44,881,835)</u>

	Share Capital \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Deficiency \$
<b>Balance at May 31, 2024</b>	12,921,322	182,400	(54,228,150)	(41,124,428)
Comprehensive loss for the year	-	-	(2,993,999)	(2,993,999)
<b>Balance at May 31, 2025</b>	<u>12,921,322</u>	<u>182,400</u>	<u>(57,222,149)</u>	<u>(44,118,427)</u>

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

Canyon Creek Food Company Ltd.  
Consolidated Statements of Cash Flows  
(in Canadian dollars) (unaudited)

	3-month period ended August 31 2025	3-month period ended August 31 2024
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
<b>Net Loss and comprehensive loss for the period</b>	(763,408)	(952,738)
<b>Items not involving cash:</b>		
Depreciation on property and equipment (note 7)	38,354	71,670
Depreciation on right-of-use assets (note 13)	53,211	15,727
License and royalty liability accretion expense (note 9)	19,994	30,325
Finance costs	553,141	570,414
	(98,708)	(264,602)
<b>Changes in non-cash working capital</b>		
Trade and other receivables	(559,291)	(99,667)
Inventories	110,296	(313,408)
Prepaid expenses	5,088	(60,529)
License and royalty liability	-	(70,000)
Trade payables and other liabilities	(167,161)	100,436
	(611,068)	(443,168)
<b>Net cash used in operating activities</b>	(709,776)	(707,770)
<b>Investing activities</b>		
Disposal of property and equipment (note 13)	-	67,727
Purchase of property and equipment (note 7)	(23,652)	(92,357)
<b>Net cash used in investing activities</b>	(23,652)	(24,631)
<b>Financing activities</b>		
Proceeds from bank equipment loan (note 11)	-	219,118
Principal portion of lease liability payments	(105,184)	(99,095)
Proceeds from loans payable (note 12)	1,200,000	1,100,000
Finance costs paid	(112,770)	(152,813)
Repayment of bank equipment loan	(144,651)	(140,678)
Net changes in bank indebtedness	(104,519)	(189,558)
<b>Net cash provided by financing activities</b>	732,876	736,974
<b>Net change in cash for the period</b>	552	4,574
Cash and cash equivalents, beginning of year	1,549	997
Cash and cash equivalents, end of year	996	5,570

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

## 1. **Going concern**

These interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

During the period ended August 31, 2025, Canyon Creek Food Company Ltd. (the Company) reported a loss of \$763,408 (2024 - \$952,738). As at August 31, 2025, the Company has a working capital deficiency of \$7,864,304 (2024 - \$8,555,753), bank indebtedness of \$3,183,947 (2024 - \$3,067,287) loans due to directors of \$20,498,500 (2024 - \$18,253,500), an equipment loan of \$903,463 (2024 - \$1,483,028) and accrued interest thereon of \$19,206,181 (2024 - \$17,618,831), a shareholders' deficiency of \$44,881,835 (2024 - \$42,077,166) and an accumulated deficit of \$57,985,557 (2024 - \$55,180,889). The Company has reported negative cash flow from operations of \$709,776 (2024 - \$707,770). The Company's operations were not profitable for the year ending May 31, 2025, which is consistent with prior years, and it is uncertain as to when the Company will become profitable. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

During the year ending May 31, 2025, the Company received a secondary audit to confirm an assessment from the Canada Revenue Agency (CRA) for unpaid payroll related remittances. The amount owing as at August 31, 2025, has been accrued and recorded in trade payable and other liabilities (note 8).

The Company's ability to continue as a going concern is dependent upon the continuing support of related parties, including the majority shareholder (notes 12 and 14), availability of operating and long-term financing, renewing and obtaining new customer supply contracts, achieving a profitable level of operations, and being able to meet future debt service requirements. Management is continuing to address the need to increase revenue, control costs, manage working capital more effectively, and obtain long-term financing. The Company's ability to raise financing may be impacted by its ability to meet certain TSX Venture Exchange's (the Exchange) Continued Listing Requirements. As the outcome of management's actions is dependent on future events, there is no certainty that management will be able to successfully resolve these issues. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

## 2. **Nature of the Company**

Canyon Creek Food Company Ltd. is a food processing company based in Edmonton, Alberta providing fresh soups and other prepared food products for today's health-conscious consumer. The Company provides their fresh food product line to both grocery retailers and a broad range of food service establishments throughout Canada. The address of the Company's registered office is 8704-53 Avenue, Edmonton, Alberta T6E 5G2. The consolidated financial statements of the Company as at and for the period ended August 31, 2025, include the accounts of the Company and its subsidiary. Canyon Creek Food Company Ltd owns 100% of Canyon Creek Soup Company Ltd. as at August 31, 2025. The Company's common shares are traded on the TSX Venture exchange under the symbol "CYF".

## 3. **Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and should be read in conjunction with the Company's annual financial statements for the year ended May 31, 2025, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These unaudited interim consolidated financial statements were approved by the Board of Directors for issue on October 30, 2025.

**4. Material accounting policy information**

The accounting standards applied by the Company in these financial statements are the same as those applied by the Company as described in its consolidated financial statements as at and for the year ended May 31, 2025, and there have been no changes to those standards.

**5. Adoption of new accounting standards**

**(a) New and amended standards adopted**

*IAS 1, Presentation of financial statements* - amendments were made to IAS 1, Presentation of financial statements in order to clarify how to classify debt and other liabilities as either current or non-current. IAS 1 is required to be applied for annual periods beginning on or after January 1, 2024. The Company has determined that there is no impact of this standard on the consolidated financial statements.

*IFRS 16, Lease liability in a sale and leaseback* - amendments were made to IFRS 16, Lease liability in a sale and leaseback to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. IFRS 16 is required to be applied for annual periods beginning on or after January 1, 2024. The Company has determined that there is no impact of this standard on the consolidated financial statements.

*IAS 7 & IFRS 7, Disclosures on supplier finance agreements* – amendments were made to require specific disclosures about supplier finance agreements. IAS 7 and IFRS 7 are required to be applied for annual periods beginning on or after January 1, 2024. The Company has determined that there is no impact of this standard on the consolidated financial statements.

**(b) New and amended standards, not yet adopted**

*IAS 21, Lack of exchangeability* - amendments were made to require companies to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. IAS 21 is required to be applied for annual periods beginning on or after January 1, 2025. The Company is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2026.

*IFRS 9 & IFRS 7, Classification and Measurement of Financial Instruments* – amendments were made to include new requirements. The amendments are clarify the date of recognition/derecognition and added disclosure. IFRS 9 and IFRS 7 is required to be applied for annual periods beginning on or after January 1, 2026. The Company is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2027.

*IFRS 18, Presentation and Disclosure in Financial Statements* – amendments will replace IAS 1 *Presentation of the financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. IFRS 18 is required to be applied for annual periods beginning on or after January 1, 2027. The Company is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2028.

**6. Inventories**

	August 31, 2025	May 31, 2025
	\$	\$
Raw Materials	297,172	338,724
Finished Goods	62,757	61,755
Supplies	561,308	631,054
	921,237	1,031,533

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Inventories expensed in cost of sales for the period amounted to \$850,715 (2024 - \$635,540). Inventory write down in the year were \$nil (2024 - \$nil).

**7. Property and equipment**

	<b>Production Equipment</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Year ended May 31, 2025</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening net book value	2,404,986	24,561	-	2,429,547
Additions	54,773	-	6,340	61,113
ROU lease transfer	244,280	-	-	244,280
Impairment	(378,941)	-	-	(378,941)
Depreciation	(244,443)	(5,539)	(6,340)	(256,322)
<b>Closing net book amount</b>	<b>2,080,655</b>	<b>19,022</b>	<b>-</b>	<b>2,099,677</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Period ended Aug 31, 2025</b>				
Opening net book value	2,080,655	19,022	-	2,099,677
Additions	23,652	-	-	23,652
ROU lease transfer	95,099	-	-	95,099
Depreciation	(37,293)	(1,061)	-	(38,354)
<b>Closing net book amount</b>	<b>2,162,113</b>	<b>17,961</b>	<b>-</b>	<b>2,180,074</b>
<b>At May 31, 2025</b>				
Cost	6,239,025	237,100	1,071,253	7,547,378
Accumulated depreciation and impairment	(4,158,370)	(218,078)	(1,071,253)	(5,447,701)
<b>Net book amount</b>	<b>2,080,655</b>	<b>19,022</b>	<b>-</b>	<b>2,099,677</b>
<b>At Aug 31, 2025</b>				
Cost	6,473,915	237,098	1,071,253	7,782,266
Accumulated depreciation and impairment	(4,311,802)	(219,137)	(1,071,253)	(5,602,192)
<b>Net book amount</b>	<b>2,162,113</b>	<b>17,961</b>	<b>-</b>	<b>2,180,074</b>

As indicated in note 1, a material uncertainty exists related to the entity's ability to continue as a going concern, driven primarily by a long history of negative cash flows from operations and accumulated deficits. In order to continue operations, the Company has received financial support from one of its shareholders every year.

The Company has concluded that a number of impairment indicators exist, including (among others) failure to meet certain TSX Venture Exchange Continued Listing Requirements, history of accumulated losses and negative cash flows from operations and the absence of positive net cash inflows or operating profits in the foreseeable future. As required by IAS 36 Impairment of Assets, the Company has performed an impairment test at the Cash Generating Unit (CGU) level. Due to the nature of the business and operations of the Company, management has concluded that the property and equipment and right of use asset belong to one CGU.

Management calculated the recoverable amount of the CGU using a FVLCD model and allocated the impairment loss to the individual assets in the CGU. The carrying amount of the assets was reduced to the highest of FVLCD, its VIU or zero of the individual assets.

Management has concluded that the determination of FVLCD at the asset level would reflect the best estimate of the recoverable amounts of Property and equipment (P&E) and right-of-use assets (ROUA).

The determination of the recoverable amounts of P&E at the asset level considered the following approaches:

- Cost approach, and
- Sales comparison or market approach

For the year ended May 31, 2025, management of the Company concluded that the recoverable amounts of certain individual assets included in P&E were below the carrying amounts and as such recorded an impairment charge of \$378,941 (2024 - \$528,907) against production equipment and \$nil (2024 - \$297,710) against leasehold improvements.

As indicated above, management determined the fair value less cost of disposal of the Company's production equipment and equipment under capital lease. Fair value was determined using the sales comparison (market) approach. Under this approach, recently consummated sales transactions and offering prices of similar property are used to arrive at an indication of the most probable selling price of the contemplated property. If the comparable are not exactly like the items being appraised, the selling prices are adjusted to equate them to the selling characteristics of the subject property. Judgement and estimation are involved in determining these adjustments.

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1: quote prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The approach used in the determination of the recoverable amounts of P&E, is categorized as Level 3 in the fair value hierarchy. As at May 31, 2025, the significant unobservable input in the Level 3 valuation is the market price of the comparable equipment. The amount that could be realized from the actual sale and disposition of the assets may be affected by changes in the economic conditions or other factors and may vary from the carrying values by a material amount.

#### 8. Trade payables and other liabilities by nature

	<b>Aug 31, 2025</b>	<b>May 31, 2025</b>
	<b>\$</b>	<b>\$</b>
Payables outstanding by nature		
Trade	1,368,560	1,539,271
Related parties	60,368	55,649
Canada Revenue Agency (CRA)	848,822	904,177
Other	906,198	898,546
	<b>3,183,948</b>	<b>3,397,643</b>

Payables outstanding to the CRA are related to the remaining CEBA loan balance, unpaid payroll remittances, and related penalties and interest on unpaid payroll remittances. Of the balance owing at August 31, 2025, \$741,230 (May 31, 2025 - \$832,980) is related to overdue remittances and \$32,366 (May 31, 2025 - \$31,628) is related to the CEBA loan balance outstanding, which was classified as Bank indebtedness for the year ended May 31, 2024. Refer to note 22 for additional details related to the reassignment of the CEBA loan. The Canada Revenue Agency accrual if continued to be paid down by the agreed payment plan with CRA will accrue an additional \$40,376 in interest.

**9. License and royalty liability**

In Fiscal 2023, the Company entered into a license and royalty agreement (the Agreement) for a minimum of 5 years with another food manufacturing company (the Licensor) for the exclusive right and license to use their recipes to prepare and package certain products in association with the Licensor's marks and to distribute, dispense, offer for sale and sell such products.

Per the terms of the Agreement, the Company is obligated to make royalty payments due at the end of each calendar quarter equal to the greater of 10% of net sales and a specified amount per quarter. The specified amounts per quarter for each of the 5 years are as follows:

<u>Calendar year</u>	<u>Per quarter</u>
2023	\$50,000
2024	\$75,000
2025	\$100,000
2026	\$100,000
2027	\$100,000

The Agreement represents both a contractual right to the use of the recipes and marks of the Licensor giving rise to an intangible asset as required by IAS 38, *Intangible Assets*, and a contractual liability. At inception in Fiscal 2023, both the asset and the liability were measured at the present value of the minimum amounts payable to the Licensor of \$1,260,016. The intangible asset was immediately written off in the May 31, 2023, consolidated statement of operations and comprehensive loss. As at August 31, 2025, the asset is recorded at \$nil (2024 - \$nil), the liability is \$1,433,888 (2024 - \$1,471,616) and the outstanding payable is \$610,343 (2024 - \$392,373).

The following table presents the maturity analysis of contractual undiscounted cash flows related to the Company's license and royalty liabilities as of August 31, 2025:

	<b>Aug 31, 2025</b>
	<b>\$</b>
Outstanding payments from prior years, up to August 31, 2025	610,343
2026	300,000
2027	400,000
2028	233,333
Total minimum license and royalty payments	<u>1,543,676</u>
Less: Amount representing imputed interest	129,782
	<u>1,433,888</u>

The license and royalty liability recorded represents the minimum payments payable net of imputed interest at 11% per annum.

Below is a summary of the activity related to the license and royalty liabilities for the period August 31, 2025:

	<b>Aug 31, 2025</b>
	<b>\$</b>
License and royalty liabilities, beginning of the year	1,413,894
Additional license and royalty payments	-
Accretion expense	19,994
<u>License and royalty payments paid</u>	<u>-</u>
Total license and royalty liabilities, end of period	1,433,888
Of which are:	

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Current license and royalty liabilities	895,348
Non-current license and royalty liabilities	538,540

Included within Current license and royalty liabilities are \$510,343 (2024 - \$387,383) relating to amounts owing up to May 31, 2025, in relation to this Agreement that have not yet been paid. Subsequent to the reporting period, the Company entered into the contractual dispute described in note 22 with the Licensor of the Agreement.

**10. Income taxes**

**(a) Income tax expense**

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory rate applicable to the Company as follows:

	2025 \$	2023 \$
Tax recovery at statutory rate	(706,000)	(1,030,000)
Adjusted for the tax effect of:		
Non-deductible expenses	113,000	272,000
Unrecognized deductible temporary differences	514,000	797,000
Other	79,000	(39,000)
	706,000	1,030,000
Total income tax provision	-	-

The statutory rate was 23% (2024 – 23%).

**(b) Deferred income tax**

The amounts of temporary differences that give rise to significant portions of the deferred tax assets are presented below:

	2025 \$	2024 \$
Property and equipment	5,093	150,608
License	1,425,654	1,425,654
Right-of-use assets	(1,524,059)	(1,940,564)
Lease liability	2,026,204	2,378,963
Licensing and royalty liability	1,413,894	1,511,291
Non-capital losses	37,806,545	35,391,574
	41,153,331	38,917,526

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of \$9,465,266 (2024 - \$8,951,031) in respect of deductible temporary differences amounting to \$41,153,331 (2024 - \$38,917,526) that can be carried forward against future taxable income. Included in these deductible temporary differences are non-capital losses of \$37,806,545 (2024 - \$35,391,574) that can be carried forward to use against future taxable income. These non-capital losses (rounded to the nearest \$1,000) expire based on the dates listed below:

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

	\$
2026	543,000
2027	1,145,000
2028	817,000
2029	972,000
2030	568,000
2031	619,000
2032	1,284,000
2033	1,628,000
2034	1,769,000
2035	2,011,000
2036	2,180,000
2037	1,336,000
2038	1,447,000
2039	3,733,000
2040	3,984,000
2041	1,875,000
2042	3,298,000
2043	4,393,000
2044	1,447,000
2045	2,758,000
	<u>37,807,000</u>

**11. Bank indebtedness**

As at August 31, 2025, the Company has a banking agreement with a line of credit equalling \$3,150,000. The line of credit bears interest at the bank's prime lending rate plus 0.25% and is due on demand. A general security agreement by a majority shareholder, who is also a director, was pledged as collateral. At August 31, 2025, the bank's prime rate was 4.95% (May 31, 2025 – 4.95%), the Company had outstanding cheques of \$54,133 (May 31, 2025 - \$16,077) and a bank overdraft of \$3,059,124 (May 31, 2025 - \$3,136,175).

The Company has a \$2,900,00 bank demand instalment loan for the purchase of equipment, as of fiscal 2025 the loan has been fully drawn upon. As at August 31, 2025, the balance of the loan is \$903,463 (May 31, 2025 - \$1,048,113) The Company was in compliance with debt covenants as at August 31, 2025.

Below is a summary of the activity related to the Company's bank indebtedness:

	Line of credit	Equipment loan	Total
	\$	\$	\$
<b>Year ended May 31, 2025</b>			
Opening balance	3,128,918	1,404,588	4,533,506
Additions	16,094,604	219,118	16,313,722
Transfer of CEBA loan to CRA program (note 22)	(31,268)	-	(31,268)
Repayments	(16,056,079)	(575,593)	(16,631,672)
<b>Closing balance</b>	<b>3,136,175</b>	<b>1,048,113</b>	<b>4,184,288</b>
<b>Period ended August 31, 2025</b>			
Opening balance	3,136,175	1,048,113	4,184,288
Additions	2,297,958	-	2,297,958
Repayments	(2,375,009)	(144,650)	(2,519,659)
<b>Closing balance</b>	<b>3,059,124</b>	<b>903,463</b>	<b>3,962,587</b>

## 12. Loans payable

The demand loans payable to the directors are unsecured.

In 2021 the Company's bank and the Company's controlling shareholder, who is also a director, and a company controlled by this same individual entered into an agreement which waives the lender's right to demand repayment of demand loans payable, including related interest, for the next 12 months. As at August 31, 2025, loans payable to this shareholder are \$20,153,500 (May 31, 2025 - \$18,953,500) and accrued interest thereon of \$18,249,356 (May 31, 2025 - \$17,853,506). As indicated in note 1 the Company is dependent on the support from a controlling shareholder. During the period an additional \$1,200,000 (2024 - \$1,100,000) was lent by the controlling shareholder.

Below is a summary of the activity related to the Company's loans payable:

	<b>Total</b>
<b>Year ended May 31, 2025</b>	<b>\$</b>
Opening balance	17,153,500
Additions	1,800,000
Repayments	-
<b>Closing balance</b>	<b>18,953,500</b>

	<b>Total</b>
<b>Period ended August 31, 2025</b>	<b>\$</b>
Opening balance	18,953,500
Additions	1,200,000
Repayments	-
<b>Closing balance</b>	<b>20,153,500</b>

	<b>Aug 31, 2025</b>	<b>May 31, 2025</b>
	<b>\$</b>	<b>\$</b>
Demand loans payable to controlling shareholder, who is also a director, or company controlled by this individual, bearing interest at 8%	20,153,500	18,953,500
Demand loans payable to certain other directors of the Company, bearing interest at 8% compounded annually	345,000	345,000
	<u>20,498,500</u>	<u>19,298,500</u>
Less: Current portion	345,000	345,000
	<u>20,153,500</u>	<u>18,953,500</u>

## 13. Leases

The Company leases production equipment, warehouse, and office space. Lease contracts are typically for fixed periods of four to ten years but often have extension options. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

Below is a summary of the activity related to the Company's ROUA:

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

	<b>Production Equipment</b>	<b>Building</b>	<b>Total</b>
<b>Year ended May 31, 2025</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening net book value	830,200	1,110,364	1,940,564
Impairment	-	(112,361)	(112,361)
Additions	41,592	-	41,592
Lease transfer	(244,280)	-	(244,280)
Accumulated depreciation transfer	114,578	-	114,578
Depreciation	(38,376)	(177,658)	(216,034)
<b>Closing net book amount</b>	<b>703,714</b>	<b>820,345</b>	<b>1,524,059</b>

  

	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Period ended August 31, 2025</b>			
Opening net book value	703,714	820,345	1,524,059
Lease transfer	(211,237)	-	(211,237)
Accumulated depreciation transfer	116,138	-	116,138
Depreciation	(8,796)	(44,415)	(53,211)
<b>Closing net book amount</b>	<b>599,819</b>	<b>775,930</b>	<b>1,375,750</b>

As described in note 7, the Company has concluded that a number of impairment indicators existed at year end and tested the CGU for impairment.

As of May 31, 2025, the recoverable amount of leased buildings of \$820,345 (2024 - \$1,110,364) included in ROUA was calculated using a present value technique including the following significant assumptions:

- Sublease market rate: \$10 per sqf,
- Sublease vacancy lag: 4 months,
- Discount rate: 9.29%, and
- Restoration costs: \$100,000 per each facility.

As of May 31, 2025, the recoverable amount of leased production equipment of \$703,714 (2024 - \$830,200) included in ROUA was determined in a manner consistent with the determination of recoverable amounts of P&E as described in note 7.

For the year ended May 31, 2025, management of the Company concluded that the recoverable amount of certain assets within ROUA was below their carrying value and as such had a write-down of \$nil (2024 - \$202,815) against leased production equipment and a write-down of \$112,361 (2024 - \$nil) against leased buildings.

Below is a summary of the activity related to the lease liabilities for the year ended May 31, 2025:

	<b>May 31, 2025 \$</b>
Lease liabilities, beginning of the year	2,378,963
Additions	41,592
Lease payments	(394,351)
Total lease liabilities, end of period	2,026,204
Of which are:	
Current lease liabilities	394,245

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Non-current lease liabilities	1,631,959
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Below is a summary of the activity related to the lease liabilities for the period ended August 31, 2025:

	<b>Aug 31, 2025</b>
	<b>\$</b>
Lease liabilities, beginning of the year	2,026,204
Additions	-
Lease payments	(105,184)
Total lease liabilities, end of period	1,921,020
Of which are:	
Current lease liabilities	289,061
Non-current lease liabilities	1,631,959

The following table presents the maturity analysis of contractual undiscounted cash flows related to the Company's lease liabilities as of August 31, 2025:

	<b>Aug 31, 2025</b>
	<b>\$</b>
2026	448,957
2027	531,699
2028	538,912
2029	539,119
2030 and thereafter	522,003
Total minimum lease payments	2,580,690
Less: Amount representing imputed interest	659,670
	1,921,020

Leased production equipment with a carrying value of \$599,819 (May 31, 2025 - \$703,714) has been pledged as collateral. The lease liability recorded represents the minimum lease payments payable net of imputed interest at rates ranging from 4.98% to 15.81% per annum.

**14. Related party balances and transactions**

(a) In addition, to the amounts described in note 12, at the end of the period, the amounts due to related parties are as follows:

	<b>Aug 31, 2025</b>	<b>May 31, 2025</b>
	<b>\$</b>	<b>\$</b>
Due to a company controlled by a director, included in accounts payable, unsecured, interest bearing at 8% compounded annually, with no fixed terms of repayment	49,910	49,910
Accrued interest on demand loans payable to controlling shareholder, who is also a director, or company controlled by this individual, with no fixed terms of repayment (note 12)	18,249,356	17,852,268
Due to a director and an officer, included in accounts payable, unsecured, interest bearing at 8% compounded annually, with no fixed terms of repayment	10,458	5,739

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Accrued interest on demand loans payable to certain other shareholders of the Company, with no fixed terms of repayment (note 12)	956,825	931,294
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Subsequent to year-end, the Company has received additional shareholder funding (note 23), from a controlling shareholder, who is also a director, or company controlled by this individual.

(b) The following transactions were entered with related parties during the period:

	Aug 31, 2025 \$	Aug 31, 2024 \$
Interest on demand loans, accrued but not paid (note 19)	421,381	385,903

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(c) Compensation of key management

Key management include the Company's directors and officers. Compensation awarded to key management included during the year ended:

	2025 \$	2024 \$
Salaries and short-term employee benefits	262,000	262,000
Reimbursement of expenses	634,917	684,925

**15. Share capital**

**Authorized**

Unlimited number of voting, common shares  
Unlimited number of non-voting, preferred shares, issuable in series

**Issued**

Common shares

	Number of Shares #	Amount \$
Common shares as at August 31, 2025 and August 31, 2024	35,148,902	12,921,322

**16. Loss per share**

	Aug 31, 2025 \$	Aug 31, 2024 \$
Net loss for basic and diluted	(763,408)	(952,738)
	#	#

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Weighted average number of common shares for basic and diluted	<u>35,148,902</u>	<u>35,148,902</u>
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**17. Revenue**

	<b>Aug 31, 2025</b>	<b>Aug 31, 2024</b>
	\$	\$
Revenue from contracts with customers		
Product sales	1,540,274	1,393,038
Freight services	<u>132,013</u>	<u>203,771</u>
	<b><u>1,672,287</u></b>	<b><u>1,596,809</u></b>

**18. Expenses by nature**

	<b>Aug 31, 2025</b>	<b>Aug 31, 2024</b>
	\$	\$
i) Cost of sales		
Ingredients	853,632	584,217
Salaries, wages and benefits	298,620	337,407
Freight	159,920	228,743
Plant rental	63,475	55,630
Plant utilities	46,438	69,371
Other	33,996	23,798
Repairs and maintenance	22,337	55,399
Packaging	<u>(29,172)</u>	<u>28,780</u>
	<b><u>1,449,246</u></b>	<b><u>1,383,345</u></b>
ii) Selling and general and administrative expenses		
Salaries, wages, and benefits	199,437	221,252
Advertising and promotion	21,769	92,818
Other	31,594	40,429
Professional fees	35,589	41,696
Quality control	9,005	53,199
Insurance	19,670	16,835
Utilities	2,276	3,628
Travel	1,420	-
CRA Arrears Payments	-	7,509
CRA Penalties	<u>-</u>	<u>701</u>
	<b><u>320,760</u></b>	<b><u>478,067</u></b>

**19. Finance costs**

	<b>Aug 31, 2025</b>	<b>Aug 31, 2024</b>
	\$	\$
Interest on loans payable	421,381	385,903
Interest on lease liabilities	59,726	70,242
Interest on bank indebtedness	40,021	54,212

**Notes to the Consolidated Financial Statements**  
(in Canadian dollars) (unaudited)

Interest on license accretion	19,994	30,325
Interest on accounts payable	3,791	1,922
Interest on CRA Arrears	15,199	29,775
Interest on bank loan	13,023	28,360
	<b>573,135</b>	<b>600,739</b>

**20. Segmented information and economic dependence**

The Company operates in one industry, food manufacturing, and all the Company's assets are in Canada. During Fiscal 2025, the Company has recorded revenue of \$11,927,932, from one major Canadian customer, representing 84% of total revenue (2024 - revenue of \$10,828,849 from one major Canadian customer and one major US based customer). The accounts receivable balance due from these customers amounts to 30% of total receivable (2024 - 32%).

Although all manufacturing operations of the Company are conducted in Canada, revenue attributed to the location of the customer occurs primarily in two geographical regions as follows:

Net revenue attributed to:	2025 \$	2024 \$
Canada	14,097,741	12,269,291
US	183,390	1,247,270
	<b>14,281,131</b>	<b>13,516,561</b>

As at May 31, 2025, there are no held assets located in foreign countries.

**21. Financial Instruments**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and commodity prices and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by financial management in conjunction with overall corporate governance.

**(a) Fair value**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are no financial instruments carried at fair value as at May 31, 2025, or May 31, 2024. The carrying values of all financial instruments approximate their fair values due either to their short-term nature or their interest terms approximating current market rates.

**(b) Market risk**

**(i) Foreign exchange risk**

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is exposed to foreign currency risk through revenues generated in US dollars. The Company occasionally purchases supplies in foreign currency; however, it is not significantly exposed to foreign currency risk through these purchases. The Company recognized a foreign currency exchange loss of \$229 included in cost of sales.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may influence the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company has a credit facility with a Canadian chartered bank which when utilized by the Company provides loans that are subject to interest rate fluctuations. At May 31, 2025, a 1% change in interest rates would change interest expense by \$31,523 (2024 - \$46,614).

**(c) Credit risk**

Credit risk is the risk of financial loss because a counterparty to a financial instrument fails to discharge its contractual obligations. Credit risk is managed by analysing the credit risk for new customers before standard payment, and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and credit exposures to customers, including outstanding trade receivables and committed transactions. Customers are assessed on their credit quality, considering their financial position, past experience and other factors. The maximum exposure to credit risk is the total carrying value of cash and cash equivalents and trade and other receivables.

A simplified credit loss approach is applied for trade and other receivables. Under this approach, lifetime expected credit losses are recognized for all accounts receivable balances by applying an expected loss rate based on historical credit losses adjusted for current and forward-looking information which may affect the ability of the customers to settle receivables. Trade and other receivables have been grouped based on shared credit risk characteristics and days past due. In previous years the impairment of accounts receivable and loan receivable was assessed based on the incurred loss model whereby individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Where the Company assessed a potential impairment, the estimated impairment losses were recognized in a separate provision. Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and failure to make contractual payments for a period of greater than 120 days past due.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade and other receivables. The maximum credit risk exposure to a single customer is \$40,776 (2024 – \$72,215). The Company believes there is minimal risk associated with the collection of these amounts based on historical and subsequent collections. The Company manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not generally require collateral or other security from customers on accounts receivable.

The aging of the Company's receivables is:

	Aug 31, 2025 \$	May 31, 2025 \$
Current	666,015	82,199
Past due amounts		
15 – 45 days	18,850	68,653
Greater than 45 days	193,652	168,374
	202,502	237,027
Accounts receivable net	878,517	319,226

**(d) Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit, borrow funds from financial institutions; and lease warehouse space from various lessors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flows. Due to the recurring history of significant losses and lack of consistent operating cash flows, the Company continues to rely on the majority shareholder to fund ongoing operations and cash flow deficiencies through the additional draws on the loans payable (note 12).

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit lines. The Company's trade payables, lease liabilities, other liabilities, loans payable and accrued interest in the amount of \$10,158,896 are due within one year and the Company's line of credit is close to its limit. The degree to which the Company is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to improve cash flows from operations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in note 21. Due to the significant liquidity risk and lack of adequate cash flows to fund existing obligations and ongoing operations, the Company continues to make efforts to improve operating cash flows through certain strategic efforts, such as expanding operations, but to date the cash flow deficiencies have been funded by the majority shareholder. Until such time that the Company generates positive cash flows it is expected to remain reliant on the funding of the majority shareholder, or other sources of financing where possible. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

In addition to the risks outlined above, the Company is exposed to further liquidity risk as a result of its economic dependence on the revenues from a few major customers, as outlined in note 20. See also going concern disclosures, note 1.

**Capital disclosures**

The Company's objectives in managing capital are:

- a) to ensure sufficient liquidity to enable the internal financing of capital projects;
- b) to ensure sufficient liquidity to meet the demands of the existing current and long term obligations;
- c) to ultimately develop a strong capital base to increase investor, creditor, and market confidence; and
- d) to ultimately provide an adequate return to shareholders.

The Company's capital is composed of bank indebtedness, loans payable, and lease liabilities. The Company's primary uses of capital in the past have been to finance its operations, and property and equipment expenditures. The Company currently funds these requirements with shareholder financing. The Company maintains a secured operating line of credit with a chartered bank that it uses for its business activities. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements. See also going concern disclosure, note 1.

**22. Government assistance**

On March 27, 2020, the Government of Canada announced the creation of the Canada Emergency Business Account (CEBA) Program. Through the CEBA Program, eligible small businesses were provided emergency funding in the form of loans that were initially interest-free and partially forgivable, to help cover a variety of expenses that could not be deferred during a period of shutdown.

Eligible CEBA loan holders in good standing were able to qualify for partial loan forgiveness if the non-forgivable principal of their CEBA loan was repaid on or before January 18, 2024 (or on or before March 28, 2024, for those that applied for refinancing with the financial institution that provided their CEBA loan on or before January 18, 2024). Certain loan holders that did not qualify for the loan they received were not eligible for forgiveness and were required to repay the outstanding amount of their CEBA loan, in full, by December 31, 2023.

During fiscal 2020, the Company received \$40,000 through the CEBA Program.

During fiscal 2025, the Company was in default on the CEBA loan as the outstanding amount was not repaid in full by December 31, 2023, in accordance with CRA eligibility requirements. Accordingly, the CEBA loan was reassigned and transferred from the financial institution that initially handled its establishment and administration to the CRA CEBA Program for collection.

Interest began accruing on this balance at a rate of 5% per annum on January 19, 2024, and continues until the loan is repaid in full. The balance as at May 31, 2025, is \$31,628 (2024 - \$40,000) and has been presented as part of Trade payables and other liabilities for the year ended May 31, 2025 (2024 – Bank indebtedness).

**23. Subsequent events**

**License and royalty agreement dispute**

Subsequent to period end, the Company is still in a contractual dispute with the Licensor of the Agreement described in note 9. Following a series of communications between the parties, the Licensor issue a formal notice of termination on July 10, 2025, citing alleged breaches of material obligations under the agreement. The Company is disputing the claims. Both parties have indicated an intention to resolve the matter through arbitration in accordance with the agreement's dispute resolution provision. Based on management's current assessment, an estimate of the financial effect cannot be made at this time as the arbitration has not yet commenced. The Company has disclosed this matter due to its potential material impact on future operations and financial position.