

Consolidated financial statements of

THS MAPLE HOLDINGS Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Seven months ended June 30, 2024 and year ended November 30, 2023

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Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

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Independent Auditor's Report

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To the Shareholders of
THS Maple Holdings Inc.

Opinion

We have audited the consolidated financial statements of THS Maple Holdings Ltd. (formerly Toronto Cleantech Capital Inc.) (hereafter "the Company"), which comprise the consolidated statement of financial position as at June 30, 2024 and the consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' equity (deficiency) and consolidated statement of cash flows for the seven months ended June 30, 2024, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and its financial performance and its cash flows for the seven months ended June 30, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting 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.

Emphasis of matter – Restated comparative information

We draw attention to Note 22 to the consolidated financial statements, which describes that certain comparative information presented for the year ended November 30, 2023 has been restated. The consolidated financial statements of the Company for the year ended November 30, 2023 (before the restatement of certain

comparative information described in Note 22) were audited by another auditor who expressed, an unmodified opinion on those statements on April 15, 2024. Our opinion is not modified in respect of this matter.

As part of our audit of the consolidated financial statements for the seven months ended June 30, 2024, we also audited the adjustment described in Note 22 that was applied to restate certain comparative financial information presented. In our opinion such adjustment is appropriate and has been properly applied.

Other than with respect to the adjustment that was applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended November 30, 2023. Accordingly, we do not express an opinion or any other form of assurance on the November 30, 2023 consolidated financial statements taken as a whole.

Material uncertainty related to going concern

We draw attention to Note 2 of the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the "Material uncertainty related to going concern", we have determined that there are no other key audit matters to communicate in our report.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are

required to report that fact in this auditor's report. 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 IFRS Accounting 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 judgement 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Raymond Chabot Grant Thornton LLP¹

Montreal
October 28, 2024

¹ CPA auditor, public accountancy permit no. A121855

THS Maple Holdings Ltd.
(Formerly Toronto Cleantech Capital Inc.)
Consolidated Statements of Financial Position
(In Canadian dollars)
As at

	June 30, 2024	November 30, 2023 (Restated Note 22)
	\$	\$
ASSETS		
Current		
Cash	16,300	80,687
Trade and other receivables (Note 5)	1,632,610	1,007,610
Inventories (Note 6)	4,934,771	3,852,718
Prepaid expenses	171,826	89,109
	<u>6,755,507</u>	<u>5,030,124</u>
Non-current		
Property and equipment (Note 7)	646,075	709,021
Intangible assets (Note 8)	304,901	47,496
Right-of-use assets (Note 12)	964,620	1,028,986
	<u>8,671,103</u>	<u>6,815,627</u>
LIABILITIES		
Current		
Bank indebtedness (Note 9)	2,326,177	1,634,860
Bank demand loans (Note 10)	965,163	946,704
Promissory note and loans from companies controlled by two directors (Note 10)	620,000	4,175,000
Trade and other payables (Note 11)	2,065,675	2,132,410
Deferred revenues	158,107	246,292
Current portion of balance of purchase price (Note 10)	96,667	-
Current portion of lease liabilities (Note 12)	282,668	132,301
	<u>6,514,457</u>	<u>9,267,567</u>
Non-current		
Lease liabilities (Note 12)	830,429	1,020,039
Loan from a company controlled by a director (Note 10)	1,200,000	-
Non-current portion of balance of purchase price (Note 10)	128,205	-
	<u>8,673,091</u>	<u>10,287,606</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 13)	8,232,020	1,902,681
Contributed surplus	400,000	260,000
Deficit	(8,634,008)	(5,634,660)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	<u>(1,988)</u>	<u>(3,471,979)</u>
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY) AND LIABILITIES	<u>8,671,103</u>	<u>6,815,627</u>

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

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Consolidated Statements of Comprehensive Loss

(In Canadian dollars, except per share amounts)

Seven months ended June 30, 2024 and year ended November 30, 2023

	<u>June 30, 2024</u>	<u>November 30, 2023</u>
	\$	\$
Sales	5,808,042	10,308,047
Cost of sales	4,649,351	8,469,227
Gross profit	1,158,691	1,838,820
Operating expenses		
Selling expenses (Note 15)	564,087	1,043,847
Administrative expenses (Note 15)	1,451,068	1,639,750
	2,015,155	2,683,597
Operating loss	(856,464)	(844,777)
Listing expense (Note 4)	1,700,390	-
Loss on settlement of debt (Note 10)	-	911,314
Finance costs (Note 15)	455,929	943,252
Other income	(13,840)	(33,204)
	2,142,479	1,821,362
Loss before income taxes	(2,998,943)	(2,666,139)
Income tax expense (Note 20)	405	414
Net loss and comprehensive loss for the year	(2,999,348)	(2,666,553)
Net loss per share (Note 21)		
Basic and diluted	(0.083)	(0.133)

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

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(In Canadian dollars, except for share amounts)

Seven months ended June 30, 2024 and year ended November 30, 2023

	Share capital		Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
	Number	Amount			
		\$	\$	\$	\$
Balance as at November 30, 2022					
As originally stated	11,500,000	653,202	-	(2,708,107)	(2,054,905)
Adjustment to opening balance (Note 22)	-	-	260,000	(260,000)	-
As adjusted	11,500,000	653,202	260,000	(2,968,107)	(2,054,905)
Conversion of convertible debentures into equity (Note 13)	-	1,249,479	-	-	1,249,479
Exercise of broker warrants (Note 13)	200,000	-	-	-	-
Net loss and comprehensive loss	-	-	-	(2,666,553)	(2,666,553)
Balance as at November 30, 2023 (restated)	11,700,000	1,902,681	260,000	(5,634,660)	(3,471,979)
Transactions as part of the reverse takeover:					
Issuance of common shares (Note 4)	25,675,100	2,152,800	-	-	2,152,800
Deemed issuance of stock options (Note 4)	-	-	140,000	-	140,000
Subscription receipts converted into common shares (Note 4)	22,964,000	4,225,376	-	-	4,225,376
Transaction costs (Note 4)	-	(48,837)	-	-	(48,837)
Net loss and comprehensive loss	-	-	-	(2,999,348)	(2,999,348)
Balance as at June 30, 2024	60,339,100	8,232,020	400,000	(8,634,008)	(1,988)

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

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Consolidated Statements of Cash Flows

(In Canadian dollars)

Seven months ended June 30, 2024 and year ended November 30, 2023

	June 30, 2024	November 30, 2023
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,999,348)	(2,666,553)
Non-cash items		
Listing expense (Note 4)	1,700,390	-
Loss on settlement of debt (Note 10)	-	911,314
Accrual of interest on convertible debentures	-	49,480
Depreciation of property and equipment (Note 7)	74,005	133,940
Depreciation of intangible assets (Note 8)	2,595	8,886
Depreciation of right-of-use assets (Note 12)	99,797	177,783
Write-off of property and equipment	-	13,265
Changes in non-cash working capital items		
Trade and other receivables	(625,000)	(122,348)
Inventories	(1,082,053)	(1,325,006)
Prepaid expenses	(82,717)	(9,404)
Trade and other payables	(68,729)	1,119,915
Deferred revenues	(88,185)	(77,741)
	(1,946,684)	(414,584)
Cash flows from operating activities	(3,069,245)	(1,786,469)
INVESTING ACTIVITIES		
Cash acquired through reverse takeover (Note 4)	344,404	
Purchase of property and equipment (Note 7)	(11,059)	(41,802)
Intangible assets	(30,000)	-
Restricted cash	-	120,000
Cash flows from investing activities	303,345	78,198
FINANCING ACTIVITIES		
Net change in bank indebtedness	691,317	167,639
Bank demand loan additions	50,859	51,448
Bank demand loan repayments	(32,400)	(59,241)
Loans from companies controlled by directors	1,370,000	4,175,000
Repayment of promissory note	(3,725,000)	-
Advance received from TCC prior to closing of reverse takeover	250,000	-
Repayment of long-term debt	-	(3,661,314)
Repayment of balance of purchase price	(5,128)	
Repayment of lease liabilities	(74,674)	(122,846)
Issuance of convertible debentures (Note 13)	-	1,200,000
Proceeds of private placement (Note 4)	4,225,376	-
Transaction costs related to reverse takeover paid (Note 4)	(48,837)	-
Cash flows from financing activities	2,701,513	1,750,686
Net increase (decrease) in cash	(64,387)	42,415
Cash, beginning of year	80,687	38,272
Cash, end of year	16,300	80,687

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

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

1 – GOVERNING STATUTES’ NATURE OF OPERATIONS AND CHANGE IN CORPORATE NAME

THS Maple Holdings Ltd. (“THS”) (formerly Toronto Cleantech Capital Inc. (“TCC”)) was incorporated on April 14, 2021 under the provisions of the Business Corporations Act (British Columbia) and was continued under the Business Corporations Act (Ontario) since the completion of the Qualifying Transaction. Prior to April 26, 2024, TCC (now THS) was listed on the TSX Venture Exchange (the “Exchange”) as a capital pool company (“CPC”) as defined in the provisions of Policy 2.4 of the Exchange.

On April 26, 2024, TCC (now THS) completed its qualifying transaction (the “Qualifying Transaction”) pursuant to the rules and policies of the Exchange as such term is defined in Policy 2.4 of the Exchange by acquiring, through a Business Combination Agreement dated September 8, 2023 with THS LP, THS Genpar Inc., the limited partners of THS LP and the Unitholders of THS GP (collectively “THS LP”), 100% of the units and shares outstanding of THS LP. With the completion of the Qualifying Transaction, THS and its subsidiaries’ (collectively referred to as the “Company”) principal business is to supply, bottle, package and market high quality maple syrup and maple syrup products. TCC (now THS) has therefore acquired the business of THS LP and becomes the business of the entity resulting from the Qualifying Transaction and becomes the “Resulting Issuer”. This transaction enabled the Company to repay on April 29, 2024 its Subordinated secured promissory note from the Shareholder.

From an accounting standpoint, Qualifying Transaction constitutes a reverse takeover of TCC (now THS) by THS LP as THS LP was deemed to be the acquirer for accounting purposes. Accordingly, these consolidated financial statements include the assets, liabilities and operations of THS LP since its inception and at their carrying values, while the assets and operations of TCC (now THS) are consolidated since the date of the Qualifying Transaction. The legal share capital continues to be that of TCC (now THS), the legal parent company. All of the comparative financial information prior to April 26, 2024 is that of THS LP.

Upon the completion of the Qualifying Transaction and with the approval of the Board of Directors, the Company changed its name to THS Maple Holdings Ltd. The Company’s common shares are listed on the Exchange under the symbol YAY and the Company’s head office and principal place of business is in Granby, Quebec, Canada.

2 – BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”) (hereafter “IFRS Accounting Standards”)

The issuance of these consolidated financial statements was approved by the Board of Directors on October 28, 2024.

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

2 – BASIS OF PREPARATION (Continued)**Change in fiscal year-end**

The Company has transitioned to a new fiscal year-end from November 30 to June 30, effective December 1, 2023. As a result, fiscal 2024 is a transition year that includes 7 months of operations, starting on December 1, 2023 and ending on June 30, 2024. The Company's subsequent 12-month financial year will begin on July 1, 2024 and end on June 30, 2025.

Going concern

The audited consolidated net loss and comprehensive loss for the seven months ended June 30, 2024 was \$2,999,348 (2023 – \$2,666,553). Additionally, the Company reported consolidated negative cash flow used in operations (before changes in non-cash working capital) of \$1,122,561 for the seven months ended June 30, 2024 (2023 - \$1,371,885). As at June 30, 2024, the Company had a consolidated accumulated deficit of \$8,634,008 (November 30, 2023 - \$5,634,660) and a consolidated working capital of \$241,050 (November 30, 2023, a consolidated working capital deficiency of \$4,237,443).

The operations and consolidated net loss for the seven months ended June 30, 2024 resulted in the Company being in breach of its bank covenants under the terms of its credit agreement (see Note 10). A tolerance letter is currently being requested by the Company from the bank. The next annual review is scheduled for March 31, 2025. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

In response to the recurring operating losses and negative cash flows from operating activities, the Company is undertaking a number of programs (US warehouse, second production shift at its Granby facilities) to enhance its sales and future cash flows, to meet its obligations and to fund its ongoing business operations. The Business Combination transaction has been executed on April 26, 2024 and has allowed the Company to significantly reduce its short-term debt.

The Company's ability to meet the covenant measurements under the terms of its credit agreement with its lender is still dependent upon continued improvement in profitable commercial operations, continued funding support from its lender and shareholders, and new equity and debt placements. However, there can be no assurance that management will be successful in this regard. These consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities, to the recoverable amounts or the reported expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

Measurement basis

Unless otherwise specified, the consolidated financial statements have been prepared on a historical basis.

Functional currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency as well as all of its subsidiaries.

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

2 – BASIS OF PREPARATION (Continued)

Use of estimates and judgments

In preparing these consolidated financial statements, management must use judgment and make estimates and assumptions that affect both the application of accounting policies and the carrying amount of assets, liabilities, revenues and expenses.

Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management and based on their best knowledge of current events and actions the Company may undertake in the future, and that may result in material adjustments in the amount of assets and liabilities within the next year. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, and estimates and assumptions, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Leases

Measuring right-of-use assets and lease liabilities require judgment in determining lease terms, such as assessing the likelihood of exercising extension options and applying a discount rate. In the case where an incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- Inventories

Inventories are valued at the lower of cost and net realizable value. The costs of inventory involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated. In assessing the recoverability of final inventory values, management compares the inventory cost to estimated net realizable value. Management records a provision to inventory to the extent the cost of inventory exceeds the estimated net realizable value.

- Depreciation of equipment

Depreciation of equipment is dependent on estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

2 – BASIS OF PREPARATION (Continued)

Use of estimates and judgments (Continued)

Significant accounting estimates (Continued)

- Trade and other receivables

The recognition of trade and other receivables and expected credit losses requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company's provision is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant judgments

Significant judgments regarding the carrying amount of assets and liabilities involve estimates and assumptions made by management and are based on previous experience and various other factors deemed reasonable under the circumstances. The element that is the subject of judgment is the accounting treatment related to the determination of the useful life of components of property and equipment, if any, and to the method used for depreciating such assets.

- Going concern

The assessment of the Company's ability to continue as a going concern and meet its obligations for the ensuing year, involves judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

- Revenue recognition

The recognition of revenue requires judgment in the assessment of performance obligations, whether they are distinct and separate within a contract and the assessment of recognizing at a point in time or over a period of time. In instances of bundled contracts, management estimates and allocates the transaction price to each performance obligation based on its stand-alone selling price. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with resellers and involves judgment based on an evaluation of the terms of each arrangement.

- Recovery of deferred tax assets

Deferred tax assets arising from unutilized tax losses require the Company to assess the likelihood that the Company will generate sufficient taxable profits in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. To the extent that future cash flows and taxable profits differ significantly from estimates, the ability of the Company to realize the deferred tax assets at the reporting date could be impacted.

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

2 – BASIS OF PREPARATION (Continued)

Use of estimates and judgments (Continued)

Significant judgments (Continued)

- Identification of the acquirer in the reverse takeover transaction

In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, as in Note 4, identifying the acquirer, requires judgment. Management considered the following additional factors:

- The relative voting rights in the combined entity for the business combination;
- The existence of a large minority voting interest in the combined entity if no other owner or organized group of owners has a significant voting interest;
- The composition of the governing body of the combined entity; and
- The composition of the senior management of the combined entity.

3 – MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Basis of consolidation

The consolidated financial statements include the accounts of THS since April 26, 2024 and those of its wholly owned subsidiaries Turkey Hill Sugarbush Ltd., THS LP, THS Genpar Inc. and Turkey Hill Sugarbush Limited. The year-end of all of the entities is June 30.

All transactions between the consolidated entities, balances, income and expenses are eliminated upon consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Control is achieved when (i) the Company has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns.

Cash

Cash includes amounts held by the Company in its bank accounts.

Government assistance and investment tax credits

Government assistance related to current expenses are accounted for as other income. Investment tax credits and government assistance related to the acquisition of property and equipment and intangible assets are accounted for as a reduction of the related property, equipment and intangible asset. Government assistance and investment tax credits are accrued in the year in which the current expenses or the capital expenditures are incurred, provided that the Company is reasonably certain that they will be received. The investment tax credits must be examined and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded.

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

Notes to the Consolidated Financial Statements

Seven months ended June 30, 2024 and year ended November 30, 2023

3 – MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined using a weighted-average cost basis. The cost of inventory includes direct product costs, direct labour, and an allocation of variable and fixed manufacturing overhead, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in the net realizable value, the amount of a write-down previously recorded is reversed through cost of goods sold.

Property and equipment and intangible assets

Property and equipment and intangible assets subject to depreciation purchased by the Company are recognized at cost less accumulated depreciation and accumulated impairment losses.

The depreciation of property and equipment is calculated on the depreciable amount, which is the cost of the asset less its residual value, on a straight-line or diminishing balance basis, at rates based on the estimated useful life of the assets, except for leasehold improvements related to the leasing of buildings, which are depreciated over the lesser of the term of the lease or the estimated useful life. Where significant parts of a property and equipment have different useful lives, such parts are recognized as separate components of the property and equipment.

Depreciation

Property and equipment and intangible assets subject amortization are amortized over their estimated useful lives according to the following methods, annual rates and periods:

	Methods	Rates and periods
Office equipment	Straight line	3 and 5 years
Plant equipment	Straight line	3, 5, 10 and 15 years
Automotive equipment	Diminishing balance	30%
Leasehold improvements	Straight-line	5 and 10 years
Software	Straight-line	15 years
Transfer agreement	Straight-line	Transfer period of 28 months

Right-of-use assets and lease obligations

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. Contracts that meet the definition of a lease are recognized on the consolidated statement of financial position as a right-of-use asset and a lease liability at the lease commencement date, unless they are determined to be low value or short-term leases (leases with a lease term of less than 12 months).

THS Maple Holdings Ltd.

(Formerly Toronto Cleantech Capital Inc.)

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3 – MATERIAL ACCOUNTING POLICIES (Continued)**Right-of-use assets and lease obligations (Continued)**

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

At the lease commencement date, the lease liability is measured as the present value of the lease payments over the lease term unpaid at that date, including non-lease components, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate determined by reference to current market rates for a similarly rated industrial company issuing debt for maturities approximating the term of the lease. Lease term includes extension and early termination options when it is reasonably certain that the Company will exercise the option. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, unless it has been reduced to zero.

Impairment testing of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment, intangible assets, and right-of-use assets to determine whether events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any exists.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows, known as a "cash-generating unit" or "CGU". The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of other assets or groups of assets. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of its value in use and its fair value less costs of disposal. To determine the value in use, management estimates the expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. Fair value in this case represents the price that would be received to sell an asset or CGU in an orderly transaction between market participants, less the associated costs of disposal. The Company determines the recoverable amount and compares it with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized for the difference. Impairment losses are recognized in consolidated statement of comprehensive income (loss). Impairment losses recognized with respect to CGUs are allocated to reduce the carrying amounts of assets within the unit or group of units on a pro rata basis applied to the carrying amount of each asset in the unit or group of units.

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3 – MATERIAL ACCOUNTING POLICIES (Continued)**Impairment testing of long-lived assets (Continued)**

An assessment is made at each reporting date as to whether there is any indication that previously recognized asset impairment losses may no longer exist or may have decreased. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

Equity

Share capital represents the amount received on the issue of common shares (less any issuance costs and net of taxes) and share-based compensation expense credited to capital on stock options exercised.

Contributed surplus includes amounts related to share-based compensation until such equity instruments are exercised, in which case the amounts are transferred to share capital.

Deficit includes all current and prior period retained profits or losses.

Revenue recognition

The Company's principal source of revenue is the sale of maple syrup and maple syrup products to retail and wholesale customers. The Company recognizes revenue for all sales at the fair value of the consideration received or receivable. Sales are net of a provision for variable consideration of estimated allowances and sales incentives provided to customers, such that it is highly probable that a significant reversal will not occur once the uncertainty related to the variable consideration is subsequently resolved.

The Company's accounting policy for revenue recognition under IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), is to follow a five step model to determine the amount and timing of revenue to be recognized i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the Company satisfies a performance obligation.

The vast majority of the Company's customer arrangements contain a single performance obligation to transfer goods. Revenue is recognized when control of goods has transferred to customers. Control is considered transferred in accordance with the terms of sale, generally when goods are shipped to external customers as that is generally when legal title, physical possession and risks and rewards of goods transfers to the customer.

The Company generally does not accept returns of damaged products from customers. For products that may not be returned, the Company, in certain cases, provides customers with allowances to cover any damage, and such allowances are deducted from sales at the time of revenue recognition.

The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities.

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3 – MATERIAL ACCOUNTING POLICIES (Continued)**Foreign currency translation**

The Company uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the consolidated financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in earnings for the year.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income (loss), except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and will apply when the deferred tax assets or liabilities are expected to be settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Net income (loss) per share

Basic net income (loss) per share is determined using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated using the income for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

Share-based payments

The Company applies a fair value-based method of accounting to all share-based payments. Stock option expense is based on the grant date fair value of the awards expected to vest over the vesting period. For awards with graded vesting, the fair value of each tranche is recognized on a straight-line basis over its vesting period. Any consideration paid by participants on exercise of stock options is credited to share capital together with any related share-based compensation expense originally recorded in contributed surplus.

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3 – MATERIAL ACCOUNTING POLICIES (Continued)**Financial instruments***Recognition and derecognition*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial Assets*Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

In the years presented, the Company does not have any financial assets categorized as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in the consolidated statement of comprehensive income (loss) are presented within finance costs, except for impairment of trade receivables which is presented within administrative expenses.

*Subsequent measurement of financial assets***Financial assets at amortized cost**

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3 – MATERIAL ACCOUNTING POLICIES (Continued)**Financial instruments (Continued)**

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash, and trade accounts receivables are classified within this category.

Impairment of financial assets

The Company uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Company accounts for the expected credit losses using the simplified approach over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the account receivable, the general condition of the economy and a current as well as expected appreciation of the condition prevailing at the statement of financial position date, including the time value of the money, if any.

Classification and measurement of financial liabilities - amortized cost

The Company's financial liabilities measured at amortized cost include bank indebtedness, bank demand loans, promissory note, loans from companies controlled by directors, trade and other payables and balance of purchase price.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Classification and measurement of financial liabilities - amortized cost (Continued)

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement of comprehensive income (loss) are included within finance costs.

Segment information

The Company has one operating segment which is to supply, bottle, package and market high quality maple syrup and maple syrup products.

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3 – MATERIAL ACCOUNTING POLICIES (Continued)

New standards, amendments and interpretations not yet adopted by the Company

IFRS 18- Presentation and Disclosure in Financial Statements (“IFRS 18”)

In April 2024 the IASB issued IFRS 18 which will replace *IAS 1, Presentation of Financial Statements* and aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in *IAS 7 Statement of Cash Flows*. This new standard is effective for periods beginning on or after January 1, 2027. The Company has not yet determined the impact to the consolidated financial statements from the adoption of this standard.

Other

At the date of authorization of these consolidated financial statements, new standards, amendments and interpretations of existing standards have been published by the IASB, but are not yet applicable, and have not been early adopted by the Company.

Management of the Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company’s consolidated financial statements.

4 – REVERSE TAKEOVER

On April 26, 2024, TCC (now THS) completed its Qualifying Transaction by acquiring, through a Business Combination Agreement dated September 8, 2023 with THS LP, THS Genpar Inc., the limited partners of THS LP and the Unitholders of THS GP (collectively “THS LP”), 100% of the units and shares outstanding of THS LP (the “Transaction”). TCC (now THS) has therefore acquired the business of THS LP and becomes the business of the entity resulting from the Qualifying Transaction and becomes the Resulting Issuer.

As part of the Transaction the following occurred:

- a) The Transaction was structured by way of a three-cornered amalgamation involving TCC, and two wholly owned subsidiaries of TCC, that is 1000635995 Ontario Inc. (“Subco”) and 1000836250 Ontario Inc. (“Finco”).
- b) The unitholders and shareholders of THS LP received 2.8743 common shares of TCC for each issued and outstanding unit or share held in THS LP for a total of 25,675,100 common shares being issued.
- c) As part of the Transaction, TCC through Finco completed a concurrent private placement leading up to the closing of the Transaction for proceeds aggregating \$4,225,376. The proceeds as subscription receipts were held in trust and were conditional upon the closing of the Transaction. Upon closing of the Transaction, the proceeds were released and a total of 22,964,000 common shares were issued at a price of \$0.184 per common share.

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4 – REVERSE TAKEOVER (Continued)

- d) As part of the closing of the Transaction, Subco and Finco amalgamated becoming a wholly owned subsidiary under the name of Turkey Hill Sugarbush Ltd.

In accordance with IFRS 3 *Business Combinations*, the substance of the transaction, whereby TCC acquires THS LP is a reverse acquisition of TCC by THS LP as the shareholders of THS LP hold the majority of the voting rights of the resulting company. The acquisition of TCC does not constitute a business as it has not carried on any operations. As a result, the Transaction is accounted for in accordance with IFRS 2, *Share-based Payment* and IAS 32, *Financial instruments: presentation*, with THS LP being identified as the acquirer and the equity consideration deemed transferred to be measured at fair value. Accordingly, the resulting balances and transactions for periods prior to April 26, 2024 are those of THS LP presented as a continuation of THS LP.

The Transaction is equivalent to the issuance of shares and options by THS LP, which is acquiring the net assets of TCC and a public listing.

The net assets acquired are as follows:

	\$
Assets acquired	
Cash	344,404
Private placement proceeds held in trust until completion of Transaction	4,225,376
Advance to THS LP and related interest	256,972
Liabilities assumed	
Trade and other payables	(8,966)
Subscription receipts from private placement	(4,225,376)
Total net assets acquired	592,410

The fair value of the consideration for the net assets acquired by THS LP is as follows:

	\$
Fair value of 11,700,000 issued and outstanding shares of TCC	2,152,800
Fair value of 950,000 issued and outstanding share options of TCC	140,000
Less: Net assets of TCC	(592,410)
Total listing expense	1,700,390

The fair value of the TCC issued and outstanding shares has been determined based on the unit price of \$0.184 for the private placement completed on April 26, 2024.

Transaction costs amounted to \$189,014 of which \$48,837 were accounted for as a reduction of share capital.

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4 – REVERSE TAKEOVER (Continued)

Following the closing of the Transaction, the issued and outstanding share options of TCC continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. Their fair value has been estimated using the Black-Scholes option pricing model. Assumptions used for the calculation were an expected dividend yield of nil, share price at valuation date of \$0.184 (based on the per share price of \$0.184 of the concurrent private placement), expected volatility of 150% (based on comparable entities), risk-free interest rate of 3.82% and expected life of two years.

5 – TRADE AND OTHER RECEIVABLES

	June 30, 2024	November 30, 2023
	\$	\$
Trade accounts receivable	1,528,240	913,596
Indirect taxes receivable	110,770	100,414
	1,639,010	1,014,010
Expected credit loss (“ECL”)	6,400	6,400
	1,632,610	1,007,610

The Company grants credit terms to its customers in the ordinary course of business.

Management believes that the Company’s exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

- There is a broad base of customers;
- ECL impairment as a percentage of total revenue amounted to 0.1% in 2024 (2023 - 0.1%);
- ECL impairments for seven months ended June 30, 2024 were \$2,649 (2023 - \$12,539); and
- 0.1% of trade receivables are outstanding for more than 90 days (2023 – 7.8%).

6 – INVENTORIES

	June 30, 2024	November 30, 2023
	\$	\$
Raw materials	3,601,911	2,631,574
Finished goods	1,332,860	1,221,144
	4,934,771	3,852,718

For the seven months ended June 30, 2024, inventory in the amount of \$3,611,325 (2023: \$6,639,255) was expensed through cost of goods sold.

For the seven months ended June 30, 2024, no write-downs of inventory occurred; inventory did increase by \$4,642 (2023: reduction of \$55,233) as a payment was received for previously written-down products. The increase/write-downs are included in cost of goods sold.

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7 – PROPERTY AND EQUIPMENT

	Plant equipment	Office equipment	Automotive equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at November 30, 2022	1,280,561	73,125	207,522	181,884	1,743,092
Acquisitions	32,608	6,904	–	2,290	41,802
Disposals	(17,133)	–	(23,500)	(165,389)	(206,022)
Balance as at November 30, 2023	1,296,036	80,029	184,022	18,785	1,578,872
Acquisitions	6,530	4,529	–	–	11,059
Balance as at June 30, 2024	1,302,566	84,558	184,022	18,785	1,589,931
Accumulated Depreciation					
Balance as at November 30, 2022	542,587	49,924	166,284	169,872	928,667
Depreciation	103,079	14,378	13,314	3,169	133,940
Disposals	(15,421)	–	(11,946)	(165,389)	(192,756)
Balance as at November 30, 2023	630,245	64,302	167,652	7,652	869,851
Depreciation	60,538	6,502	5,242	1,723	74,005
Balance as at June 30, 2024	690,783	70,804	172,894	9,375	943,856
Carrying amounts					
As at November 30, 2023	665,791	15,727	16,370	11,133	709,021
As at June 30, 2024	611,783	13,754	11,128	9,410	646,075

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8 – INTANGIBLE ASSETS

	<u>Software</u>	<u>Transfer agreement</u>	<u>Total</u>
	\$	\$	\$
Cost			
Balance as at November 30, 2022 and 2023	64,422	–	64,422
Acquisitions (Note 10)	–	260,000	260,000
Balance as at June 30, 2024	64,422	260,000	324,422
Accumulated Depreciation			
Balance as at November 30, 2022	8,040	–	8,040
Depreciation	8,886	–	8,886
Balance as at November 30, 2023	16,926	–	16,926
Depreciation	2,595	–	2,595
Balance as at June 30, 2024	19,521	–	19,521
Carrying amounts			
As at November 30, 2023	47,496	–	47,496
As at June 30, 2024	44,901	260,000	304,901

9 – BANK INDEBTEDNESS

The bank indebtedness consists of a revolving line of credit, for a maximum authorized amount of \$2,300,000, bears interest at the prime rate and has been renewed until March 2025. On June 26, 2024, the Company entered into a Products Payment Settlement Limit (PPSL) with the bank for a maximum authorized amount of \$250,000.

The bank overdraft is secured by a \$4,750,000 movable hypothec on the universality of inventories, and movable hypothecs totaling \$461,840 on plant equipment and automotive equipment with a net carrying amount of \$611,783 and \$11,128 respectively (\$665,791 and \$16,370 respectively as at November 30, 2023).

Under the provisions of the bank overdraft, the Company is required to respect certain covenants. As at June 30, 2024, the Company is not in compliance with all of the covenants. The bank is currently tolerating the breach.

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10 – BANK DEMAND LOANS, PROMISSORY NOTE, LOANS FROM COMPANIES CONTROLLED BY DIRECTORS AND BALANCE OF PURCHASE PRICE

	June30, 2024	November 30, 2023
Bank demand loans	\$	\$
Bank overdraft facility for an authorized amount of \$750,000, prime rate plus 1% (7.95%; 8.2% as at November 30, 2023), out of which an amount of \$600,000 is guaranteed by the Export Development Canada (“EDC”) maturing in October 2024 (see Note 23)	754,933	704,074
Bank demand loan, 4%, guaranteed by EDC, payable in monthly capital instalments of \$2,315, maturing in June 2031	194,444	210,648
Bank demand loan, prime rate, payable in monthly capital instalments of \$2,158 matured in May 2024	-	12,946
Bank demand loan, prime rate (6.95%; 7.2% as at November 30, 2023), payable in monthly capital instalments of \$464, maturing in April 2027	15,786	19,036
	965,163	946,704
	June30, 2024	November 30, 2023
Promissory note and loans from companies controlled by directors	\$	\$
Subordinated secured promissory note from a related party (Oakwest), 12% interest, repayable at the earlier of July 21, 2024 (originally January 21, 2024) or the completion of a business combination (Note 4), promissory note was repaid on April 29, 2024	-	3,725,000
Loans from companies controlled by two directors, 10% interest per year, without repayment terms, payable on demand.	620,000	450,000
Loan from company controlled by a director shareholder, 10% interest per year, repayable before November 30, 2025, repayable at any time.	1,200,000	-
	1,820,000	4,175,000
Current portion	620,000	4,175,000
Long-term portion	1,200,000	-

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10 – BANK DEMAND LOANS, PROMISSORY NOTE, LOANS FROM COMPANIES CONTROLLED BY DIRECTORS AND BALANCE OF PURCHASE PRICE (Continued)

	June30, 2024	November 30, 2023
	\$	\$
Balance of purchase price		
Balance of purchase from transfer agreement, non-interest bearing, with \$30,000 payable on or before August 1, 2024 and the balance payable in bi-weekly equal instalments of \$2,564 starting June 1 2024, for a period of 36 months	224,872	-
Current portion	96,667	-
Long-term portion	128,205	-

The changes in the Company's liabilities from financing activities can be classified as follows:

	Promissory note and loans from companies controlled by directors	Bank demand loans	Class B Units	Total
	\$	\$	\$	\$
December 1, 2022	-	954,495	2,750,000	3,704,495
Net proceeds	4,175,000	-	-	4,175,000
Repayments	-	(7,791)	(3,661,314)	(3,669,105)
Non-cash				
Loss on redemption of Class B Units	-	-	911,314	911,314
November 30, 2023	4,175,000	946,704	-	5,121,704

	Promissory note and loans from companies controlled by directors	Bank demand loans	Balance of purchase price	Total
	\$	\$	\$	\$
December 1, 2023	4,175,000	946,704	-	5,121,704
Proceeds/Issuance	1,370,000	50,859	-	1,420,859
Repayments	(3,725,000)	(32,400)	(35,128)	(3,792,528)
Non-cash				
Transfer agreement	-	-	260,000	260,000
June 30, 2024	1,820,000	965,163	224,872	3,010,035

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10 – BANK DEMAND LOANS, PROMISSORY NOTE, LOANS FROM COMPANIES CONTROLLED BY DIRECTORS AND BALANCE OF PURCHASE PRICE (Continued)

On May 31, 2024, the Company executed a lease transfer agreement with a third party. The Company recorded a balance of purchase price of \$260,000 payable to the lease grantor. This amount of \$260,000 is non-interest bearing and is repayable as follows: an amount of \$30,000 is repayable on May 31, 2024 and an amount of \$30,000 is repayable on or before August 1, 2024, with the balance of \$200,000 repayable in bi-weekly payments over a 36-month period starting June 1, 2024.

On October 20, 2023, THS LP settled the Class B units outstanding of \$2,750,000 for an amount of \$3,661,314, resulting in a loss on settlement of \$911,314. The settlement amount was determined by using a multiple over historical interest payment. The settlement was financed through a short-term promissory note of \$3,725,000 from a company under significant influence of the unitholders (Oakwest), bearing interest at 12% per year and repayable at the earlier of January 2024 or the completion of a business combination and was repaid on April 29, 2024.

11 – TRADE AND OTHER PAYABLES

	June 30, 2024	November 30, 2023
	\$	\$
Trade accounts payable and accrued liabilities	1,970,215	2,046,176
Accrued interest on shareholder loans	84,312	74,808
Customer deposits	11,148	11,426
	<u>2,065,675</u>	<u>2,132,410</u>

12 – RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company leases real estate for office, production and warehouse space located in Granby.

	<u>Carrying value</u>
Cost	\$
Balance as at November 30, 2022	1,471,635
Additions	37,607
Disposal of fully amortized right-of-use asset	(153,594)
Balance as at November 30, 2023	<u>1,355,648</u>
Additions	35,431
Balance as at June 30, 2024	<u>1,391,079</u>

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12 – RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

	<u>Carrying value</u>
Accumulated depreciation	\$
Balance as at November 30, 2022	302,473
Depreciation	177,783
Disposal of fully amortized right-of-use asset	(153,594)
Balance as at November 30, 2023	<u>326,662</u>
Depreciation	99,797
Balance as at June 30, 2024	<u><u>426,459</u></u>
Carrying amounts	
As at November 30, 2023	1,028,986
As at June 30, 2024	964,620
Lease liability	
Balance as at November 30, 2022	1,237,582
Additions	37,607
Lease interest	162,925
Lease payments	(285,774)
Balance as at November 30, 2023	<u>1,152,340</u>
Current portion	132,301
Non-current portion	1,020,039
Additions	35,431
Lease interest	88,843
Lease payments	(163,517)
Balance as at June 30, 2024	<u><u>1,113,097</u></u>
Current portion	282,668
Non-current portion	830,429

Note 18 presents the maturity of contractual undiscounted lease obligation payments from ROU assets.

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13 – SHARE CAPITAL***Share capital******Authorized:***

The authorized capital of the Company consists of an unlimited number of common shares.

Prior to the Transaction described in Note 4, the Company had 11,700,000 issued and outstanding common shares of which 200,000 were issued following the exercise of broker warrants in July 2023.

In 2023, convertible debentures amounting to \$1,200,000 were issued and subsequently converted into equity consisting of units of THS LP along with accrued interest on such convertible debentures for a total of \$1,249,479.

Escrowed shares

9,000,000 common shares and 950,000 options of the Company originally issued are subject to a CPC escrow agreement in accordance with Exchange policies and will be held in escrow until completion of the Qualifying Transaction. The shares will be released over an 18-month period with 25% to be released on the issuance of the Final Exchange Bulletin and an additional 25% to be released every 6 months thereafter. As at June 30, 2024, 6,750,000 shares and 712,500 options are subject to escrow.

Another 25,006,622 common shares and 474,260 options of the Company are subject to a value security escrow agreement in accordance with Exchange policies. The shares will be released over a 36-month period with 10% to be released on the issuance of the Final Exchange Bulletin and an additional 15% to be released every 6 months thereafter. As at June 30, 2024, 22,505,960 shares and 426,834 options are subject to escrow.

In addition, 668,478 common shares of the Company are subject to a seed share resale restriction escrow agreement in accordance with Exchange policies and will be released on the same terms as the shares held under the value escrow agreement. As at June 30, 2024, 601,630 shares are subject to escrow.

Stock options

The Company has adopted an incentive stock option plan (the Plan) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants to the Company and Eligible Charitable Organizations, non-transferrable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares as at the date of grant of any such option, and that the exercise period does not exceed 10 years from the date of the grant.

The number of common shares issuable to any individual director or officer will not exceed 5% of the issued and outstanding common shares of the Company as at the date of grant of such option. The number of common shares issuable at any given time to all technical consultants in aggregate will not exceed 2% of the issued and outstanding common shares of the Company as at the date of grant of such option.

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13 – SHARE CAPITAL (Continued)**Stock options (Continued)**

The following table summarizes information related to stock options:

	Weighted average price	Number of options
Balance as at November 30, 2023 and 2022	0.33	833,548
Deemed issuance (Note 4)	0.10	950,000
Balance as at June 30, 2024	0.21	<u>1,783,548</u>

As at June 30, 2024, the outstanding options exercisable are as follows:

	Number of stock options	Exercise price per option	Expiry Date
January 15, 2018	646,718	0.35	January 15, 2028
December 1, 2019	114,972	0.35	December 1, 2029
May 17, 2021	950,000	0.10	May 17, 2026
April 1, 2022	57,486	0.12	April 1, 2032
May 15, 2022	14,372	0.12	May 15, 2032
	<u>1,783,548</u>	0.21	

As at June 30, 2024, the weighted average price for options outstanding was \$0.21.

As at November 30, 2023, the outstanding options exercisable are as follows:

	Number of stock options	Exercise price per option	Expiry Date
January 15, 2018	646,718	0.35	January 15, 2028
December 1, 2019	114,972	0.35	December 1, 2029
April 1, 2022	57,486	0.12	April 1, 2032
May 15, 2022	14,372	0.12	May 15, 2032
	<u>833,548</u>	0.33	

As at November 30, 2023, the weighted average price for options outstanding was \$0.33.

The stock options outstanding prior to the Transaction were options to acquire units of THS LP. Such options were exchanged for options of THS without amendment to their terms. The number of stock options and exercise price reflect the exchange ratio of 2.8743.

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14 – RELATED PARTY TRANSACTIONS

During the year, the Company paid interest expenses in the amount of \$184,923 (\$469,290 as at November 30, 2023) to a related party (Oakwest). Consulting fees were paid to a director of the Company amounting to \$12,000 (\$15,750 for the year ended November 30, 2023).

In addition, as part of the private placement, certain directors as well as companies owned by directors subscribed to 669,785 common shares for total proceeds amounting to \$123,240 of the private placement.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any external director of the Company.

Remuneration of key management personnel of the Company is comprised of salaries, bonuses and car allowances, for a total of \$207,407 (\$347,850 for 2023).

15 – ADDITIONAL INFORMATION ON COMPREHENSIVE LOSS

The following summarizes selling, administrative expenses and finance costs:

	June 30, 2024	November 30, 2023
	\$	\$
Selling expenses		
Shipping expenses	262,608	523,778
Commissions and consulting fees	126,127	255,528
Advertising and sales promotions	57,477	115,732
Travelling and insurance	105,876	109,437
Other selling expenses	11,999	39,372
	<u>564,087</u>	<u>1,043,847</u>
Administrative expenses		
Salaries and benefits	601,077	857,478
Professional fees	635,838	375,933
Supplies and office expenses	37,021	93,951
Bank and credit payment charges	43,598	82,899
Regulatory and certification	35,617	25,957
Depreciation – right-of-use assets	97,335	165,966
Other administrative expenses	582	37,566
	<u>1,451,068</u>	<u>1,639,750</u>

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15 – ADDITIONAL INFORMATION ON COMPREHENSIVE LOSS (Continued)

	June 30, 2024	November 30, 2023
	\$	\$
Finance costs		
Interest on promissory note and loans from companies controlled by directors	250,496	136,740
Interest on bank loans	116,590	150,324
Interest on lease liabilities	88,843	162,925
Financing commission	-	75,000
Class B unit costs	-	418,263
	<u>455,929</u>	<u>943,252</u>

Employee compensation

Salaries, wages and other employee benefits are summarized as follows:

	June 30, 2024	November 30, 2023
	\$	\$
Salaries, wages and employee benefits	1,250,626	2,064,466
Group RRSP program	13,447	20,422
Other short-term benefits	22,138	35,821
	<u>1,286,211</u>	<u>2,120,709</u>

16 – FINANCIAL INSTRUMENTS**Credit risk**

Credit risk is the risk that the Company will incur a financial loss if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. It arises primarily from the Company's trade accounts receivables.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all the financial assets that are not impaired or past due for each of the reporting dates presented are of good credit quality. The Company has never experienced any significant credit losses. Consequently, credit risk is not considered material.

Liquidity risk

The Company's liquidity risk represents the risk that the Company could encounter difficulty in meeting obligations associated with its financial liabilities. The Company is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the balance sheet.

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16 – FINANCIAL INSTRUMENTS (Continued)**Liquidity risk (Continued)**

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, and maintaining committed credit facilities.

The following table presents the contractual maturities of the Company's financial liabilities:

	June 30 2024		
	Due within 1 year	Due 1 to 5 years	Total
Financial liabilities	\$	\$	\$
Bank indebtedness	2,326,177	-	2,326,177
Bank demand loans	965,163	-	965,163
Promissory note and loans from companies controlled by directors	620,000	1,200,000	1,820,000
Interest on financial liabilities	367,086	50,000	417,086
Trade and other payables (1)	2,015,884		2,015,884
Balance of purchase price	96,667	128,205	224,872
	6,390,977	1,378,205	7,769,182

(1) Excluding salaries and employee benefits

	November 30, 2023		
	Due within 1 year	Due 1 to 5 years	Total
Financial liabilities	\$	\$	\$
Bank indebtedness	1,634,860	-	1,634,860
Bank demand loans	946,704	-	946,704
Promissory note from related party and loans from companies controlled by directors	4,175,000	-	4,175,000
Trade and other payables	2,132,410	-	2,132,410
	8,888,974	-	8,888,974

Market risks*Foreign currency risk*

The majority of the Company's transactions are in Canadian dollars. Currency risk results from the Company's sales and purchases denominated in foreign currency which are primarily in U.S. dollars. As at June 30, 2024, the Company is exposed to currency risk due to cash, trade accounts receivable denominated in U.S. dollars totaling CAD 272,205 (CAD 187,420 as at November 30, 2023).

As at June 30, 2024, if the U.S. dollar changes by 10% against the Canadian dollar with all other variables held constant, the impact on comprehensive loss and equity for the seven months ended June 30, 2024 \$27,220 (\$18,742 as at November 30, 2023).

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16 – FINANCIAL INSTRUMENTS (Continued)**Market risks (Continued)***Interest rate risk*

The Company is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates.

One of the bank demand loans and the notes payable to the shareholder bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The bank indebtedness and other bank demand loans bear interest at a variable rate and the Company is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

Management has determined that the sensitivity on possible changes in interest rates is minimal for the seven months ended June 30, 2024 and year ended November 30, 2023.

Other Price Risk

The Company is exposed to increases in the prices of commodities in operating its distribution networks, as well as to the indirect effect of changing commodity prices on the price of its products. Rising commodity prices could adversely affect the financial performance of the Company.

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- 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.

Cash, trade and other receivables (except indirect taxes receivable), bank indebtedness, bank demand loans and trade and other payables are measured based on level 1 and their carrying values are considered to be a reasonable approximation of their fair value because of their short-term maturity. The loan from a company controlled by a director and the balance of purchase price are measure based on Level 2 and their carrying values are considered to be a reasonable approximation of their fair value because there were no significant changes during the period in the assumptions used for the fair value determined at inception.

The Company has no non-financial assets measured at fair value.

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17 – CAPITAL MANAGEMENT

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Company monitors capital on the basis of the carrying amount of equity plus its bank indebtedness bank demand loans, shareholders loans and other long-term debt as presented in the consolidated statement of financial position.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Company for the reporting periods under review are summarized as follows:

	June 30, 2024	November 30, 2023
	\$	\$
Shareholders' equity (deficiency)	(1,988)	(3,471,979)
Bank indebtedness	2,326,177	1,634,860
Bank demand loans	965,163	946,704
Promissory note and loans from companies controlled by directors	1,820,000	4,175,000
Balance of purchase price	224,872	-
	5,334,224	3,284,585

18 – COMMITMENTS

The maturity of contractual undiscounted lease obligation payments from ROU assets and operational leases are as follows:

	\$
Due within 1 year	289,289
Due between 1 and 2 years	283,434
Due between 2 and 3 years	282,669
Due between 3 and 4 years	282,669
Due between 4 and 5 years	282,669
Due after 5 years	164,890
Total lease obligation payments	1,585,620

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19 – REVENUES

The following is a summary of the Company's total revenues by geography:

	June 30, 2024	November 30, 2023
	\$	\$
Canada	4,643,330	8,939,967
China	20,782	6,580
France	7,244	14,194
Hong Kong	24,261	-
Italy	36,968	-
Jordan	37,695	-
Korea	19,944	14,415
Malta	7,207	14,395
Netherlands	2,694	35,363
Saudi Arabia	21,308	-
Switzerland	274,896	452,051
Thailand	135,766	105,280
United Arab Emirates	10,653	24,304
United Kingdom	75,387	47,918
United States of America	489,907	653,580
	5,808,042	10,308,047

20 – INCOME TAXES**a) Income tax expense**

	June 30, 2024	November 30, 2023
	\$	\$
Details of income tax expense are as follows:		
Current tax expense:		
Current tax on profit for the year	405	414
Deferred tax:		
Origination and reversal of temporary differences	—	—
Income tax	405	414

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20 – INCOME TAXES (Continued)

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

	June 30, 2024	November 30, 2023
	\$	\$
Loss before income taxes	(2,998,943)	(2,666,139)
Canadian statutory income tax rate	26.5%	26.5%
Income taxes calculated at the statutory rate	(794,720)	(706,527)
Tax effects of:		
Expenses not deductible for tax purposes	830	1,075
Foreign Income tax	405	414
Issuance costs deductible over five years	47,645	-
Listing expense	450,603	-
Unused tax losses for which no deferred taxes were recognized	295,642	705,452
Income tax	405	414

b) Deferred income tax assets and liabilities

The movement in deferred income tax (assets) and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	June 30, 2024		
	Balance December 1, 2023	Recognized in comprehensive loss	Balance June 30, 2024
	\$	\$	\$
Property and equipment	144,240	(3,857)	140,383
Intangible assets	11,455	69,344	80,799
Right-of use assets net of lease liabilities	(32,424)	(6,922)	(39,346)
Non-capital loss carryforwards	(123,271)	(620)	(123,891)
Issuance costs	-	(57,945)	(57,945)
	-	-	-
	-	-	-
	November 30, 2023		
	Balance December 1, 2022	Recognized in comprehensive loss	Balance November 30, 2023
	\$	\$	\$
Property and equipment	158,461	(14,221)	144,240
Intangible assets	14,941	(3,487)	11,455
Right-of use assets net of lease liabilities	(18,131)	(14,293)	(32,424)
Non-capital loss carryforwards	(155,272)	32,001	(123,271)
	-	-	-
	-	-	-

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20 – INCOME TAXES (Continued)**c) Unrecognized tax losses**

The Company has non-capital tax losses for which no deferred tax asset has been recorded in the statement of financial position. The losses are available to reduce income taxes in future periods, and can be carried over 20 years. These non-capital tax losses will expire according to the following years:

	June 30, 2024		November 30, 2023	
	Federal	Québec	Federal	Québec
	\$	\$	\$	\$
2040	1,049,301	1,249,031	1,049,301	1,249,031
2041	840,957	829,436	804,848	829,436
2042	1,133,980	1,125,292	1,095,632	1,125,292
2042	2,530,517	2,564,832	2,520,371	2,520,371
2044	1,262,811	1,122,744	-	-
	6,817,566	6,891,335	5,470,152	5,724,130

21 – NET LOSS PER SHARE

	June 30, 2024	November 30, 2023
	\$	\$
Net loss	(2,999,348)	(2,666,553)
Basic and diluted weighted average number of common shares outstanding	36,253,316	20,037,933
Basic and diluted loss per share	(0.083)	(0.133)

The effect of outstanding options have not been included in the calculation of diluted loss per share as the outstanding options would be anti-dilutive.

22 – RESTATEMENT OF CERTAIN COMPARATIVE INFORMATION

During the preparation of the consolidated financial statements for the seven months ended June 30, 2024, management of the Company discovered that certain stock option agreements for the purchase of units in THS LP that dated 2018, 2019, and 2022 had not been accounted for previously in the consolidated financial statements. A stock-based compensation expense should have been recognized during the vesting period of such options with a charge to consolidated comprehensive loss and a corresponding credit to consolidated contributed surplus. The Company estimated using the Black-Scholes option pricing model that the estimated fair value of those stock options when they were granted aggregated \$260,000. The stock-based compensation expense would have been recognized in periods prior to December 1, 2022, and accordingly, the Company adjusted the opening balances of consolidated deficit and consolidated contributed surplus increasing both by \$260,000. There were no other impacts of this adjustment in the comparative consolidated financial statements.

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23 – SUBSEQUENT EVENTS

Subsequent to year-end, the maximum authorized amount of \$2,300,000 of the revolving line of credit was increased to \$3,000,000 on August 28, 2024 following the Company's eligibility to EDC's Export Guarantee Program (the Program). This Program provides the Company's bank with a guarantee covering a portion of the maximum revolving line of credit authorized amount.

On October 25, 2024, the Company received preliminary confirmation that the bank overdraft facility's maturity has been extended to October 2025.

Subsequent to its year-end, the Company entered into new long-term lease agreements as follow:

- i. Expanded rental space at its principal place of business in Granby: from October 2024 to January 2030: minimum payments for the next five years are \$119,805 in fiscal 2025, \$159,740 in fiscal 2026, \$159,740 in fiscal 2027, \$159,740 in fiscal 2028, \$159,740 in fiscal 2029 and \$93,182 in fiscal 2030.
- ii. New warehouse rental space in Vermont: from December 2024 to November 2029: minimum payments for the next five years are CAD 42,998 (USD 31,850) in fiscal 2025, CAD 74,844 (USD 55,440) in fiscal 2026, CAD 76,822 (USD 56,905) in fiscal 2027, CAD 78,859 (USD 58,414) in fiscal 2028, CAD 80,958 (USD 59,969) in fiscal 2029 and CAD 34,101 (USD 25,260) in fiscal 2030.