

CANYON CREEK FOOD COMPANY LTD.

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MANAGEMENT DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of results of operations and financial position as at November 30, 2024 should be read in conjunction with the unaudited consolidated financial statements of Canyon Creek Food Company Ltd. ("Canyon Creek" or "the Company") for the periods ended November 30, 2024 and 2023, and the related notes thereto.

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). This MD&A provides information on the activities of the Company and all amounts are expressed in Canadian dollars unless otherwise noted. This MD&A was approved by the Board of Directors for issue on January 29, 2025.

Management is responsible for the information contained in the MD&A and its consistency with information presented, reviewed and approved by the Audit Committee and Board of Directors. Additional information pertaining to the Company can be found on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") web site at www.sedarplus.ca.

Some information in this Management Discussion & Analysis is considered forward looking. It is subject to uncertainties and risks associated with industry and other economic factors. Forward looking statements contain assumptions and analysis made by us based on our experience, analysis of historical trends, current conditions and expected future developments, as well as other factors deemed appropriate. Readers are cautioned that we offer no assurance that events or results identified in any forward-looking statements will be realized in whole or in part. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the availability and price of raw materials and labour, competitive factors in the industry, regulatory decisions, economic conditions in North America, our ability to successfully implement our strategic initiatives, and whether such initiatives yield the expected benefits. We make no obligation to publicly update any forward –looking statements.

Overview

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. We provide our fresh food product line to both grocery retailers and a broad range of food service establishments, such as restaurants and institutions throughout Canada. We are a public company trading on the TSX Venture under the symbol "CYF".

Our primary focus is to develop strategic alliances with both retailers and branded food companies. We believe this provides the greatest opportunity to drive plant throughput and efficiencies.

With consumers having a continued focus on fresh ingredients and products without preservatives, the Company can meet the growing demand for products with cleaner ingredient profiles. The Company has continued to invest resources into product streams and customers that have reduced cyclicality.

Key Performance Drivers

- ***The ability to deliver superior product quality***

We continue to invest to ensure that our product is of high quality both in product safety and delivering superior innovative products. For every product run, the Quality Assurance Department undertakes extensive testing of product quality and packaging. This includes testing viscosity, taste, colour and product integrity. We continue to hold our BRC and Organic certifications in order to offer current and potential customers high standards in the manufacturing of our products.

- ***Competition***

The principal elements of competition in this industry include:

- Distribution
- Price
- Product quality and taste
- Innovation
- Trade and consumer promotions, and
- Labelling and packaging

Risk Factors

We need to effectively manage our resources in order to execute the business plan. Failure to execute would negatively impact our ability to achieve profitability.

To achieve profitability and manage operations effectively, we must continue to improve our operational, financial, and other management processes and systems. In addition, in order to grow and execute on our business plan and opportunities, we need to have adequate resources available, including capital and personnel. We also need to maintain controls and focus as we look to add new products and distribution channels.

To achieve a profit, we must:

- Increase sales volume of higher margin products;
- Achieve and maintain efficiencies in operations;
- Reduce the debt load and debt service costs;
- Reduce level of fixed costs; and
- Decrease the proportionate costs of production, marketing and distribution.

Share Capital

The authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares, issuable in series. As January 29, 2025, the total number of issued and outstanding common shares is 35,148,902.

During the periods ended November 30, 2024, and November 30, 2023, no securities were issued.

During the periods ended November 30, 2024, and November 30, 2023, no options to purchase securities were granted. A balance of nil stock options was outstanding as at January 29, 2025.

There are no outstanding share purchase warrants as of January 29, 2025.

Plan of Operation

We are committed to our mission of producing superior innovative food products that give our customers and consumers what they really want. “Favourite Foods Made Easy” in a way that is better, faster and more profitable than our competition. We aspire to be the “best food company” in Canada. This can be achieved through one guiding principal of superior quality, in people, products and customers. Our interaction, both internally and externally, will convey our commitment to superior quality every day. The Company continues to look for cost reductions and plant efficiencies while expanding.

Selected Annual Information

Description	May 31, 2024 \$	May 31, 2023 \$	May 31, 2022 \$
<i>Total Revenues</i>	<i>13,516,561</i>	<i>11,925,371</i>	<i>9,544,875</i>
<i>Gross Margin</i>	<i>1,877,949</i>	<i>494,108</i>	<i>669,316</i>
<i>Net loss for the year</i>			
<i>Total</i>	<i>(4,478,441)</i>	<i>(4,676,490)</i>	<i>(3,179,399)</i>
<i>Per share</i>	<i>(0.13)</i>	<i>(0.13)</i>	<i>(0.09)</i>
<i>Total Assets</i>	<i>6,250,931</i>	<i>6,647,872</i>	<i>7,816,306</i>
<i>Long term liabilities</i>	<i>36,334,994</i>	<i>33,398,059</i>	<i>30,603,639</i>

Results of Operations

Revenue

Revenue increased by 13.34% during the year ended May 31, 2024, when compared to the previous year. The increase in revenue is the result of expanding sales with current customers.

Gross Margin

The gross margin for the year ended May 31, 2024, has increased by \$1,383,841 when compared to the previous year. This increase is the result of a reduction in direct labour, a reduction in raw ingredient costs and greater operational efficiencies due to the increase in sales.

Net Loss

The net loss of \$4,478,441 for the year ended May 31, 2024, has decreased from the net loss in the previous year by \$198,049. This decrease in net loss can be attributed to an increase to the gross margin.

Due to the continued losses, the Company's future performance may be impacted by its ability to have sufficient cashflows to meet its obligations. (please see note 1 and 21 of financial statements).

Summary of Quarterly Results

Description	Nov 30, 2024 \$	Aug 31, 2024 \$	May 31, 2024 \$	Feb 29, 2024 \$	Nov 30, 2023 \$	Aug 31, 2023 \$	May 31, 2023 \$	Feb 28, 2023 \$
<i>Revenue</i>	5,585,325	1,596,809	1,726,751	5,597,940	4,786,500	1,405,370	1,416,160	4,373,362
<i>Gross Margin</i>	1,237,203	126,068	(244,305)	1,149,735	1,174,995	(202,476)	(397,827)	535,775
<i>Net loss for the period</i>								
<i>Total</i>	(85,761)	(952,738)	(3,161,390)	(237,570)	94,741	(1,174,222)	(2,801,699)	(578,473)
<i>Per share</i>	0.00	(0.03)	(0.09)	(0.01)	0.00	(0.03)	(0.08)	(0.02)

The first and fourth quarter's revenue are generally lower vs second and third quarters due to seasonality in the chilled soup category. During the fourth quarters' the Company recognized significant impairments, with a write-down to property plant and equipment of \$826,617 (2023: \$102,402), to ROU assets of \$202,815 (2023: \$116,168) and impairment to the license and royalty intangible asset of \$nil (2023: \$1,260,016). All values are reported in Canadian dollars (\$).

Revenue

Revenue increased by 16.7% during the period ended November 30, 2024, when compared to the previous period. The increase in revenue is driven by increased sales to existing customers.

Gross Margin

The gross margin for the period ended November 30, 2024, has increased by \$62,208 when compared to the previous year. This is a result of the increase in revenue.

Net Loss

The net loss of \$85,761 for the period ended November 30, 2024, has decreased versus the previous years' net gain of \$94,741 in the previous year. This is driven by an increase in advertising and promotional spend.

Due to the continued losses, the Company's future performance may be impacted by its ability to have sufficient cashflows to meet its obligations. (please see note 1 and 19 of financial statements).

Liquidity and Capital Resources

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 the TSX Venture Exchange's (the Exchange) Continued Listing Requirements to maintain a specified amount of working capital. 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.

During the year ending May 31, 2024, the Company received an assessment from the Canada Revenue Agency (CRA) for unpaid payroll related remittances. The amount owing as at May 31, 2024 has been accrued and recorded in trade payable and other liabilities (note 8). The Company will be subject to secondary audit to confirm final assessment amount.

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 \$10,798,975 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 Company is financed through the following:

Working Capital Funding

The Company has an operating loan with the CIBC for \$3,150,000. This loan is used to finance the daily operations. The loan is secured by a general security agreement and guarantees of a major shareholder who is also a director. The Company currently has a working capital deficiency of \$8,285,397 (May 31, 2024: \$9,159,545).

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 in the amount of \$18,253,500 and accrued interest thereon of \$17,136,979 (May 31, 2024 - \$16,396,174), until the Company has repaid all outstanding loans to its bank.

Going Concern Funding

The Company's ability to continue as a going concern is dependent upon the continuing support of related parties (notes 12 and 14), a couple of the Company's shareholders have been investing in the Company through demand loans for over ten years and continue to support the Company. 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).

Transactions with Related Parties

The related party transactions that we engaged in during the year are as follows:

- ***Demand Loans*** - one of the shareholders and director, Brian Halina, continues to invest in the Company by way of demand loans. The director has entered an agreement waiving the right to demand the repayment of the demand loans payable and the accrued interest thereon.
- ***Accounts Payable*** – services were rendered during the period with a Company, Chemco, that is controlled by one or more of the shareholders and director.
- ***Accounts Payable*** – two of the officers, Terence Alty and Belva Rode continue to support the Company by way of payables that are unsecured, interest bearing at 8% annually and with no fixed terms of repayment.

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

Changes in accounting policies

(a) New and amended standards adopted

IAS 1, Disclosure of accounting policies - amendments were made to IAS 1, Disclosure of accounting policies that are material accounting policy information instead of significant accounting policies. IAS 1 is required to be applied for annual periods beginning on or after January 1, 2023. Management performed an assessment and updated the disclosures accordingly.

IAS 12, Global implementation of Pillar Two – amendments were made to IAS 12 to (i) provide a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model Rules published by the OECD, and (ii) introduce targeted disclosure requirements for affected entities. IAS 12 is required to be applied for annual periods beginning on or after January 1, 2023. The Company has determined that there is no impact of this standard on the consolidated financial statements.

IAS 12 & IFRS 1, Deferred taxes related to assets and liabilities arising from a single transaction – amendments were made to IAS 12 & IFRS 1 to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Consequential amendment to IFRS 1 to add an exception to retrospective application. IAS 12 & IFRS 1 are required to be applied for annual periods beginning on or after January 1, 2023. The Company has determined that there is no impact of this standard on the consolidated financial statements.

IAS 8, Changes in estimates vs changes in accounting policies - amendments were made to IAS 8 to help distinguish changes in accounting estimates from changes in accounting policies. IAS 8 is required to be applied for annual periods beginning on or after January 1, 2023. 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 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 is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2025.

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 is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2025.

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 is currently evaluating the impact of this standard on the consolidated financial statements. The Company plans to apply the standard in Fiscal 2025.

Changes in Internal Control over Financial Reporting

There have been no changes in the internal controls over financial reporting during the period ended November 30, 2024, that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Subsequent events

The Company reported no subsequent events.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for designing and monitoring the effectiveness of the disclosure controls and procedures. Effective disclosure controls provide reasonable assurance that external financial reporting and statements are reliable. Due to the size of the Company, we have few administrative staff, which limits our ability to effectively segregate duties, a key factor in designing effective internal controls over financial reporting. Further, the Chief Executive Office and Chief Financial Officer are directly involved in the design, maintenance, and operation of internal controls over financial reporting. All of these factors negatively impact the effectiveness of both the design and operation of internal controls. The Company is not required to certify the design and evaluation of Disclosure Controls and Procedures (DC&P) and Internal Control over Financial Reporting

(ICFR) and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.