The Fresh Factory

April 27, 2026

Audited Financial Statements

For the Year Ended December 31, 2025

TSXV: FRSH | FRA: Q4Z

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THE FRESH FACTORY B.C. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

(EXPRESSED IN UNITED STATES DOLLARS)
(AUDITED)

To the Shareholders of The Fresh Factory B.C. Ltd.:

Opinion

We have audited the consolidated financial statements of The Fresh Factory B.C. Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits 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 audits 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.

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.

Inventories

Key Audit Matter Description

As disclosed in note 3 to the consolidated financial statements for the year ended December 31, 2025, inventory is recorded at the lower of cost or net realizable value.

The Company values its inventories using standard costs, which are periodically reviewed and updated by management. Standard costs include estimates of material prices, labour, and manufacturing overhead. Given the judgement involved in establishing standard costs and the significance of inventory to the financial statements, we considered the accuracy of standard costs used to value inventory to be a key audit matter.

If standard costs are not appropriately set or updated to reflect current conditions, inventory may be misstated.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of finished good inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluating the Company's policies and controls over the development, approval, and periodic review of standard costs.
- Testing, on a sample basis, the key components of standard costs (materials, labour, and overhead) by comparing them to recent purchase prices, payroll records, and actual production data.
- Assessing whether standard costs were reviewed and updated on a timely basis to reflect current economic conditions.
- Evaluating whether significant variances between standard costs and actual costs were appropriately analyzed and accounted for in accordance with IAS 2 Inventories.
- Testing whether inventory was recorded at the lower of cost or net realizable value.

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.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. 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. 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Leanne Bjalek.

Calgary, Alberta

MNP LLP

April 21, 2026

Chartered Professional Accountants

THE FRESH FACTORY B.C. LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN US DOLLARS)

As at	Note		**December 31, 2025**		December 31, 2024
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**1,336,945**	$	1,891,051
Trade and other receivables	4		**4,946,233**		2,792,784
Prepayments			**1,263,764**		667,576
Inventories	5		**3,194,815**		1,596,394
			10,741,757		6,947,805
Non-current assets					
Property and equipment	6		**12,485,981**		8,651,123
Total assets		**$**	**23,227,738**	$	15,598,928
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	7	**$**	**6,536,565**	$	4,918,348
Revolving line of credit	10		**2,947,889**		-
Lease liability – current portion	8		**1,440,880**		1,198,976
Financing obligation for sale leaseback transaction – current portion	9		**578,147**		1,180,117
			11,503,481		7,297,441
Non-current liabilities					
Lease liability	8		**3,327,485**		2,833,687
Total liabilities			**14,830,966**		10,131,128
Equity					
Share capital	12		**34,021,825**		31,021,825
Share-based payments reserve	13		**3,781,870**		3,657,992
Deficit			**(29,257,013)**		(29,212,017)
Treasury Stock	12		**(149,910)**		-
Total equity			**8,396,772**		5,467,800
Total liabilities and equity		**$**	**23,227,738**	$	15,598,928

Nature of operations (Note 1)

Subsequent events (Note 19)

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Signed "Bill Besenhofer"
Director

Signed "Nate Laurell"
Director

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

THE FRESH FACTORY B.C. LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN US DOLLARS)

	Note	Year Ended December 31, 2025	2024
Revenues			
Gross revenues		**$ 45,092,157**	$ 32,891,128
Trade spends and product credits		**(545,104)**	(255,212)
		44,547,053	32,635,916
Cost of sales		**(37,806,401)**	(27,092,578)
Gross profit		**6,740,652**	5,543,338
Operating expenses			
General and administration	15	**5,979,653**	5,221,642
Sales and marketing		**60,887**	96,387
Share-based payments	13	**123,878**	1,168,105
		(6,164,418)	(6,486,134)
Income (Loss) from operations			
Interest Income		**2,532**	13,022
Other Income (expense)		**6,030**	195,318
Foreign exchange gain (loss)		**140**	(6,058)
Interest expense		**(629,932)**	(487,711)
Loss and comprehensive loss for the year		**$ (44,996)**	$ (1,228,225)
Basic and diluted (loss) per share	12	**$ (0.00)**	$ (0.02)

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

THE FRESH FACTORY B.C. LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN US DOLLARS)

		Share Capital						
	Note	Subordinate Voting Shares	Proportionate Voting Shares	Amount	Treasury Stock	Share-based payments reserve	Deficit	Total equity
Balance, December 31, 2024	12	10,446,777	413,778	$ 31,021,825	$ -	$ 3,657,992	$ (29,212,017)	$ 5,467,800
Private Placement	12	-	33,333	3,000,000	-			3,000,000
NCIB stock purchase	12	-	-	-	-	-	-	-
Purchase of treasury stock	12	-	-	-	(149,910)	-	-	(149,910)
Share-based payments	13	-	-	-	-	123,878	-	123,878
Comprehensive loss for the period		-	-	-	-	-	(44,996)	(44,996)
Balance, December 31, 2025	**12**	**10,446,777**	**447,111**	**$ 34,021,825**	**$ (149,910)**	**$ 3,781,870**	**$ (29,257,013)**	**$ 8,396,772**

		Share Capital						
	Note	Subordinate Voting Shares	Proportionate Voting Shares	Amount	Treasury Stock	Share-based payments reserve	Deficit	Total equity
Balance, December 31, 2023	12	10,745,377	413,778	$ 31,083,260	$ -	$ 2,489,887	$ (27,865,341)	$ 5,707,806
NCIB stock purchase	12	(298,600)	-	(61,435)	-	-	(118,451)	(179,886)
Share-based payments	13	-	-	-	-	1,168,105	-	1,168,105
Comprehensive loss for the period		-	-	-	-	-	(1,228,225)	(1,228,225)
Balance, December 31, 2024	12	10,446,777	413,778	$ 31,021,825	$ -	$ 3,657,992	$ (29,212,017)	$ 5,467,800

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

THE FRESH FACTORY B.C. LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN US DOLLARS)

	Note	**Year Ended December 31, 2025**	Year Ended December 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss and comprehensive loss for the year		**$ (44,996)**	$ (1,228,225)
Items not affecting cash:			
Depreciation	6	**2,009,459**	1,550,566
Loss on disposal of equipment	6,14	**199,287**	-
Interest	8,9	**613,696**	487,711
Share-based payments	13	**123,878**	1,168,105
Changes in non-cash working capital items:			
Trade and other receivables	4	**(2,153,449)**	(474,644)
Prepayments		**(596,188)**	(186,780)
Inventories	5	**(1,598,421)**	(226,545)
Trade and other payables	7	**1,618,217**	2,600,740
Lease payments at commencement		**(284,704)**	-
Net cash (used in) provided by operating activities		**(113,221)**	3,690,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(3,411,784)**	(1,131,985)
Net cash used in investing activities		**(3,411,784)**	(1,131,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability	8	**(2,065,396)**	(1,193,478)
Normal course issuer bid share repurchase	12	**-**	(179,886)
Draw on revolving line of credit, net of repayments	10	**2,930,869**	-
Purchase of treasury stock		**(149,910)**	-
Proceeds from issuance of share capital	12	**3,000,000**	-
Loan payments for sale leaseback transaction	9	**(744,664)**	(810,612)
Net cash provided by (used in) financing activities		**2,970,899**	(2,183,976)
Change in cash during the period		**(554,106)**	374,967
Cash and cash equivalents, beginning of the period		**1,891,051**	1,516,084
Cash and cash equivalents, end of the period		**$ 1,336,945**	$ 1,891,051

Supplemental cash flow information (Note 14)

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

1. NATURE OF OPERATIONS

The Fresh Factory B.C. Ltd. (formerly 1181718 B.C. Ltd.) (the "Company") was incorporated under the laws of British Columbia, Canada on October 2, 2018. Prior to November 5, 2021, the Company's operations were conducted through The Fresh Factory PBC ("FFPBC"). FFPBC was formed as a public benefit corporation on December 14, 2017 in the State of Delaware. On October 27, 2021, the Company changed its name to "The Fresh Factory B.C. Ltd." in connection with the closing of a reverse takeover ("RTO") transaction. On October 5, 2023, the Company began trading on the TSXV under the symbol "FRSH" and delisted from the CSE.

The Company operates as a vertically-integrated corporation to engage in the fresh, clean-label, and better-for-you food and beverage industry, including developing, formulating, manufacturing, distributing, and selling food and beverage products.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on April 21, 2026.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, FFPBC, Fresh Factory Manufacturing LLC, MadeHere LLC, and Element Creations LLC. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances, income, and expenses are eliminated in full on consolidation.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("USD"). The functional currency of the Company and its subsidiaries is USD.

Material estimates and assumptions

In preparing these consolidated financial statements, management has made judgments and estimates and used assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

2. BASIS OF PREPARATION (cont'd…)

Material estimates and assumptions (cont'd…)

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The material areas of estimation uncertainty are:

Useful life of depreciable assets
Management reviews the useful lives of depreciable assets at each reporting date and estimates the expected future utility of the assets to the Company.

Inventory
Inventory is stated at the lower of cost and net realizable value. Cost is assigned on a First-in, First Out ("FIFO") using the standard costing method which is updated regularly to reflect current conditions and approximate cost. The cost of finished goods inventory comprises of raw materials, direct labor, and other direct costs and related production overhead expenditures. Net realizable value is the estimate selling price in the ordinary course of business, less applicable variable selling expenses.

Incremental borrowing rate for lease assets
If the implicit rate cannot be readily determined the Company makes estimates in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate reflects the interest that the Corporation would have to pay to borrow at a similar term with similar security.

Taxation
The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

Material judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations that management has made in the process of applying the Company's accounting policies and that have a material effect on the amounts recognized in the consolidated financial statements.

Determination of Cash Generating Units "CGUs"
For the purposes of assessing impairment of non-financial assets, the Company must determine cash generating units ("CGU"). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Going concern
The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing.

3. MATERIAL ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash consists of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Inventories

The cost of inventories includes all costs of purchase, costs of conversion (direct labor and production overhead) and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories are measured at the lower of cost and net realizable value with cost determined using a standard costing method. Standards are reviewed and updated regularly to reflect current production inputs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

Financial instruments

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(ii) Classification

The Company classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income "OCI" or through profit or loss (FVOCI or FVTPL); and,
- Those to be measured at amortized cost.

The measurement category classification of financial assets depends on the Company's business objectives for managing the financial assets and whether contractual terms of the cash flows are considered solely payments of principal and interest. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI depending upon the business objective. The Company reclassifies debt instruments when and only when its business objective for managing those assets changes.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset are included in measurement at initial recognition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument is recognized in profit or loss when the asset is derecognized or impaired. Cash and cash equivalents and trade and other receivables are included in this category and are subsequently measured at amortized cost.

The classification of financial liabilities (trade and other payables, financing obligation for sale leaseback transaction and revolving line of credit) are initially measured at fair value upon initial recognition and are subsequently measured at amortized cost using the effective interest method. Transaction costs related to the financial liabilities recognized at amortized cost are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in finance costs in the consolidated statements of loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized cost, including other receivables. For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Trade receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Expenditures for major betterments and additions are charged to the property and equipment accounts, while replacements and maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged to expense. Maintenance and repairs expenditures are charged to expense as incurred and expenditures for improvements and major renewals are capitalized. Construction in progress is capitalized and no depreciation is recorded until the assets are placed into service.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Machinery & equipment, furniture & fixtures, vehicles	7-10 years
Computers	3-5 years
Leasehold improvements	Lease terms

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date using the rate implicit in the lease, or the Company's borrowing rate, if the implicit rate cannot be readily determined. The lease term includes non-cancellable period of the lease agreement and periods covered by any option to renew, where it is reasonably certain that the option will be exercised. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability. Applicable operating costs, taxes and maintenance expenses are recognized during the period in which they were incurred.

A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a lease modification that is not accounted for as a separate lease, the Company remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use-asset.

Long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets.

For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. The Company measures the impairment loss based on the difference between the carrying amount and the estimated fair value. When impairment exists, the related assets are written down to fair value.

The Company assessed whether there were indicators of impairment at the end of each reporting period and no indicators of impairments were identified for the year ended December 31, 2025.

Share capital

Subordinate Voting Shares and Proportionate Voting Shares are classified as equity. Transaction costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of any tax effects.

The Company has authorized an unlimited number of Subordinate Voting Shares and an unlimited number of Proportionate Voting Shares with no par value.

Subordinate Voting Shares

Holders of Subordinate Voting Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Proportionate Voting Shares.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

Proportionate Voting Shares

Holders of Proportionate Voting Shares are entitled to receive dividends as declared (on an as-converted to Subordinate Voting Share basis) from time to time and are entitled to one hundred (100) vote per share at meetings of the Company.

Each Proportionate Voting Share shall have a restricted right to convert into 100 Subordinate Voting Shares. The ability to convert the Proportionate Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States, may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Proportionate Voting Shares will automatically convert into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the U.S. Securities Act.

Generally, the Subordinate Voting Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential shares. The weighted average number of shares outstanding is increased by the total number of additional shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Share-based payments

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued and amortized over the vesting periods using a graded approach. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award is considered a separate grant with a different vesting date and fair value and is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes Option Pricing Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Revenue Recognition

The Company's revenues generally relate to contracts with retailers and distributors in which the performance obligations are to provide food products. The Company recognizes revenues in the period in which its obligations to provide food products are satisfied and reports the amount that reflects the consideration the Company expects to be entitled to. The Company's performance obligations are generally satisfied upon shipment of the food products.

The Company's contracts with customers may contain non-refundable upfront deposits that provide the customer with discounts on future products. These deposits are assessed under IFRS 15 to determine if they contain a material right. When a material right is identified, it represents a separate performance obligation. The transaction price is allocated based on the standalone selling price. If the standalone selling price not directly observable, the Company estimates the price that reflects the incremental discount that would be obtained when the material right is exercised. The amount allocated to the material right is recorded as a deposit liability and recognized as the customer exercises the right.

Trade and other receivables are recorded net of sales incentives and rights of return and expected credit losses to reflect trade and other receivables at net realizable value. Trade and other receivables consists of receivables from larger retailers. Concentration of credit risk with respect to other customers is limited because of the larger number of such customers.

The Company analyzes trade and other receivables to ensure the proper aged category and collection assessment. At a consolidated level, the Company's policy is to review trade and other receivables aging, to determine the appropriate expected credit loss provision. Account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual revenues, sales incentive and rights of return, historical cash collections received and forward-looking information.

The Company has no material contract assets or liabilities as of December 31, 2025 and 2024, respectively.

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Foreign currencies

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The Company's presentation currency is the US dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Financing obligation for sale-leaseback

When the Company enters into sale-leaseback transaction, an assessment is performed to determine whether a contract exists and whether there is a performance obligation to transfer control of the asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If control is not transferred based on the nature of the transaction, and therefore does not meet the requirements for a sale under sale-leaseback accounting model, the Company is deemed to own the property and reflects such property in the consolidated statement of financial position under property and equipment and depreciates the assets over their useful lives. The liabilities associated with these leases are recorded to financing obligation for sale leaseback transactions.

Accounting Standards issued and effective for reporting period beginning on or after January 1, 2024

The Company assesses the impact of the new or revised IFRS standards on its financial position and financial performance. The Company has reviewed amended accounting pronouncements and determined that the following pronouncements did not have a material impact on its financial statements:

In September of 2022, the IASB issued amendments to IFRS 16 which impact how a company accounts for variable lease payments that arise in a sale-leaseback transaction. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. As there are no variable payments related to the Company's sale-leaseback transaction that originated in September 2023, the Company determined the pronouncement did not have a material impact on the financial statements.

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024. The Company adopted this accounting policy with no material impact on the financial statements.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Accounting Standards issued but not yet effective

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2026, that have not been applied in preparing the financial statements for the year ended December 31, 2025. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18.

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to IFRS 9 and IFRS 7.

(EXPRESSED IN US DOLLARS)

4. TRADE AND OTHER RECEIVABLES

	December 31, 2025	December 31, 2024
Trade receivables	**$ 4,930,877**	$ 2,777,462
Other receivables	**15,356**	15,322
	$ 4,946,233	$ 2,792,784

Included in the trade receivables at December 31, 2025 is an allowance for expected credit losses ("ECL") of $223,719 (December 31, 2024 - $56,683). The expected credit loss increased by $167,036 as a result of remeasurement of the lifetime expected credit loss as at December 31, 2025.

The aging of the trade and other receivable where the Company bears customer credit risk was as follows:

	December 31, 2025	December 31, 2024
Current	**$ 3,792,897**	$ 2,569,842
1-30 days	**-**	240,638
31-60 days	**1,041,989**	36,457
61-90 days	**184,821**	2,530
over 90 days	**150,245**	-
Less expected credit loss	**(223,719)**	(56,683)
	$ 4,946,233	$ 2,792,784

The Company's accounts receivable is primarily due from retailers, generally located in the United States. Three of the Company's customers accounted for 57% of its trade receivables at December 31, 2025 (December 31, 2024 - one for 29%). The Company's payment terms are net 30 days, with any amounts due thereafter included within the provision for ECL. The Company does not require any significant collateral from its customers. One customer accounted for 27% of the Company's revenues during the year ended December 31, 2025 (December 31, 2024 – one customer accounted for 40%).

5. INVENTORIES

The components of inventory are as follows:

	December 31, 2025	December 31, 2024
Raw materials	**$ 1,620,926**	$ 703,649
Packaging	**905,886**	528,123
Work in progress	**88,423**	78,698
Finished goods	**579,580**	285,924
	$ 3,194,815	$ 1,596,394

The Company expensed $27,632,178 of inventory during the year ended December 31, 2025 (December 31, 2024 - $20,011,245) which is included in cost of sales. There was no inventory written down during the year ended December 31, 2025 and 2024.

(EXPRESSED IN US DOLLARS)

6. PROPERTY AND EQUIPMENT

	Machinery & equipment	Leasehold improvement	Furniture and fixtures	Vehicles	Computers	Construction in Progress	Right of use assets	Total
Cost								
Balance at December 31, 2023	$ 5,794,381	$ 296,945	$ 30,600	$ 17,540	$ 17,254	$ 42,998	$ 3,638,459	$ 9,838,177
Additions	393,700	10,433	-	-	-	681,078	3,265,693	4,350,904
CIP Placed In Service	73,840	-	-	-	-	(73,840)	-	-
Balance at December 31, 2024	$ 6,261,921	$ 307,378	$ 30,600	$ 17,540	$ 17,254	$ 650,236	$ 6,904,152	$ 14,189,081
Additions	546,924	24,373	2,252	-	-	2,838,234	2,631,821	6,043,604
CIP Placed In Service	209,059	2,133,304	-	-	-	(2,342,363)	-	-
Transfer Leased Assets	801,075	-	-	-	-	-	(801,075)	-
Disposals	(291,597)	-	-	-	-	-	(585,448)	(877,045)
Balance at December 31, 2025	**$ 7,527,382**	**$ 2,465,055**	**$ 32,852**	**$ 17,540**	**$ 17,254**	**$ 1,146,107**	**$ 8,149,450**	**$ 19,355,640**
Accumulated depreciation								
Balance at December 31, 2023	$ 2,108,902	$ 283,524	$ 22,299	$ 6,048	$ 2,007	$ -	$ 1,585,499	$ 4,008,279
Depreciation	616,652	12,874	2,567	2,513	1,730	-	893,343	1,529,679
Balance at December 31, 2024	$ 2,725,554	$ 296,398	$ 24,866	$ 8,561	$ 3,737	$ -	$ 2,478,842	$ 5,537,958
Depreciation	693,153	134,027	2,529	2,505	1,725	-	1,175,520	2,009,459
Transfer Leased Assets	275,208	-	-	-	-	-	(275,208)	-
Disposals	(92,310)	-	-	-	-	-	(585,448)	(677,758)
Balance at December 31, 2025	**$ 3,601,605**	**$ 430,425**	**$ 27,395**	**$ 11,066**	**$ 5,462**	**$ -**	**$ 2,793,706**	**$ 6,869,659**
Net amount								
Balance at December 31, 2025	$ 3,925,777	$ 2,034,630	$ 5,457	$ 6,474	$ 11,792	$ 1,146,107	$ 5,355,744	$ 12,485,981
Balance at December 31, 2024	$ 3,536,367	$ 10,980	$ 5,734	$ 8,979	$ 13,517	$ 650,236	$ 4,425,310	$ 8,651,123

Leased machinery and equipment have been reclassified from machinery & equipment to right-of-use assets, with comparative figures adjusted accordingly. Net right-of-use assets totaled $2,276,569 for commercial property and $3,079,175 for machinery and equipment at December 31, 2025 (December 31, 2024 – $3,149,485 and $1,275,825 respectively). Included in costs of sales is $2,009,459 of depreciation for the year ended December 31, 2025 (year ended December 31, 2024 - $1,529,679).

(EXPRESSED IN US DOLLARS)

7. TRADE AND OTHER PAYABLES

		December 31, 2025		December 31, 2024
Trade payables	**$**	**4,542,978**	$	3,585,895
Deposit Liabilities		**335,592**		642,731
Share subscriptions received in advance		**650,000**		-
Compensation payables		**1,007,995**		689,722
	$	**6,536,565**	$	4,918,348

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to inventory purchases and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

8. LEASE LIABILITY

The continuity of the Company's lease liability is as follows:

		December 31, 2025		December 31, 2024
Balance, beginning of the year	**$**	**4,032,663**	$	1,783,623
Addition		**2,347,116**		3,218,919
Interest expense		**453,982**		223,599
Lease payments		**(2,065,396)**		(1,193,478)
Balance, end of the year	**$**	**4,768,365**	$	4,032,663
Current liability	**$**	**1,440,880**	$	1,198,976
Long-term liability	**$**	**3,327,485**	$	2,833,687

The Company leases office and manufacturing space and certain equipment under various leases. The Company recognized lease expense over the term of the lease using the rate implicit in the lease (5.56-25.38%), or the Company's incremental borrowing rate (2.42-8.5%), if the implicit rate could not be readily determined. Renewal periods are excluded unless renewal of the lease is reasonably assured. In addition, for the year ended December 31, 2025 the Company paid $415,825 in variable lease costs related to taxes, insurance, maintenance, and other operating expenses which are expensed as incurred (the year ended December 31, 2024 - $287,584).

During 2024, the Company entered into a new lease agreement for additional warehouse and manufacturing space. The lease term is for 68 months commencing July 2024 and ending February 2030. The monthly rent is $56,231 for the first year and increases 3.25% annually. A right of use asset and corresponding lease liability of $3,059,611 was recorded at time of commencement. As the implicit rate could not be readily determined, the Company used the current incremental borrowing rate of 8.5%.

In August 2025, the Company entered into a new lease agreement of a new site for its manufacturing facility with a lease term of 123 months. The lease commencement date is defined as the later of (i) January 1, 2026, and (ii) the date which ninety (90) days after Landlord delivers possession of the premises to the Company in a condition that allows the Company to commence its work. The monthly rent is $103,027 for the first year and increases 3.25% annually. The lease provides the Company with a termination right that may be exercised without penalty if possession of the premises is not delivered by the landlord on or before December 1, 2025. As at the reporting date, possession has not yet been obtained and, accordingly, the Company continues to retain its contractual right to terminate the agreement. No lease liability or right-of-use asset has been recognized until possession is achieved in accordance with IFRS 16.

(EXPRESSED IN US DOLLARS)

8. LEASE LIABILITY (cont'd…)

The undiscounted future lease payments are as follows:

2026	$	1,754,534
2027	$	1,372,467
2028	$	1,254,889
2029	$	1,091,346
2030	$	217,670
	$	5,690,906

9. FINANCING OBLIGATION FOR SALE-LEASEBACK TRANSACTION

On September 5, 2023, the Company entered into an agreement to sell up to $2 million of its machinery & equipment ("sale leaseback property") to an equipment financing company ("Lessor"). Concurrent with the sale, the Company entered into a two-year lease agreement to lease back the equipment at a monthly rate of $67,551. The sale-leaseback transaction transferred legal ownership to the Lessor, but the Company retains control of the assets. Under the Lease Agreement, the Company has an option to extend the term of the lease and to repurchase the sale-leaseback property. In accordance with IFRS 15, the substantive repurchase option precludes a sale, and as such, the transaction is a failed sale-leaseback that is accounted for as a financing transaction under IFRS 9. The Company recorded a financing obligation, net of issuance costs, of $1.9 million related to the transaction based on the present value of future payments over the lease term and an imputed interest rate of 18.64%.

In August 2025, the Company amended its existing financing arrangement related to the failed sale-leaseback transaction. The amendment was executed pursuant to extension rights permitted under the original agreement and extended the contractual term by an additional 12 months. As part of the amendment, the parties renegotiated the financing terms. The imputed interest rate decreased from 18.64% to 12.69% effective on the amendment date. Under the amended terms, the Company is required to make monthly payments of $51,064 during the extended 12-month period, with a balloon payment of $198,360 due at the end of the term. The amendment was treated as a debt modification in accordance with IFRS 9 as no substantial qualitative changes were noted and the change in present value of remaining payments did not change by more than 10%. The balance of the financing obligation as of December 31, 2025 was $578,147 (December 31, 2024 - $1,180,117).

The continuity of the Company's financing obligation is as follows:

		December 31, 2025		December 31, 2024
Balance, beginning of the year	**$**	**1,180,117**	$	1,726,617
Addition		**-**		-
Interest expense		**142,694**		264,112
Payments		**(744,664)**		(810,612)
Balance, end of the period/year	**$**	**578,147**	$	1,180,117
Current liability	**$**	**578,147**	$	1,180,117
Long-term liability	**$**	**-**	$	-

The future minimum payments related to the sale leaseback financing obligation at December 31, 2025 are as follows:

2026	$	606,873
Total Payments	$	606,873
Less Imputed Interest	$	28,726
Financing Obligation	$	578,147

10. REVOLVING LINE OF CREDIT

On September 8, 2025, the Company entered into a revolving line of credit facility with Mitsubishi HC Capital America, Inc. ("Lender") to support its working capital requirements. It is structured as an asset-based funding arrangement that provides borrowing capacity of up to $4,000,000 and is available for a period of three years, maturing in August 2028. The facility provides borrowing capacity of up to $4,000,000 and bears interest at a rate equal to the Wall Street Journal ("WSJ") prime rate plus 1% per annum, payable monthly.

In addition to interest, the Company is subject to (i) an unused line fee of 0.45% per annum on the undrawn portion of the facility, calculated based on daily outstanding principal indebtedness, (ii) an annual service fee of 0.375% of the maximum commitment, and (iii) a monthly minimum fee equal to the positive difference, if any, calculated by subtracting from $8,333 the monthly interest payment and monthly unused line fee paid on the first day of each calendar month, each recognized as finance costs as incurred.

The Company paid $153,181 in commitment fees, loan origination fees, and other compliance charges, which have been capitalized and will be amortized over the term of the facility in accordance with IFRS 9.

Repayment of borrowings is governed through account control agreements under which customer collections are swept to Lender and applied against the outstanding balance. As of December 31, 2025, the outstanding balance under the facility was $2,947,889.

Under the terms of the facility, the Company has granted the Lender a continuing security interest and first-ranking lien over substantially all its assets, now existing or hereafter arising. The collateral includes accounts receivable, inventory, equipment, accessories, claims, related rights etc.

The facility is subject to customary financial covenants, requirements to maintain a prescribed level of ;

A) Tangible net worth which is (i) not less than $8,200,000 until September 30, 2026; and (ii) not less than $8,700,000 from September 30, 2026 until the indebtedness is repaid in full or termination.

B) Maintain debt service coverage ratio (DSCR) at all times of not less than 1.25 : 1.00.

The Company was in compliance with all financial and reporting covenants as at December 31, 2025.

In December 2025, the Company executed Amendment No. 1 to its revolving line of credit facility with Mitsubishi HC Capital America, Inc. ("Lender"), which was originally entered into on September 8, 2025.

Pursuant to the amendment, the maximum committed borrowing capacity was increased from $4,000,000 to $5,000,000. The maturity date of the facility remains unchanged.

The amendment also revised the annual service fee to a fixed amount of $15,000 per annum, payable on each annual anniversary of the amended agreement date for so long as any indebtedness remains outstanding. The Company paid a non-refundable commitment increase fee of $15,000 upon execution of the amendment. This fee has been capitalized as part of the loan's transaction costs and is being amortized over the remaining term of the facility in accordance with IFRS 9.

All other significant terms and conditions of the facility, including the applicable interest rate, collateral and security arrangements, guarantees, repayment mechanics, and financial covenants, remain substantively unchanged. The Company was in compliance with all covenants under the amended facility as at December 31, 2025.

(EXPRESSED IN US DOLLARS)

11. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, the Board of Directors, and entities that are controlled by these individuals as well as certain persons performing similar functions. Key management personnel comprise the Company's executive officers, including the Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, and consist of directors and officers of the Company. The compensation paid or payable to key management personnel during the year ended December 31 is as follows:

	December 31, 2025	December 31, 2024
Salary and short-term benefits	**$ 1,035,644**	$ 620,190
Share-based payments	**88,172**	715,789
Total	**$ 1,123,816**	$ 1,335,979

12. SHARE CAPITAL

Issued share capital

On December 31, 2025, the Company had 10,446,777 Subordinate Voting Shares (December 31, 2024 – 10,446,777) and 447,111 Proportionate Voting Shares outstanding (December 31, 2024 – 413,778).

Share issuance

On March 31, 2025, the Company completed a non-brokered private placement of 33,333 Proportionate Voting Shares of the Company at a price of $90 per Proportionate Voting Share for gross proceeds of $3,000,000.

There were no Subordinate Voting shares issued during the year ended December 31, 2025.

	Number of Shares		
	Subordinate Voting Shares	Proportionate Voting Shares	Share Capital $
Balance, December 31,2023	10,745,377	413,778	$ 31,083,260
NCIB Stock Purchases	(298,600)	-	(61,435)
Balance, December 31,2024	10,446,777	413,778	$ 31,021,825
Private Placement	-	33,333	3,000,000
Balance, December 31, 2025	**10,446,777**	**447,111**	**$ 34,021,825**

Treasury Stock

During the period, the Company acquired 341,000 ordinary shares through a privately negotiated transaction not conducted under the NCIB. The shares were purchased for $149,910 and recorded as treasury shares at cost in accordance with IAS 32. The Company held 341,000 and nil shares of treasury stock at December 31, 2025, and Dec 31, 2024

12. SHARE CAPITAL (cont'd…)

Normal course issuer bid "NCIB"

In 2022, the Company commenced a Normal Course Issuer Bid, whereby the Company may purchase up to 5% of the issued and outstanding subordinate voting shares.

On October 5, 2023, the Company began trading on the TSXV and delisted from the CSE. Following the listing on the TSXV, the Company re-commenced the NCIB program and may purchase up to 10% of the issued and outstanding subordinate voting shares.

On December 2, 2024, The Fresh Factory renewed its normal course issuer bid ("NCIB"), allowing the Company to repurchase up to 3,968,041 outstanding Subordinate Voting Shares over the 12-month period ending December 1, 2025. As of June 30, 2025, the Company has repurchased a total of 145,000 of the eligible 3,968,041 Subordinate Voting Shares at a cost of $91,568 representing a weighted average price of $0.63.

There were no NCIB repurchases during 2025.

Basic and diluted loss per share

The calculation of basic and diluted earnings per share for the year ended December 31, 2025 was based on the net loss attributable to shareholders of $44,996 (year ended December 31, 2024 net loss - $1,228,225) and a weighted average number of shares (Subordinate Voting Shares and Proportionate Voting Shares on an as-converted to Subordinate Voting Share basis) outstanding of 54,345,100 (December 31, 2024 – 52,023,760).

At December 31, 2025, 3,779,000 stock options (December 31, 2024 – 3,979,000) were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

(EXPRESSED IN US DOLLARS)

13. SHARE-BASED PAYMENTS

Stock options

The Company has adopted a rolling stock option plan under which it is authorized to grant options to executive officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding shares (Subordinate Voting Shares and Proportionate Voting Shares on an as-converted to Subordinate Voting Share basis) of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, December 31, 2023	3,992,572	$ 1.00
Stock options granted	3,239,000	1.00
Stock options forfeited	(351,572)	1.00
Performance options expired	(2,901,000)	1.00
Balance, December 31, 2024	3,979,000	1.00
Stock options granted	200,000	1.00
Stock options forfeited	(400,000)	1.00
Balance December 31, 2025	3,779,000	$ 1.00
Exercisable at December 31, 2025	**3,221,586**	**$ 1.00**
Weighted average fair value of options granted during the year	2025 - $0.35	2024 - $0.39

The options outstanding at December 31, 2025, have an exercise price of $1 and a weighted average remaining contractual life of 3.7 years.

The fair value calculated for stock options granted during the year ended December 31, 2025 was $69,828 (year ended December 31, 2024 - $1,260,082) using the Black-Scholes Option Pricing Model. For the year ended December 31, 2025, the Company recognized share-based payment expense of $123,878 (year ended December 31, 2024 - $1,168,105) based on the vesting provisions of stock options grant.

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model valuation of stock options granted:

	2025	2024
Risk-free interest rate	**2.76%**	2.97%
Expected life of options	**5.0 Years**	4.93 Years
Annualized volatility	**77%**	93%
Dividend rate	**Nil**	Nil
Forfeiture Rate	**Nil**	Nil

(EXPRESSED IN US DOLLARS)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the year ended December 31, 2025 included property acquired under capital leases of $2,631,820 (year ended December 31, 2024 - $3,218,919) and a non-cash disposal of equipment with a net book value of $199,287.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2025	Year Ended December 31, 2024
Salaries and benefits	**$ 3,788,052**	$ 3,679,928
General and administrative	**2,035,638**	1,211,303
Legal and professional fees	**155,963**	330,411
	$ 5,979,653	$ 5,221,642

16. INCOME TAXES

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

	2025	2024
Loss before income taxes	**$ (44,996)**	$ (1,228,225)
Tax rate	**28.5%**	28.5%
Expected income tax recovery at statutory rates	**$ (12,824)**	$ (350,044)
Permanent differences	**-**	-
Unrecognized temporary differences	**12,824**	350,044
Deferred tax (recovery) expense	**$ -**	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2025	2024
Net-operating losses available for future periods	**$ 2,574,213**	$ 2,213,036
Property and equipment	**(2,574,213)**	(2,213,036)
Deferred tax assets (liabilities)	**$ -**	$ -

A deferred tax asset has not been recognized in respect of following deductible temporary differences:

	2025	2024
Net-operating losses available for future periods	**$ 8,413,224**	$ 9,461,526
Lease liabilities	**4,871,765**	4,368,349
Other	**4,005,593**	3,714,675
Unrecognized deductible temporary differences	**$ 17,290,582**	$ 17,544,550

16. INCOME TAXES (cont'd…)

The Company has not recognized a deferred tax asset in respect of $2,299,139 of non-capital losses in Canada, which will begin to expire in 2037. The Company has not recognized a deferred tax asset in respect of $8,413,224 of net operating losses in the US, which have no expiry date.

Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no net deferred tax asset has been recognized.

U.S. federal tax legislation was enacted in 2004 to address perceived U.S. tax concerns in "corporate inversion" transactions. A "corporate inversion" generally occurs when a non-U.S. corporation acquires "substantially all" of the equity interests in, or assets of, a U.S. corporation or partnership, if, after the acquisition, former equity holders of the U.S. corporation or partnership own a specified level of stock in the non-U.S. corporation. The tax consequences of these rules depend upon the percentage identity of stock ownership that results. Generally, in the "80-percent identity" transactions, i.e. former equity holders of the U.S. corporation own 80% or more of the equity of the non-U.S. acquiring entity (excluding certain equity interests), the tax benefits of the inversion are limited by treating the non-U.S. acquiring entity as a domestic entity for U.S. tax purposes. Management is of the view that a corporate inversion has resulted from the RTO transaction completed in 2021. Management has determined that the Company is subject to the "80-percent identity" with respect to the transactions undertaken.

17. FINANCIAL INSTRUMENTS

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of the financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's-length market transactions, reference to current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

(EXPRESSED IN US DOLLARS)

17. FINANCIAL INSTRUMENTS (cont'd…)

Fair value (cont'd…)

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, revolving line of credit and financing obligations carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The following tables present the carrying values and estimated fair values of financial assets and liabilities at December 31, 2025 and December 31 2024:

December 31, 2025	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total estimated fair value**
Trade and other receivables	**$ 4,946,233**	**$ 4,946,233**	**$ -**	**$ -**	**$ 4,946,233**
Trade and other payables	**$ 6,536,565**	**$ 6,536,565**	**$ -**	**$ -**	**$ 6,536,565**
Financing obligation for sale leaseback transaction	**$ 578,147**	**$ 578,147**	**$ -**	**$ -**	**$ 578,147**
Revolving line of credit	**$ 2,947,889**	**$ 2,947,889**	**$ -**	**$ -**	**$ 2,947,889**
	$ 15,008,834	**$ 15,008,834**	**$ -**	**$ -**	**$ 15,008,834**

December 31, 2024	Carrying Value	Level 1	Level 2	Level 3	Total estimated fair value
Trade and other receivables	$ 2,792,784	$ 2,792,784	$ -	$ -	$ 2,792,784
Trade and other payables	$ 4,918,348	$ 4,918,348	$ -	$ -	$ 4,918,348
Financing obligation for sale leaseback transaction	$ 1,180,117	$ 1,180,117	$ -	$ -	$ 1,180,117
	$ 8,891,249	$ 8,891,249	$ -	$ -	$ 8,891,249

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents and trade and other receivables. The credit risk relating to cash balances is limited because the counterparties are large commercial banks in the United States. The amounts reported for trade and other receivables in the consolidated statements of financial position are net of allowances for credit losses and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

(EXPRESSED IN US DOLLARS)

17. FINANCIAL INSTRUMENTS (cont'd…)

Financial risk management (cont'd…)

Trade and other receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the retail and food distribution technology industries and are subject to normal industry credit risk. Payment terms with customers are generally 30 days from invoice date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from debt and equity financing to provide sufficient liquidity to meet budgeted operating requirements. The maximum exposure to liquidity risk is represented by the carrying amount of accounts payable and accruals and financing obligations.

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

	Less than one year	1 - 5 years	over 5 years	Total
Trade and other payables	$ 6,536,565	$ -	$ -	$ 6,536,565
Financing obligation for sale leaseback Transaction	$ 578,147	$ -	$ -	$ 578,147
Revolving line of credit	$ 2,947,889	$ -	$ -	$ 2,947,889
	$ 10,062,601	$ -	$ -	$ 10,062,601

Interest rate risk

The Company is exposed to interest rate risk arising from cash and cash equivalents held in Canadian and United States financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The Company is exposed to interest rate risk on its revolving line of credit, which bears interest at a variable rate equal to the WSJ prime rate plus 1% per annum, payable monthly. As the interest rate resets as market rates change, fluctuations in the WSJ prime rate could affect the Company's interest expense and, ultimately, net income. Management monitors market interest rates on an ongoing basis as part of its capital management strategy.

A sensitivity analysis was performed to assess the impact on net income of reasonably possible changes in interest rates. A 1% change in interest rates would impact net income by approximately $29,478.

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern and to deploy capital to provide future investment return to its shareholders. In the management of capital, the Company considers shareholders' equity at December 31, 2025 of $8,396,772 (December 31, 2024 - $5,467,800) as the component of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue additional shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. The Company is subject to covenants in conjunction with its revolving line of credit. Key covenants include maintaining prescribed tangible net worth and prescribed debt service coverage ratio.

19. SUBSEQUENT EVENTS

On January 20, 2026 the Company completed a non-brokered private placement of 26,087 Proportionate Voting Shares of the Company at a price of $115 per Proportionate Voting Share for gross proceeds of $3,000,000. The Company has evaluated all subsequent events through the date these consolidated financial statements were issued and determined that there were no other subsequent events or transactions that require recognition or disclosures in the consolidated financial statements.