

The Skor Food Group Inc.

Interim Consolidated Financial Statements

November 30, 2005

(unaudited)

Notice to Reader

The accompanying unaudited interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditor has not performed a review of these financial statements.

The Skor Food Group Inc.

Interim Consolidated Balance Sheets

	Note	November 30 2005	August 31 2005 (audited)
Assets			
Current			
Cash		\$ 1,027,131	\$ 1,216,988
Short-term investment		600,000	600,000
Accounts receivable		6,126,455	5,537,191
Inventory		3,068,301	3,072,081
Rebates receivable		833,412	675,677
Prepaid expenses and other assets		251,377	418,433
		11,906,676	11,520,370
Property, plant and equipment		1,779,600	1,057,557
Future income taxes		25,643	18,786
Goodwill		1,081,802	1,081,802
Distribution rights		1,667	6,667
Investments		12,600	12,600
		\$ 14,807,988	\$ 13,697,782
Liabilities			
Current			
Accounts payable and accrued liabilities		5,078,965	4,424,562
Income taxes payable		298,189	185,953
Current portion of long-term debt	2	585,506	594,518
		5,962,660	5,205,033
Long-term debt	2	1,703,931	1,848,796
Redeemable preferred shares	3	200,000	200,000
		7,866,591	7,253,829
Shareholders' Equity			
Capital stock	4	1,953,932	1,953,932
Contributed surplus	5	73,173	49,668
Retained earnings		4,914,292	4,440,353
		6,941,397	6,443,953
		\$ 14,807,988	\$ 13,697,782

Approved by the Board "Vince Capobianco" Director "G. Michael Newman" Director

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Earnings and Retained Earnings
For the Three Months Ended November 30
(unaudited)

	2005	2004
Revenue	\$ 20,514,885	\$ 20,645,157
Cost of sales	17,072,853	17,453,856
Gross profit	3,442,032	3,191,301
Expenses		
Operating	2,490,401	2,457,065
Interest on long-term debt	22,070	27,050
Amortization	76,309	107,908
	2,581,506	2,592,023
Earnings before relocation costs and income taxes	853,252	599,278
Relocation costs	122,065	-
Earnings before income taxes	731,187	599,278
Income taxes (recovered)		
Current	264,105	213,193
Future	(6,857)	9,042
	257,248	222,235
Net earnings	473,939	377,043
Retained earnings at beginning of period	4,440,353	2,731,064
Retained earnings at end of period	\$ 4,914,292	\$ 3,108,107
Earnings per share		
Basic	\$ 0.03	\$ 0.03
Diluted	\$ 0.03	\$ 0.02
Weighted average common shares outstanding		
Basic	17,938,670	13,443,170
Diluted	18,294,286	17,380,889

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Cash Flows For the Three Months Ended November 30 (unaudited)

	Note	2005	2004
Cash flows from operating activities			
Net earnings for period		\$ 473,939	\$ 377,043
Add (deduct) items not affecting cash			
Amortization		76,309	107,908
Gain on disposal of property, plant and equipment		(7,017)	-
Future income taxes		(6,857)	9,042
Stock based compensation		23,505	3,435
		559,879	497,428
Changes in non-cash working capital items			
Accounts receivable		(589,264)	243,352
Inventory		3,780	(246,778)
Prepaid expenses and other assets		167,056	92,836
Income taxes payable		112,236	(170,713)
Rebates receivable		(157,735)	(123,309)
Accounts payable and accrued liabilities		654,403	(1,113,132)
		750,355	(820,316)
Cash flows from investing activities			
Purchase of property, plant and equipment		(795,835)	(16,731)
Proceeds from disposal of property, plant and equipment		9,500	-
		(786,335)	(16,731)
Cash flows from financing activities			
Repayment of long-term debt		(153,877)	(154,370)
Increase (decrease) in cash during the period		(189,857)	(991,417)
Cash (bank indebtedness) at beginning of period		1,216,988	(5,766)
Cash (bank indebtedness) at end of period		\$ 1,027,131	\$ (997,183)

See accompanying notes.

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements November 30, 2005 (unaudited)

1. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. The unaudited consolidated interim financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the period ended August 31, 2005. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended August 31, 2005.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. In the opinion of management, the accompanying unaudited interim financial statements include all adjustments of a normal recurring nature to present fairly the position of the Company as at November 30, 2005. These financial statements reflect the results of operation for the three month period ended November 30, 2005.

2. LONG-TERM DEBT

	November 30 2005	August 31 2005 (audited)
Canadian chartered bank, bearing interest at the bank's prime rate plus .75% per annum, repayable at \$44,833 per month plus interest, due March 5, 2007, secured by a general security agreement over all assets	\$ 2,237,817	\$ 2,372,319
Leases payable, requiring blended monthly payments in aggregate of \$5,813, one lease without interest and others bearing interest at 10.14%, due from January 1, 2006 to January 7, 2007	51,620	70,995
	2,289,437	2,443,314
Less: Current portion	585,506	594,518
	\$ 1,703,931	\$ 1,848,796

Future principal payments are as follows:

2006	\$ 585,506
2007	1,703,931
	\$ 2,289,437

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements
November 30, 2005
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3. REDEEMABLE PREFERRED SHARES

	November 30 2005	August 31 2005
Authorized 200 non-voting preference shares		
Issued 200 non-voting preferred shares, eligible to participate in dividends at the discretion of the directors on a non-cumulative basis, redeemable at the option of the corporation or shareholder at \$1,000 per share. The holders have agreed not to demand redemption until after November 30, 2006.	\$ 200,000	\$ 200,000

4. CAPITAL STOCK

Authorized unlimited common shares		
Issued		
	Number	Value
Balance at August 31, 2005 and November 30, 2005	17,938,670	\$ 1,953,932

5. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	November 30 2005	August 31 2005
Beginning balance	\$ 49,668	\$ 70,070
Stock options granted	23,505	6,870
Stock options exercised	-	(27,272)
Ending balance	\$ 73,173	\$ 49,668

6. STOCK OPTIONS

The Company maintains a stock option plan for the benefit of directors, officers, employees and other persons providing services to the Company. The maximum number of options reserved under the plan cannot exceed 20% of the total number of issued and outstanding common shares.

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements November 30, 2005 (unaudited)

The following summarizes the stock option activities for the three month period ended November 30:

	2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	645,000	\$ 0.40	1,000,000	\$ 0.40
Granted	145,000	\$ 0.95	-	
Exercised	-		-	
Outstanding, end of period	790,000	\$ 0.50	1,000,000	\$ 0.40
Exercisable	790,000			

The Company had the following stock options outstanding at November 30, 2005:

Number of Options	Exercisable	Exercise Price	Expiry Date
125,000	125,000	\$ 0.405	March 31, 2006
520,000	520,000	\$ 0.40	January 8, 2009
145,000	145,000	\$ 0.95	October 27, 2008
790,000	790,000		

7. STOCK BASED COMPENSATION

The total compensation expense for the period was \$23,505 and is included in selling, general and administrative. The total amount charged to contributed surplus was \$23,505. The fair value of these options has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of \$Nil; (ii) expected volatility of 30%; (iii) risk free rate of 3.59% and (iv) expected life of 18 months. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made as they occur. The weighted-average grant date fair values of options was \$.162

8. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions that have not been disclosed elsewhere in these financial statements:

The Company purchased \$168,309 (2005 - \$130,319) worth of inventory at or below market rates and sold \$6,839 (2004 - \$9,058) of product at similar rates from/to a company in which certain officers and directors have a financial interest.