



iFABRIC CORP.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2024

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)



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NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of iFabric Corp. have been prepared by, and are the responsibility of, management. The unaudited condensed consolidated interim financial statements have not been reviewed by iFabric Corp.'s auditors.

iFABRIC CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, Expressed in Canadian Dollars)

As at	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	4,092,520	1,571,744
Accounts receivable (note 4)	5,406,464	7,815,579
Inventories (note 5)	7,729,579	9,477,965
Income taxes recoverable	23,978	47,110
Foreward exchange forward contracts (note 7)	66,924	66,135
Prepaid expenses and deposits (note 6)	2,058,627	899,874
Total current assets	19,378,092	19,878,407
Non-current assets		
Due from related parties (note 8)	-	49,748
Property, plant and equipment	3,143,386	3,168,721
Right-of-use assets	363,757	451,890
Deferred development costs	151,316	178,018
Deferred income taxes	2,093,900	2,132,100
Goodwill	55,050	55,050
Total non-current assets	5,807,409	6,035,527
Total assets	25,185,501	25,913,934
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,658,503	3,067,423
Customer deposits	67,985	77,813
Income taxes payable	38,122	42,371
Current portion of lease liability	98,263	71,182
Current portion due to related parties	355	146,695
Current portion of car loan payable	12,358	12,358
Bank loan payable (note 11)	816,328	889,705
Total current liabilities	2,691,914	4,307,547
Non-current liabilities		
Deferred income taxes	28,700	-
Non-current portion of lease liability	323,242	397,482
Non-current portion of car loan payable	11,791	21,898
Due to related parties	487,372	487,372
Total non-current liabilities	851,105	906,752
Total liabilities	3,543,019	5,214,299
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 14)	8,915,480	8,989,049
Reserves	9,054,411	8,614,722
Retained earnings	3,551,488	3,050,405
Accumulated other comprehensive earnings	108,932	34,924
Total equity attributable to iFabric Corp. shareholders	21,630,311	20,689,100
Non-controlling interest	12,171	10,535
Total equity	21,642,482	20,699,635
Total liabilities and equity	25,185,501	25,913,934

Approved on behalf of the Board of Directors on November 13, 2024:

"Hylton Karon"
Director

"Hilton Price"
Director

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

iFABRIC CORP.
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE (LOSS) EARNINGS
(Unaudited, Expressed in Canadian Dollars)**

For the period ended September 30,	Three months		Nine months	
	2024	2023	2024	2023
REVENUE	4,280,564	4,805,502	16,831,408	16,726,396
COST OF SALES	2,523,834	3,033,640	9,697,438	10,161,721
GROSS PROFIT	1,756,730	1,771,862	7,133,970	6,564,675
EXPENSES				
General and administrative costs	1,304,709	1,568,762	4,530,770	4,147,458
Selling costs	437,342	433,145	1,696,445	1,649,733
Reduction in impairment provision - legal claim (note 4)	-	-	(361,980)	-
Interest expense	23,882	22,568	75,537	65,928
Depreciation of property, plant and equipment and right-of-use assets	47,178	29,371	141,080	90,397
Amortization of deferred development costs	8,901	6,705	26,703	20,115
Share-based compensation	131,220	81,100	416,820	85,009
	1,953,232	2,141,651	6,525,375	6,058,640
EARNINGS (LOSS) FROM OPERATIONS	(196,502)	(369,789)	608,595	506,035
OTHER EXPENSES (INCOME)				
Loss (gain) on foreign exchange	16,405	(66,224)	58,264	23,024
Loan forgiveness	-	(40,000)	-	(40,000)
Loss (gain) on disposal of capital assets	217	-	217	(7,827)
	16,622	(106,224)	58,481	(24,803)
EARNINGS (LOSS) BEFORE INCOME TAXES	(213,124)	(263,565)	550,114	530,838
PROVISION (RECOVERY OF) FOR INCOME TAXES				
Current	(4,103)	(41,293)	31,195	122,856
Deferred	(103,000)	(80,900)	16,200	(53,800)
	(107,103)	(122,193)	47,395	69,056
NET EARNINGS (LOSS)	(106,021)	(141,372)	502,719	461,782
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	(105,616)	(139,545)	501,083	462,420
Non-controlling interest	(405)	(1,827)	1,636	(638)
	(106,021)	(141,372)	502,719	461,782
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of foreign operations	(73,354)	100,949	74,008	(44,356)
TOTAL COMPREHENSIVE EARNINGS (LOSS)	(179,375)	(40,423)	576,727	417,426
EARNINGS (LOSS) PER SHARE (note 13)				
Basic	(0.003)	(0.005)	0.017	0.015
Diluted	(0.003)	(0.005)	0.017	0.015

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

iFABRIC CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited, Expressed in Canadian Dollars)

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves			Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Options					
Balance at December 31, 2023	8,989,049	6,434,584	2,180,138	3,050,405	34,924	20,689,100	10,535	20,699,635
Total comprehensive earnings (loss)	-	-	-	501,083	74,008	575,091	1,636	576,727
Deferred tax on share issue costs	(50,700)	-	-	-	-	(50,700)	-	(50,700)
Expiry of options/warrant extension	(22,869)	22,869	-	-	-	-	-	-
Share-based compensation	-	-	416,820	-	-	416,820	-	416,820
Balance at September 30, 2024	8,915,480	6,457,453	2,596,958	3,551,488	108,932	21,630,311	12,171	21,642,482

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves			Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Options					
Balance at December 31, 2022	13,643,714	852,679	2,822,779	5,292,493	188,480	22,800,145	10,150	22,810,295
Total comprehensive earnings (loss)	-	-	-	462,420	(44,356)	418,064	(638)	417,426
Deferred tax on share issue costs	(50,700)	-	-	-	-	(50,700)	-	(50,700)
Exercise of options	337,820	-	(147,820)	-	-	190,000	-	190,000
Expiry of options/warrant extension	(4,924,885)	5,581,905	(657,020)	-	-	-	-	-
Share-based compensation	-	-	85,009	-	-	85,009	-	85,009
Balance at September 30, 2023	9,005,949	6,434,584	2,102,948	5,754,913	144,124	23,442,518	9,512	23,452,030

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iFABRIC CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, Expressed in Canadian Dollars)

For the nine months ended September 30,	2024	2023
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings (loss)	502,719	461,782
Items not affecting cash		
Interest on lease liability	23,761	3,291
Depreciation of property, plant and equipment and right-of-use assets	141,080	90,397
Amortization of deferred development costs	26,703	20,115
Fair value adjustment on foreign exchange forward contracts	(60,166)	-
Loss (gain) on disposal of capital assets	217	(7,827)
Share-based compensation	416,820	85,009
Deferred income tax provision	16,200	(53,800)
	1,067,334	598,967
Changes in operations assets and liabilities		
Accounts receivable	2,409,115	(368,056)
Inventories	1,748,386	2,682,457
Income taxes recoverable	23,132	(33,016)
Prepaid expenses and deposits	(1,158,753)	(1,150,798)
Foreign exchange forward contracts	59,377	1,625
Due from related parties	49,748	37,500
Accounts payable and accrued liabilities	(1,408,920)	(1,061,231)
Customer deposits	(9,828)	(84,312)
Income taxes payable	(4,249)	78,653
	1,708,008	102,822
	2,775,342	701,789
FINANCING ACTIVITIES		
Due to related parties	(146,340)	(664)
Share and warrant issuances (note 14)	-	190,000
Repayment of bank loan	(73,377)	(117,286)
Repayment of car loan	(10,107)	(5,138)
Repayment of lease liability	(55,891)	(17,697)
	(285,715)	49,215
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(82,859)	(115,159)
Proceeds on sale of property, plant and equipment	40,000	63,000
	(42,859)	(52,159)
CHANGE IN CASH POSITION	2,446,768	698,845
CASH, beginning of period	1,571,744	2,239,491
Effect of foreign currency translation	74,008	(44,356)
CASH, end of period	4,092,520	2,893,980

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

1. NATURE OF OPERATIONS

iFabric Corp. ("iFabric or the Company") is a Canadian public company, incorporated under the Alberta Business Corporations Act and is domiciled in Canada. iFabric is listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IFA" and is traded in the United States on the OTCQX Market under the trading symbol "IFABF". The head office is located at 525 Denison Street, Unit 1, Markham, Ontario, Canada.

The Company's principle activities relate to the business of designing and distributing women's intimate apparel and a range of complimenting accessories. The Company is also in the business of developing and distributing a range of innovative products and treatments that are suitable for application to textiles, plastics, liquids, hard surfaces and finished performance apparel which integrate one or more such treatments. These products are designed to provide added user benefits.

2. BASIS OF PREPARATION**(a) Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2023.

(b) Seasonal fluctuations

The interim period results of operations do not necessarily reflect results for the full fiscal year because of seasonal fluctuations that characterize the apparel and textiles industries.

(c) Basis of measurement

These unaudited condensed consolidated interim financial statements were prepared on a historical cost basis except for certain items which may be accounted for at fair value, as further discussed in the significant accounting policies of the most recent audited annual financial statements for the year ended December 31, 2023. All intercompany transactions and balances have been eliminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2023 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

4. ACCOUNTS RECEIVABLE

	September 30, 2024	December 31, 2023
Trade receivables	4,894,075	7,677,861
Deposit recoverable (i)	3,842,153	3,842,153
Expected credit loss	(3,614,187)	(3,976,166)
Allowance for discounts and rebates	(32,815)	(8,608)
Contract asset	303,690	261,964
Other	13,548	18,375
	5,406,464	7,815,579

i) On May 4, 2020, the Company entered into an agreement to purchase 1,000,000 N95 masks from a foreign supplier. The contract required full delivery by June 2020 but was partially fulfilled, with the supplier defaulting on the timing of the remaining delivery. The Company sourced these products from a different supplier to fulfill the order to its customer in Q1 2021. The Company pursued recovery of the deposit through an arbitration process in the foreign jurisdiction, which was delayed due to COVID-19 restrictions and lockdowns. On December 21, 2021, the arbitration court ruled in the Company's favor and confirmed that the Company was entitled to recover its remaining deposit of USD \$2,905,000, plus liquidated damages of USD \$146,942, interest at the rate of 12% per annum calculated from the date of payment of the deposit, and reimbursement of the arbitration cost of RMB 445,902. In December 2023, the Company's claim was registered with the competent court in China and the Company is currently following a court supervised process in order to recover all amounts owing to it. Given the uncertain recovery timeline and its inability to fully assess the degree of recoverability at the date of the financial statements, the Company has made provision for the full impairment of its claim on December 31, 2023. As of September 30, 2024, the court has confirmed the recovery of an amount of RMB 1,921,335.41 to date. Accordingly, the previously recorded impairment provision has been reduced by an amount of \$361,980, being the Canadian \$ equivalent. The collection process is ongoing.

5. INVENTORIES

Inventories represent the carrying amount of merchandise for resale. During the nine months ended September 30, 2024, the amount of inventories charged to net earnings was \$8,849,743 (2023 - \$9,301,244) and the amount of inventory write-downs were \$199,045 (2023 - \$32,073). There were no reversals of prior period write-downs of inventory.

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2024	December 31, 2023
Prepaid expenses and other assets	143,829	268,910
Deposits paid to suppliers	1,914,798	630,964
	2,058,627	899,874

7. FOREIGN EXCHANGE FORWARD CONTRACTS

The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. The balance is comprised of the following:

	September 30, 2024	December 31, 2023
Margin balance – cash deposit	116,935	116,935
Mark to market variance – loss on foreign exchange	(50,011)	(50,800)
	66,924	66,135

As at September 30, 2024, the Company had contracted to buy 3,103,897 U.S. Dollars.

For the quarter ended September 30, 2024, there is an unrealized gain on foreign exchange of \$2,444 (Sep 30, 2023 - \$7,500) recognized in net earnings (loss), in respect to changes in fair value of the Company's foreign exchange forward contracts.

8. DUE FROM RELATED PARTIES

The amounts due from related parties represent a housing loan to an executive officer. The loan bears interest at a rate that is the greater of 1% per annum and the minimum interest rate per the Canada Revenue Agency, and has been paid in full as of May 5, 2024.

9. CREDIT FACILITIES

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$6,750,000 (December 31, 2023 - \$6,750,000), against which \$0 was outstanding as at September 30, 2024 (December 31, 2023 - \$0). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2024	December 31, 2023
Trade payables	1,094,678	2,579,270
Government remittances	18,185	156,968
Accrued liabilities	545,640	331,185
	1,658,503	3,067,423

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

11. BANK LOAN PAYABLE

One of the Company's subsidiaries has a variable rate demand loan, payable in monthly principal payments of \$9,172 and variable monthly interest payments at the bank's prime interest rate plus 0.75% per annum, amortized over a fifteen-year period ending February 28, 2032, and secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies. The bank loan payable is owed by a subsidiary of the Company with a 25% non-controlling interest. Management expects to pay the minimum monthly payments within the next 12 months.

12. SEGMENTED INFORMATION

The Company has three reportable operating segments, as described below. The reportable segments offer different products and services, and are managed separately because they require different marketing strategies, technologies, and resource allocations. For each of the operating segments, the CEO and CFO (the chief operating decision makers) review internal management reports on at least a quarterly basis. The following describes the operations in each of the reportable segments:

- Intimate Apparel: Includes the design and distribution of women's intimate apparel and accessories.
- Intelligent Fabrics: Includes the development and distribution of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces as well as finished performance apparel which integrate one or more such treatments. These products are designed to provide added benefits to the user.
- Other: Includes leasing of property to group companies, related parties and third parties.

Inter-segment transactions are made at prices that approximate market rates.

There has been no material change in the total assets for each reportable segment since the last annual audited financial statements.

Nine months ended September 30, 2024	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	6,089,478	10,734,930	7,000	-	16,831,408
Inter-segment	-	1,708,165	192,252	(1,900,417)	-
Total Revenue	6,089,478	12,443,095	199,252	(1,900,417)	16,831,408
Earnings (loss) before income taxes	312,886	1,123,377	8,923	(895,072)	550,114

Nine months ended September 30, 2023	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	5,784,753	10,925,893	15,750	-	16,726,396
Inter-segment	-	1,483,479	196,334	(1,679,813)	-
Total Revenue	5,784,753	12,409,372	212,084	(1,679,813)	16,726,396
Earnings (loss) before income taxes	333,563	544,020	(2,990)	(343,755)	530,838

The following summarizes external sales revenue for the Company by geographic operating segments:

Nine months ended September 30,	2024	2023
External sales revenue		
Canada	5,767,489	8,892,759
United States	6,746,179	3,585,058
United Kingdom	25,704	518,068
Southeast Asia and other	4,292,036	3,730,511
Total	16,831,408	16,726,396

All of the Company's non-current assets are located in Canada.

For the nine months ended September 30, 2024, approximately 53% of the Company's total sales were to four customers (2023 – 59%). Approximately 73% of the Company's total purchases were from four vendors (2023 – 84%).

13. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated to reflect the dilutive effect of warrants and stock options outstanding. The calculation of basic and diluted earnings (loss) per share is based on net earnings (loss) attributable to iFabric Corp.'s shareholders for the three and nine months ended September 30, 2024 of (\$105,616) and \$501,083, respectively (loss of \$139,545 and earnings of \$462,420 for the three and nine months ended September 30, 2023, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended September 30,	Three months		Nine months	
	2024	2023	2024	2023
Weighted average number of shares outstanding - basic	30,299,467	30,299,467	30,299,467	30,293,515
Dilutive effect of options	-	227	-	-
Weighted average number of shares outstanding - diluted	30,299,467	30,299,694	30,299,467	30,293,515

For the three and nine months ended September 30, 2024, 1,870,000 options, were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2023 – 1,345,000 options). For the three and nine months ended September 30, 2023, 2,943,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2023 – 2,948,717 warrants).

14. CAPITAL STOCK**(a) Authorized, issued and outstanding**

Authorized: Unlimited number of common shares

	Number of common shares	Common share capital
Balance at December 31, 2023	30,299,467	8,989,049
Deferred tax on share issue costs	-	(50,700)
Warrants extension	-	(22,869)
Balance at September 30, 2024	30,299,467	8,915,480

	Number of common shares	Common share capital
Balance at December 31, 2022	29,824,467	13,643,714
Deferred tax on share issue costs	-	(50,700)
Shares issued pursuant to exercise of stock options	475,000	190,000
Ascribed value credited to share capital on exercise of options	-	147,820
Warrants extension	-	(4,924,885)
Balance at September 30, 2023	30,299,467	9,005,949

14. CAPITAL STOCK, *continued*

(b) Stock option plan

The Company has reserved 10% of the issued and outstanding common shares for issuance under its stock option plan. The status of the Company's stock option plan is summarized as follows:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2023	1,345,000	2.52
Granted, during the period (i)	600,000	1.20
Expired, during the period	(75,000)	4.15
Balance at September 30, 2024	1,870,000	2.03
	Number of stock options	Weighted average exercise price
Balance at December 31, 2022	1,629,000	1.95
Granted, during the period (ii) (iii)	310,000	1.44
Exercised, during the period	(475,000)	0.40
Expired, during the period	(119,000)	0.40
Balance at September 30, 2023	1,345,000	2.52

- (i) On May 13, 2024 the Company issued 600,000 stock options to members of the Board of Directors. Each option entitles the holder to acquire one common share of the Company at a price of \$1.20, and is exercisable for a period of 5 years from the grant date. 150,000 options vested immediately and, 150,000 options will vest on August 13, 2024, November 13, 2024 and February 13, 2025. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$524,894 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	90.01%
Risk-free interest rate	3.76%
Expected maturity	5 years

- (ii) On May 15, 2023 the Company issued 10,000 stock options to a member of the Board of Directors. Each option entitles the holder to acquire one common share of the Company at a price of \$1.29, and is exercisable for a period of 5 years from the grant date. 5,000 options vested immediately and, 5,000 options vested on August 15, 2023. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$7,819 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	94.56%
Risk-free interest rate	3.08%
Expected maturity	5 years

- (iii) On July 25, 2023 the Company issued 300,000 stock options to three members of executive management. Each option entitles the holder to acquire one common share of the Company at a price of \$1.44, and is exercisable for a period of 5 years from the vesting date. 75,000 options vested immediately and 75,000 options will each vest on October 25, 2023, January 25, 2024 and April 25, 2024 respectively. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$308,760 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	94.92%
Risk-free interest rate	3.93%
Expected maturity	5 years

14. CAPITAL STOCK, continued

As of September 30, 2024, the following options were outstanding and exercisable:

Expiry date	Options Outstanding			Options Exercisable	
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
May 6, 2025	100,000	0.59	2.70	100,000	2.70
June 30, 2025	10,000	0.75	6.05	10,000	6.05
June 5, 2027	450,000	2.68	2.40	450,000	2.40
February 9, 2027	150,000	2.36	3.50	150,000	3.50
March 1, 2027	50,000	2.67	3.10	50,000	3.10
May 15, 2028	5,000	3.62	1.29	5,000	1.29
August 15, 2028	5,000	3.87	1.29	5,000	1.29
July 25, 2028	75,000	3.82	1.44	75,000	1.44
October 25, 2028	75,000	4.07	1.44	75,000	1.44
January 25, 2029	75,000	4.32	1.44	75,000	1.44
April 25, 2029	75,000	4.56	1.44	75,000	1.44
April 7, 2030	200,000	5.52	2.70	200,000	2.70
May 13, 2029	150,000	4.61	1.20	150,000	1.20
August 13, 2029	150,000	4.87	1.20	150,000	1.20
November 13, 2029	150,000	5.12	1.20	-	1.20
February 13, 2030	150,000	5.37	1.20	-	1.20
	1,870,000	3.82	2.03	1,570,000	2.19

(c) Warrants

The following tables summarize changes in the status of the Company's outstanding warrants:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2023 and September 30, 2024	2,943,717	4.60

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	2,948,717	4.60
Expired, during the period	(5,000)	4.60
Balance, September 30, 2023	2,943,717	4.60

The following table summarizes the warrants outstanding at September 30, 2024.

Expiry date	Number of warrants	Weighted average exercise price
March 23, 2025 (i)	2,943,717	4.60

(d) Compensation options

The following tables summarize changes in the status of the Company's outstanding compensation options:

	Number of compensation options	Weighted average exercise price
Balance, December 31, 2023 and September 30, 2024	-	-
	Number of compensation options	Weighted average exercise price
Balance, December 31, 2022	176,923	3.90
Expired, during the period	(176,923)	3.90
Balance at September 30, 2023	-	-

15. COMMITMENTS

- (a) The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 for more information.
- (b) In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 0%-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2024 and 2025 in U.S. dollar amount of \$220,000 and \$240,000 respectively. In addition, the Company is required to pay an advertising fee of 1%-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2025.
- (c) In terms of a Canadian license agreement pursuant to which the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 10-12%. Minimum annual royalties have been established for the contract periods ending December 31, 2023 and 2024, in amounts of \$125,000 and \$175,000 respectively. The license term is in effect until December 31, 2024.
- (d) On October 16, 2023, the Company executed a lease agreement for the rental of 5,202 square feet of office space in Markham, Ontario, at a location in close proximity to its current warehouse location. After the move of management and all administrative staff to the new location, the Company's Markham owned building was fully repurposed as warehouse space, in order to accommodate the warehousing of products for new Canadian apparel programs. The lease agreement is for a period of 5 years commencing on April 1, 2024 and expiring March 31, 2029, with the option of renewal for a further period of 5 years. Basic rent payable is \$17.95 per square foot for years 1-3 of the lease amounting to \$93,376 per annum and \$18.95 per square foot for years 4-5, amounting to \$98,578 per annum. Additional rent will be calculated each year and, is estimated at \$17.96 per square foot for the first year of the lease, or \$93,428 per annum. A right of use asset and lease liability have been recognized in respect of this lease.

16. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three and nine months ended September 30, 2024 from those described in the Company's audited annual consolidated financial statements for the year ended December 31, 2023.

17. CONTINGENT LIABILITY

As of September 30, 2024, the Company has a contingent liability related to a standby letter of credit (SLC), which has been issued by the Company's bank as security for its contractual obligations in connection with inventory purchases. The SLC has a maximum potential obligation of \$1,840,732.

This liability is contingent in nature, and the Company does not anticipate any cash outflows as a result of this arrangement. However, in the event of a default, the Company may be required to honor the guarantee, which could have an adverse effect on its cash flows, liquidity, and financial condition. As of the reporting date, management has assessed the likelihood of requiring payment under this guarantee as remote, with no provision recognized in the financial statements.

The Company will continue to monitor this contingent liability and re-evaluate the likelihood of potential outflows at each reporting period.