

**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**MARCH 31, 2024**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**



**CONTENTS**

Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Earnings and Comprehensive Earnings	2
Condensed Consolidated Interim Statements of Changes in Equity	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to Condensed Consolidated Interim Financial Statements	5-10

**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

**(Unaudited, Expressed in Canadian Dollars)**

As at	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	3,461,111	1,571,744
Accounts receivable (note 4)	6,633,402	7,815,579
Inventories (note 5)	8,849,123	9,477,965
Income taxes recoverable	116,100	47,110
Foreign exchange forward contracts (note 7)	132,254	66,135
Prepaid expenses and deposits (note 6)	502,685	899,874
<b>Total current assets</b>	<b>19,694,675</b>	<b>19,878,407</b>
<b>Non-current assets</b>		
Due from related parties (note 8)	49,748	49,748
Property, plant and equipment	3,152,561	3,168,721
Right-of-use assets	426,674	451,890
Deferred development costs	169,118	178,018
Deferred income taxes	1,980,500	2,132,100
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>5,833,651</b>	<b>6,035,527</b>
<b>Total assets</b>	<b>25,528,326</b>	<b>25,913,934</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	2,125,579	3,067,423
Customer deposits	77,813	77,813
Income taxes payable	40,111	42,371
Current portion of lease liability	95,691	71,182
Current portion due to related parties	22,895	146,695
Current portion of car loan payable	12,358	12,358
Bank loan payable (note 11)	871,361	889,705
<b>Total current liabilities</b>	<b>3,245,808</b>	<b>4,307,547</b>
<b>Non-current liabilities</b>		
Non-current portion of lease liability	372,995	397,482
Non-current portion of car loan payable	18,494	21,898
Due to related parties	487,372	487,372
<b>Total non-current liabilities</b>	<b>878,861</b>	<b>906,752</b>
<b>Total liabilities</b>	<b>4,124,669</b>	<b>5,214,299</b>
<b>Commitments (note 15)</b>		
<b>EQUITY</b>		
<b>Equity attributable to iFabric Corp. shareholders</b>		
Capital stock (note 14)	8,949,280	8,989,049
Reserves	8,714,781	8,614,722
Retained earnings	3,601,001	3,050,405
Accumulated other comprehensive earnings	127,898	34,924
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>21,392,960</b>	<b>20,689,100</b>
<b>Non-controlling interest</b>	<b>10,697</b>	<b>10,535</b>
<b>Total equity</b>	<b>21,403,657</b>	<b>20,699,635</b>
<b>Total liabilities and equity</b>	<b>25,528,326</b>	<b>25,913,934</b>

Approved on behalf of the Board of Directors on May 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 AND COMPREHENSIVE EARNINGS**

**(Unaudited, Expressed in Canadian Dollars)**

For the three months ended March 31,	2024	2023
<b>REVENUE</b>	<b>6,754,624</b>	6,642,563
<b>COST OF SALES</b>	<b>3,793,502</b>	3,984,055
<b>GROSS PROFIT</b>	<b>2,961,122</b>	<b>2,658,508</b>
<b>EXPENSES</b>		
General and administrative costs	1,385,620	1,355,907
Selling costs	735,594	671,984
Interest expense	26,888	20,905
Depreciation of property, plant and equipment and right-of-use assets	47,876	29,108
Amortization of deferred development costs	8,901	6,705
Share-based compensation	77,190	-
	<b>2,282,069</b>	2,084,609
<b>EARNINGS FROM OPERATIONS</b>	<b>679,053</b>	573,899
<b>OTHER EXPENSES (INCOME)</b>		
Loss (gain) on foreign exchange	(15,472)	(25,076)
	<b>(15,472)</b>	<b>(25,076)</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>694,525</b>	598,975
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>		
Current	9,067	46,148
Deferred	134,700	82,200
	<b>143,767</b>	128,348
<b>NET EARNINGS</b>	<b>550,758</b>	470,627
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>		
iFabric Corp. shareholders	550,596	469,419
Non-controlling interest	162	1,208
	<b>550,758</b>	470,627
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>		
Unrealized gain (loss) on translation of foreign operations	92,974	(11,343)
<b>TOTAL COMPREHENSIVE EARNINGS</b>	<b>643,732</b>	<b>459,284</b>
<b>EARNINGS PER SHARE (note 13)</b>		
Basic	0.018	0.015
Diluted	0.018	0.015

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**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					Total		
	Capital stock	Contributed surplus	Options	Retained earnings	Accumulated Other Comprehensive Earnings (Loss)			
Balance at December 31, 2023	8,989,049	6,434,584	2,180,138	3,050,405	34,924	20,689,100	10,535	<b>20,699,635</b>
Total comprehensive earnings (loss)	-	-	-	550,596	92,974	643,570	162	<b>643,732</b>
Deferred tax on share issue costs	(16,900)	-	-	-	-	(16,900)	-	<b>(16,900)</b>
Extension of warrants	(22,869)	22,869	-	-	-	-	-	-
Share-based compensation	-	-	77,190	-	-	77,190	-	<b>77,190</b>
<b>Balance at March 31, 2024</b>	<b>8,949,280</b>	<b>6,457,453</b>	<b>2,257,328</b>	<b>3,601,001</b>	<b>127,898</b>	<b>21,392,960</b>	<b>10,697</b>	<b>21,403,657</b>

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves					Total		
	Capital stock	Contributed surplus	Options	Retained earnings	Accumulated Other Comprehensive Earnings (Loss)			
Balance at December 31, 2022	13,643,714	852,679	2,822,779	5,292,493	188,480	22,800,145	10,150	<b>22,810,295</b>
Total comprehensive earnings (loss)	-	-	-	469,419	(11,343)	458,076	1,208	<b>459,284</b>
Deferred tax on share issue costs	(16,900)	-	-	-	-	(16,900)	-	<b>(16,900)</b>
Exercise of options	337,820	-	(147,820)	-	-	190,000	-	<b>190,000</b>
Expiry of options/warrant extension	(4,924,885)	5,581,905	(657,020)	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-
<b>Balance at March 31, 2023</b>	<b>9,039,749</b>	<b>6,434,584</b>	<b>2,017,939</b>	<b>5,761,912</b>	<b>177,137</b>	<b>23,431,321</b>	<b>11,358</b>	<b>23,442,679</b>

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

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

For the three months ended March 31,	2024	2023
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	550,758	470,627
Items not affecting cash		
Interest on lease liability	9,606	304
Depreciation of property, plant and equipment and right-of-use assets	47,876	29,108
Amortization of deferred development costs	8,901	6,705
Fair value adjustment on foreign exchange forward contracts	66,119	-
Share-based compensation	77,190	-
Deferred income tax provision	134,700	82,200
	<b>895,150</b>	<b>588,944</b>
Changes in operating assets and liabilities		
Accounts receivable	1,182,177	(862,668)
Inventories	628,842	1,299,862
Income taxes recoverable	(68,990)	20,233
Prepaid expenses and deposits	397,189	(153,107)
Foreign exchange forward contracts	(132,238)	42,550
Accounts payable and accrued liabilities	(941,844)	(1,274,495)
Customer deposits	-	(69)
Income taxes payable	(2,260)	20,507
	<b>1,062,876</b>	<b>(907,187)</b>
	<b>1,958,026</b>	<b>(318,243)</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	(123,800)	(1,090)
Share and warrant issuances	-	190,000
Repayment of bank loan	(18,344)	(31,425)
Repayment of car loan	(3,404)	(3,444)
Repayment of lease liability	(9,585)	(5,106)
	<b>(155,133)</b>	<b>148,935</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,500)	(38,996)
	<b>(6,500)</b>	<b>(38,996)</b>
<b>CHANGE IN CASH POSITION</b>	<b>1,796,393</b>	<b>(208,304)</b>
<b>CASH, beginning of period</b>	<b>1,571,744</b>	<b>2,239,491</b>
Effect of foreign currency translation	92,974	(11,343)
<b>CASH, end of period</b>	<b>3,461,111</b>	<b>2,019,844</b>

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 complementing 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 as 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**

	March 31, 2024	December 31, 2023
Trade receivables	6,430,559	7,677,861
Deposit recoverable (i)	3,842,153	3,842,153
Expected credit loss	(3,976,166)	(3,976,166)
Allowance for discounts and rebates	(23,054)	(8,608)
Contract asset	314,142	261,964
Other	45,768	18,375
	<b>6,633,402</b>	<b>7,815,579</b>

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.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the three months ended March 31, 2024, the amount of inventories charged to net earnings was \$3,491,584 (2023 - \$3,689,358) and the amount of inventory write-downs were \$64,140 (2023 - \$3,950). There were no reversals of prior period write-downs of inventory.

**6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2024	December 31, 2023
Prepaid expenses and other assets	337,506	268,910
Deposits paid to suppliers	165,179	630,964
	<b>502,685</b>	<b>899,874</b>

**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:

	March 31, 2024	December 31, 2023
Margin balance – cash deposit	116,935	116,935
Mark to market variance – gain (loss) on foreign exchange	15,319	(50,800)
	<b>132,254</b>	<b>66,135</b>

As at March 31, 2024, the Company had contracted to buy 1,100,107 U.S. Dollars.

For the quarter ended March 31, 2024, there is an unrealized gain on foreign exchange of \$66,119 (March 31, 2023 - \$0) 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 is repayable in full by May 5, 2024. The fair market value of the loan using the applicable market interest rate would not result in a material adjustment to the carrying value of the loan, and as such, no adjustment has been made by the Company in this regard.

**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 March 31, 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**

	March 31, 2024	December 31, 2023
Trade payables	1,847,965	2,579,270
Government remittances	59,692	156,968
Accrued liabilities	217,922	331,185
	<b>2,125,579</b>	<b>3,067,423</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

**11. BANK LOAN**

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.

<b>Three months ended March 31, 2024</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	2,088,335	4,666,289	-	-	<b>6,754,624</b>
Inter-segment	-	596,112	67,976	(664,088)	-
<b>Total Revenue</b>	<b>2,088,335</b>	<b>5,262,401</b>	<b>67,976</b>	<b>(664,088)</b>	<b>6,754,624</b>
Earnings (loss) before income taxes	167,817	677,001	887	(151,180)	<b>694,525</b>
Total assets	5,318,559	13,944,054	3,098,696	3,167,017	<b>25,528,326</b>
Total liabilities	687,778	1,499,421	1,375,666	561,804	<b>4,124,669</b>

<b>Three months ended March 31, 2023</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	2,223,336	4,413,977	5,250	-	<b>6,642,563</b>
Inter-segment	-	548,572	69,006	(617,578)	-
<b>Total Revenue</b>	<b>2,223,336</b>	<b>4,962,549</b>	<b>74,256</b>	<b>(617,578)</b>	<b>6,642,563</b>
Earnings (loss) before income taxes	314,667	343,217	6,681	(65,590)	<b>598,975</b>
Total assets	6,310,483	16,954,794	3,098,183	706,582	<b>27,070,042</b>
Total liabilities	928,825	1,165,566	1,473,068	59,904	<b>3,627,363</b>



**12. SEGMENTED INFORMATION, continued**

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

Three months ended March 31,	2024	2023
External sales revenue		
Canada	3,567,586	4,235,434
United States	1,702,144	904,427
United Kingdom	-	381,332
Southeast Asia and other	1,484,894	1,121,370
Total	6,754,624	6,642,563

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

Approximately 58% of the Company's total sales were to three customers (2023 – 59%). Approximately 80% of the Company's total purchases were to four vendors (2023 – 95%), one of which is related to a distributor of the Company.

**13. EARNINGS PER SHARE**

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of warrants and stock options outstanding. The calculation of basic and diluted earnings per share is based on net earnings attributable to iFabric Corp.'s shareholders for the three months ended March 31, 2024 of \$550,596 (\$469,419 for the three months ended March 31, 2023). The number of shares used in the earnings per share calculation is as follows:

Three months ended March 31,	2024	2023
Weighted average number of shares outstanding - basic	30,299,467	30,281,411
Dilutive effect of options	-	20,266
Weighted average number of shares outstanding - diluted	30,299,467	30,301,677

For the three months ended March 31, 2024, 1,345,000 options were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive. (2023 – 1,211,923). For the three months ended March 31, 2024 and 2023, 2,943,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive.

**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	-	(16,900)
Warrants extension	-	(22,869)
Balance at March 31, 2024	30,299,467	8,949,280

	Number of common shares	Common share capital
Balance at December 31, 2022	29,824,467	13,643,714
Deferred tax on share issue costs	-	(16,900)
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 March 31, 2023	30,299,467	9,039,749

**iFABRIC CORP.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, Expressed in Canadian Dollars)

**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
<b>Balance at December 31, 2023 and March 31, 2024</b>	<b>1,345,000</b>	<b>2.52</b>
	Number of stock options	Weighted average exercise price
Balance at December 31, 2022	1,629,000	1.95
Exercised, during the period	(475,000)	0.40
Expired, during the period	(119,000)	0.40
<b>Balance at March 31, 2023</b>	<b>1,035,000</b>	<b>2.84</b>

As of March 31, 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
April 1, 2024	75,000	0.00	4.15	75,000	4.15
May 6, 2025	100,000	1.10	2.70	100,000	2.70
June 5, 2027	450,000	3.18	2.40	450,000	2.40
February 9, 2027	150,000	2.86	3.50	150,000	3.50
March 1, 2027	50,000	2.92	3.10	50,000	3.10
May 15, 2028	5,000	4.12	1.29	5,000	1.29
August 15, 2028	5,000	4.38	1.29	5,000	1.29
July 25, 2028	75,000	4.32	1.44	75,000	1.44
October 25, 2028	75,000	4.57	1.44	75,000	1.44
January 25, 2029	75,000	4.82	1.44	75,000	1.44
April 25, 2029	75,000	5.07	1.44	-	1.44
April 7, 2030	200,000	6.02	2.70	200,000	2.70
June 30, 2025	10,000	1.25	6.05	10,000	6.05
	<b>1,345,000</b>	<b>2.48</b>	<b>2.52</b>	<b>1,270,000</b>	<b>2.58</b>

**(c) Warrants**

The following table summarizes warrants that have been issued, exercised, or expired during the years presented:

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>2,943,717</b>	<b>4.60</b>
	Number of warrants	Weighted average exercise price
Balance, September 30, 2022	2,948,717	4.60
Expired, during the period	(5,000)	4.60
<b>Balance, March 31, 2023</b>	<b>2,943,717</b>	<b>4.60</b>

**14. CAPITAL STOCK, *continued*****(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
<b>Balance, December 31, 2023 and March 31, 2024</b>	-	<b>3.90</b>

	Number of compensation options	Weighted average exercise price
Balance, December 31, 2022	176,923	3.90
Expired, during the period	(176,923)	3.90
<b>Balance at March 31, 2023</b>	-	-

**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 months ended March 31, 2024 from those described in the Company's audited annual consolidated financial statements for the year ended December 31, 2023.