



iFABRIC CORP.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2025

(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, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	1,233,908	2,058,156
Accounts receivable (note 4)	8,934,270	10,811,834
Inventories (note 5)	8,529,737	10,163,536
Income taxes recoverable	30,768	20,439
Foreign exchange forward contracts (note 7)	106,325	219,285
Prepaid expenses and deposits (note 6)	6,380,059	1,058,147
Total current assets	25,215,067	24,331,397
Non-current assets		
Property, plant and equipment	3,293,969	3,122,705
Right-of-use assets	319,060	394,379
Deferred development costs	115,712	142,414
Deferred income taxes	1,559,700	1,443,200
Goodwill	55,050	55,050
Total non-current assets	5,343,491	5,157,748
Total assets	30,558,558	29,489,145
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	2,631,191	4,374,022
Customer deposits	28,371	66,450
Income taxes payable	199,190	24,847
Current portion of lease liability	106,033	101,929
Current portion due to related parties	701	143,535
Current portion of car loan payable	9,938	12,358
Operating credit line (note 8)	2,345,152	-
Bank loan payable (note 10)	3,670,832	779,639
Total current liabilities	8,991,408	5,502,780
Non-current liabilities		
Non-current portion of lease liability	270,602	350,698
Non-current portion of car loan payable	-	8,069
Due to related parties	-	487,372
Total non-current liabilities	270,602	846,139
Total liabilities	9,262,010	6,348,919
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 13)	8,818,844	8,898,580
Reserves	7,172,107	9,185,631
Retained earnings	5,125,176	4,683,019
Accumulated other comprehensive earnings	180,421	367,355
Total equity attributable to iFabric Corp. shareholders	21,296,548	23,134,585
Non-controlling interest	-	5,641
Total equity	21,296,548	23,140,226
Total liabilities and equity	30,558,558	29,489,145

Approved on behalf of the Board of Directors on November 11, 2025:

"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	
	2025	2024	2025	2024
REVENUE	9,021,607	4,280,564	21,898,808	16,831,408
COST OF SALES	6,294,549	2,523,834	14,289,394	9,697,438
GROSS PROFIT	2,727,058	1,756,730	7,609,414	7,133,970
EXPENSES				
General and administrative costs	1,557,878	1,304,709	4,873,079	4,530,770
Selling costs	536,058	437,342	1,876,326	1,696,445
Reduction in impairment provision - legal claim (note 4)	-	-	-	(361,980)
Interest expense	71,060	23,882	162,544	75,537
Depreciation of property, plant and equipment and right-of-use assets	47,038	47,178	141,113	141,080
Amortization of deferred development costs	8,901	8,901	26,703	26,703
Share-based compensation	-	131,220	151,834	416,820
	2,220,935	1,953,232	7,231,599	6,525,375
EARNINGS (LOSS) FROM OPERATIONS	506,123	(196,502)	377,815	608,595
OTHER EXPENSES (INCOME)				
Loss (gain) on foreign exchange	(216,968)	16,405	(40,375)	58,264
Gain on disposal of capital assets	-	217	-	217
	(216,968)	16,622	(40,375)	58,481
EARNINGS (LOSS) BEFORE INCOME TAXES	723,091	(213,124)	418,190	550,114
PROVISION (RECOVERY OF) FOR INCOME TAXES				
Current	100,589	(4,103)	142,633	31,195
Deferred	78,700	(103,000)	(166,600)	16,200
	179,289	(107,103)	(23,967)	47,395
NET EARNINGS (LOSS)	543,802	(106,021)	442,157	502,719
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	543,802	(105,616)	442,157	501,083
Non-controlling interest	-	(405)	-	1,636
	543,802	(106,021)	442,157	502,719
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of foreign operations	87,421	(73,354)	(186,934)	74,008
TOTAL COMPREHENSIVE EARNINGS (LOSS)	631,223	(179,375)	255,223	576,727
EARNINGS (LOSS) PER SHARE (note 12)				
Basic	0.018	(0.003)	0.015	0.017
Diluted	0.018	(0.003)	0.015	0.017

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, 2024	8,898,580	6,751,573	2,434,058	4,683,019	367,355	23,134,585	5,641	23,140,226
Total comprehensive earnings (loss)	-	-	-	442,157	(186,934)	255,223	-	255,223
Deferred tax on share issue costs	(50,100)	-	-	-	-	(50,100)	-	(50,100)
Transaction with non-controlling interest (note 14)	-	(2,194,994)	-	-	-	(2,194,994)	(5,641)	(2,200,635)
Expiry of warrants	(29,636)	29,636	-	-	-	-	-	-
Share-based compensation	-	-	151,834	-	-	151,834	-	151,834
Balance at September 30, 2025	8,818,844	4,586,215	2,585,892	5,125,176	180,421	21,296,548	-	21,296,548

	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

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 nine months ended September 30,	2025	2024
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings (loss)	442,157	502,719
Items not affecting cash		
Interest on lease liability	35,928	23,761
Depreciation of property, plant and equipment and right-of-use assets	141,113	141,080
Amortization of deferred development costs	26,703	26,703
Fair value adjustment on foreign exchange forward contracts	122,025	(60,166)
Gain on disposal of capital assets	-	217
Share-based compensation	151,834	416,820
Deferred income tax provision	(166,600)	16,200
	753,160	1,067,334
Changes in operations assets and liabilities		
Accounts receivable	1,877,564	2,409,115
Inventories	1,633,799	1,748,386
Income taxes recoverable	(10,329)	23,132
Prepaid expenses and deposits	(5,321,912)	(1,158,753)
Foreign exchange forward contracts	(9,065)	59,377
Due from related parties	-	49,748
Accounts payable and accrued liabilities	(1,742,831)	(1,408,920)
Customer deposits	(38,079)	(9,828)
Income taxes payable	174,343	(4,249)
	(3,436,510)	1,708,008
	(2,683,350)	2,775,342
FINANCING ACTIVITIES		
Due to related parties	(630,206)	(146,340)
Increase in investment in subsidiary (note 14)	(2,200,635)	-
Increase in operating credit line	2,345,152	
Increase in bank loan	2,891,193	(73,377)
Repayment of car loan	(10,489)	(10,107)
Repayment of lease liability	(111,921)	(55,891)
	2,283,094	(285,715)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(237,058)	(82,859)
Proceeds on sale of property, plant and equipment	-	40,000
	(237,058)	(42,859)
CHANGE IN CASH POSITION	(637,314)	2,446,768
CASH, beginning of period	2,058,156	1,571,744
Effect of foreign currency translation	(186,934)	74,008
CASH, end of period	1,233,908	4,092,520

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, 2024.

(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, 2024. 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, 2024 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

4. ACCOUNTS RECEIVABLE

	September 30, 2025	December 31, 2024
Trade receivables	8,610,510	10,466,947
Deposit recoverable (i)	3,474,343	3,474,343
Expected credit loss	(3,516,824)	(3,499,993)
Contract asset	359,475	359,475
Other	6,766	11,062
	8,934,270	10,811,834

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, 2025, the Company has recovered 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, 2025, the amount of inventories charged to net earnings was \$13,495,292 (2024 - \$8,849,743) and the amount of inventory write-downs were \$0 (2024 - \$199,045). There were no reversals of prior period write-downs of inventory.

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2025	December 31, 2024
Prepaid expenses and other assets	876,923	478,505
Deposits paid to suppliers	5,503,136	579,642
	6,380,059	1,058,147

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, 2025	December 31, 2024
Margin balance – cash deposit	126,000	116,935
Mark to market variance – loss on foreign exchange	(19,675)	102,350
	106,325	219,285

As at September 30, 2025, the Company had contracted to buy 1,435,000 U.S. Dollars.

For the quarter ended September 30, 2025, there is an unrealized loss on foreign exchange of \$122,025 (Sep 30, 2024 – gain of \$2,444) recognized in net earnings (loss), in respect to changes in fair value of the Company's foreign exchange forward contracts.

8. CREDIT FACILITIES

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$12,000,000 (December 31, 2024 - \$6,750,000), against which \$2,345,152 was outstanding as at September 30, 2025 (December 31, 2024 - \$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 \$11,850,000 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2025	December 31, 2024
Trade payables	1,955,172	3,850,798
Government remittances	57,695	215,321
Accrued liabilities	618,324	307,903
	2,631,191	4,374,022

10. BANK LOAN PAYABLE

One of the Company's subsidiaries has a fixed rate demand term loan, against which \$3,670,832 was outstanding at September 30, 2025 (December 31, 2024 - \$779,639). The loan is repayable in monthly instalments of \$22,172 comprising principal and interest at a fixed interest rate of 5.25% per annum. The loan is amortized over a twenty-five-year period ending March 21, 2055, matures on March 21, 2029 and is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$11,850,000 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. Management expects to pay the minimum monthly payments over the next 12 months.

11. 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.

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Nine months ended September 30, 2025					
Revenue					
Third party	5,868,774	16,017,784	12,250	-	21,898,808
Inter-segment	-	1,367,314	819,747	(2,187,061)	-
Total Revenue	5,868,774	17,385,098	831,997	(2,187,061)	21,898,808
Earnings (loss) before income taxes	661,138	354,275	(107,612)	(489,611)	418,190

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Nine months ended September 30, 2024					
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

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

Nine months ended September 30,	2025	2024
External sales revenue		
Canada	6,290,200	5,767,489
United States	11,936,311	6,746,179
United Kingdom	-	25,704
Southeast Asia and other	3,672,297	4,292,036
Total	21,898,808	16,831,408

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

For the nine months ended September 30, 2025, approximately 63% of the Company's total sales were to four customers (2024 – 53%). Approximately 85% of the Company's total purchases were from four vendors (2024 – 73%).

12. 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, 2025 of \$543,802 and \$442,157, respectively (loss of \$105,616 and earnings of \$501,083 for the three and nine months ended September 30, 2024, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended September 30,	Three months		Nine months	
	2025	2024	2024	2023
Weighted average number of shares outstanding - basic	30,299,467	30,299,467	30,299,467	30,299,467
Dilutive effect of options	750	-	2,166	-
Weighted average number of shares outstanding - diluted	30,300,217	30,299,467	30,301,633	30,299,467

For the three and nine months ended September 30, 2025, 1,859,000 options, were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2024 – 1,870,000 options). For the three and nine months ended September 30, 2025, all warrants had expired, and for the three and nine months ended September 30, 2024, 2,948,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive.

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

Authorized: Unlimited number of common shares

	Number of common shares	Common share capital
Balance at December 31, 2024	30,299,467	8,898,580
Deferred tax on share issue costs	-	(50,100)
Warrants extension	-	(29,636)
Balance at September 30, 2025	30,299,467	8,818,844

	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

(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, 2024	1,870,000	2.03
Granted, during the period (i)	124,000	1.03
Expired, during the period	(110,000)	3.00
Balance at September 30, 2025	1,884,000	1.91

	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	2.52

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

- (i) On May 21, 2025 the Company issued 25,000 stock options to an investor relations consultant. Each options entitles the holder to acquire one common share of the Company at a price of \$0.97, and is exercisable for a period of 5 years from the grant date. 12,500 options will vest on November 21, 2025 and May 21, 2026 respectively. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$15,015 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	73.54%
Risk-free interest rate	2.97%
Expected maturity	5 years

On June 9, 2025 the Company issued 99,000 stock options to employees of the Company. Each option entitles the holder to acquire one common share of the Company at a price of \$1.04, and is exercisable for a period of 5 years from the grant date. 33,000 options vested immediately and, 33,000 options will vest on June 9, 2026 and June 9, 2027 respectively. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$61,841 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	70.45%
Risk-free interest rate	2.96%
Expected maturity	5 years

- (ii) On May 13, 2024 the Company issued 600,000 stock options to members of the Board of Directors. Each options 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 vested on August 13, 2024, November 13, 2024 and February 13, 2025 respectively. 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

As of September 30, 2025, 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
June 5, 2027	450,000	1.68	2.40	450,000	2.40
February 9, 2027	150,000	1.36	3.50	150,000	3.50
March 1, 2027	50,000	1.67	3.10	50,000	3.10
May 15, 2028	5,000	2.62	1.29	5,000	1.29
August 15, 2028	5,000	2.87	1.29	5,000	1.29
July 25, 2028	75,000	2.82	1.44	75,000	1.44
October 25, 2028	75,000	3.07	1.44	75,000	1.44
January 25, 2029	75,000	3.32	1.44	75,000	1.44
April 25, 2029	75,000	3.56	1.44	75,000	1.44
April 7, 2030	200,000	4.52	2.70	200,000	2.70
May 13, 2029	150,000	3.61	1.20	150,000	1.20
August 13, 2029	150,000	3.87	1.20	150,000	1.20
November 13, 2029	150,000	4.12	1.20	-	1.20
February 13, 2030	150,000	4.37	1.20	-	1.20
November 21, 2030	12,500	5.15	0.97	-	0.97
May 21, 2031	12,500	5.64	0.97	-	0.97
June 9, 2030	33,000	4.69	1.04	33,000	1.04
June 9, 2031	33,000	5.69	1.04	-	1.04
June 9, 2032	33,000	6.69	1.04	-	1.04
	1,884,000	3.20	1.91	1,493,000	2.10

(c) Warrants

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

	Number of warrants	average exercise price
Balance, December 31, 2024	2,943,717	4.60
Expired, during the period	(2,943,717)	4.60
Balance, September 30, 2025	-	4.60

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

14. INVESTMENT IN SUBSIDIARY

On March 21, 2025, the Company acquired the remaining 25% of the common shares in 2074160 Ontario Inc. from the non-controlling shareholders for cash consideration of \$2,200,635, resulting in the Company's shareholding in 2074160 Ontario Inc. increasing to 100% from the prior 75% at the end of fiscal 2024. This resulted in a charge of \$2,194,994 to contributed surplus. The acquisition was financed by a newly secured mortgage loan. See note 10 for details. As a condition of the acquisition, the Company repaid the non-controlling shareholders' loans amounting to \$487,272. 2074160 Ontario Inc. owns the Markham, Ontario land and buildings utilized by the Company as a warehouse.

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, 2025 in U.S. dollar amount of \$240,000. 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, 2025 and 2026, in amounts of \$185,000 and \$200,000 respectively. The license term is in effect until December 31, 2026.
- (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, 2025 from those described in the Company's audited annual consolidated financial statements for the year ended December 31, 2024.