



**UNISYNC CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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**BACKGROUND**

The following discussion and analysis, prepared as of December 12, 2024, should be read together with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2024 and September 30, 2023 prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, and actual results could vary considerably from these statements (see section headed "Forward-Looking Information"). Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Unisync Corp. is available for view on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

**DESCRIPTION OF BUSINESS**

Unisync Corp. is a British Columbia corporation and reporting issuer in British Columbia, Alberta, Manitoba and Ontario. Unisync's voting Common Shares are listed and posted for trading on the TSX Exchange under the symbol "UNI" and on the OTC market under the symbol "USYNF". Unisync Corp. and its subsidiaries are hereinafter referred to collectively as "Unisync" or the "Company".

Unisync is a vertically integrated North American enterprise with exceptional capabilities in garment design, domestic manufacturing and offshore outsourcing, combined with state-of-the-art web based B2B and B2C ordering, distribution and program management systems.

Unisync operates through two business segments: Peerless Garments LP ("Peerless") of Winnipeg, Manitoba and Unisync Group Limited ("UGL") of Mississauga, Ontario. Peerless specializes in the production and distribution of highly technical protective garments, military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies. UGL is a leading customer-focused provider of corporate apparel, serving a list of leading iconic brands such as Air Canada, Alaska Airlines, Purolator, Canadian Coast Guard, Shoppers Drug Mart, Sobeys, Tim Hortons and WestJet.

UGL has a broad base of operations across Canada with four distribution and service facilities encompassing a total of 245,000 square feet which provide a unique capability to effectively service national and Quebec based customers. UGL's United States subsidiary, Unisync (Nevada) LLC ("UNV"), operates a 45,000 square foot distribution and service facility in Henderson, Nevada, as a base to distribute uniforms to its US clients and to develop new business in the US corporate apparel market.

**Business Strategy**

The business strategy is to market the combined manufacturing and distribution capabilities of Unisync to secure additional accounts in the North American corporate and government sectors.

In addition, the Company will continue to pursue complimentary revenue producing business acquisition opportunities as they present themselves.

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

**OVERALL RESULTS OF OPERATIONS**

The overall results of operations includes certain items which have been disclosed separately in order to provide an assessment of the Company's underlying results. In addition to IFRS measures, management uses non-IFRS measures in the disclosures contained in this management discussion and analysis as management believes it is a widely accepted financial indicator on which to evaluate the Company's results, including but no limited to the Company's ability to incur and service debt.

The following table sets out selected consolidated financial information for the previous three fiscal years.

| <b>Fiscal Year ended September 30</b>                                   | <b>2024</b>    | <b>2023</b>    | <b>2022</b>    |
|---|----------------|----------------|----------------|
| Revenue   | \$ 89,836,325  | \$ 103,599,811 | \$ 96,306,766  |
| Direct expenses   | 72,459,664     | 90,730,003     | 72,767,010     |
| General and administrative expenses                                     | 14,004,650     | 16,357,416     | 18,620,663     |
| Depreciation and amortization   | 5,354,678      | 4,871,806      | 4,024,002      |
| Interest expense  | 3,777,209      | 3,487,042      | 1,733,002      |
| Restructuring expense   | 846,676        | 933,927        | -              |
| Gain on sale of New Jersey division                                     | -              | (334,602)      | -              |
| Share-based payment   | -              | -              | 407,961        |
| Net loss before income taxes  | (6,606,552)    | (12,445,781)   | (1,245,872)    |
| Income tax expense (recovery)   | (2,058,277)    | (3,261,614)    | 102,356        |
| Net loss  | \$ (4,548,275) | \$ (9,184,167) | \$ (1,348,228) |
| Attributable to Unisync Corp. shareholders                              | (4,666,663)    | (9,262,244)    | (1,544,711)    |
| Attributable to minority partner  | \$ 118,388     | \$ 78,077      | \$ 196,483     |
| Net income (loss) per share attributable to Unisync Corp. shareholders: |                |                |                |
| Basic   | (0.25)         | (0.49)         | (0.08)         |
| Diluted   | \$ (0.25)      | \$ (0.49)      | \$ (0.08)      |
| <b>Supplemental data:</b>   |                |                |                |
| Gross profit <sup>(1)</sup>   | 12,021,983     | 7,998,002      | 19,515,754     |
| Gross profit as a % of revenue  | 13.4%          | 7.7%           | 20.3%          |
| Adjusted EBITDA <sup>(2)(3)</sup>                                       | 6,534,418      | 2,272,598      | 5,260,659      |
| Adjusted EBITDA as a % of revenue                                       | 7.3%           | 2.2%           | 5.5%           |

<sup>(1)</sup> The Company calculates gross profit as revenue less direct expenses and depreciation and amortization.

<sup>(2)</sup> Adjusted EBITDA is a non-IFRS financial measure. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation.

<sup>(3)</sup> Effective Q4 2024, the company revised its definition of adjusted EBITDA to exclude certain non-recurring expenses. Management believes this change aligns with evolving industry practices and provides greater comparability. Prior year EBITDA figures have been restated to account for the new definition. The change in the definition of EBITDA now excludes inventory write-down adjustments and separation and related costs.

**Unisync Corp.**  
**Management’s Discussion and Analysis**  
**For the Year Ended September 30, 2024**

The following table provides a reconciliation of IFRS “Net Loss” to Non-IFRS “Adjusted EBITDA”:

| Fiscal Year ended September 30       | 2024                  | 2023                  | 2022                  |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Loss</b>                      | <b>\$ (4,548,275)</b> | <b>\$ (9,184,167)</b> | <b>\$ (1,348,228)</b> |
| Income tax expense (recovery)        | (2,058,277)           | (3,261,614)           | 102,356               |
| Interest expense                     | 3,777,209             | 3,487,042             | 1,733,002             |
| Depreciation and amortization        | 5,354,678             | 4,871,806             | 4,024,002             |
| Inventory write-down and adjustments | 2,544,445             | 5,760,206             | 341,566               |
| Restructuring expense                | 846,676               | 933,927               | -                     |
| Separation and other costs           | 617,962               | -                     | -                     |
| Gain on sale of New Jersey division  | -                     | (334,602)             | -                     |
| Share-based payment                  | -                     | -                     | 407,961               |
| <b>Adjusted EBITDA</b>               | <b>\$ 6,534,418</b>   | <b>\$ 2,272,598</b>   | <b>\$ 5,260,659</b>   |
| <i>Adjusted EBITDA % of Revenue</i>  | <i>7.3%</i>           | <i>2.2%</i>           | <i>5.5%</i>           |

**Results for the year ended September 30, 2024 versus September 30, 2023**

Consolidated revenue for the year ended September 30, 2024 of \$89.8 million was down \$13.8 million or 13.3% from the prior year due to a decrease in revenue in the UGL segment of \$12.0 million, a \$1.4 million decrease in the Peerless segment, and an increase in inter segment sales eliminations of \$0.4 million. UGL segment revenue of \$80.4 million was lower by \$12.0 million or 12.9% and the Peerless segment revenue was lower by \$1.4 million or 12.5%, compared to the prior year.

UGL revenues returned to more normal seasonal levels in the current year following the post pandemic rebound in airline industry revenues during 2023 when new hires and the resulting staffing levels surged above pre-pandemic levels, which resulted in a decrease of \$3.9 million across all airline accounts in the segment. Additionally, the sale of the New Jersey division in the prior year contributed to \$5.3 million of the decrease in the current year. Despite this lower level of revenues, the UGL segment experienced a \$3.4 million increase in gross profit to \$9.8 million or 12.2% of segment revenue compared to \$6.4 million or 6.9% of segment revenue in the prior year. The improved margins were related to pricing adjustments combined with the impact of lower offshore container delivery costs on the weighted average cost of product sold. In addition, the consolidation of the Carleton Place, Ontario and the Saint-Laurent, Quebec facilities into the more efficient Guelph and Mississauga, Ontario facilities along with the discontinued use of 3PL services reduced fixed overhead costs and staffing levels. While gross margins improved year-over-year, the segment had a non-cash adjustment to inventory in the amount of \$2.5 million that negatively impacted gross margins in the current fiscal year, which was related to the increase in container delivery costs originating from 2022 and 2023 that was a timing difference in the recognition of the expense compared to when the product was shipped. Excluding this adjustment, gross margin would have been \$12.3 million or 15.3% of segment revenues.

The revenue decrease in the Peerless segment was due to lower uniform product sales to the Department of National Defence (“DND”) on account of delays in receipt of key fabric and the exercise of contract options by the DND. The segment experienced \$0.6 million increase in gross profit or 26.5% compared to 18.0% in prior year due to a higher margin mix of product sales, while decreasing the use of subcontractors to perform a portion of manufacturing output.

Depreciation and amortization increased to \$5.4 million in the current fiscal year from \$4.9 million largely due to the right of use assets related to the lease extension in the current fiscal year.

At \$14.0 million, consolidated general and administrative expenses were down \$2.4 million or 14.6% from the prior year due to overhead reductions associated with the consolidation of the Carleton Place, Ontario and the Saint-Laurent, Quebec operations. Included in general and administrative expenses was \$0.6 million related to separation and other related costs for employee matters relating to a prior year. Excluding these costs, consolidated general & administrative costs were down \$3.0 million from the prior year.

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

Interest expense of \$3.8 million in the current fiscal year was higher from the prior year due to an increase in average debt outstanding, which was partially offset by lower borrowing costs with the August 2023 BDC mortgage loan financing that replaced previously availed high interest rate shareholder loans.

The Company reported a net loss before tax of \$6.6 million in the year ended September 30, 2024 compared to a loss of \$12.4 million in the prior year. Adjusted EBITDA in the current year was \$6.5 million versus a \$2.3 million for the prior year.

**Summary of Quarterly Results**

(Canadian \$'s) (000's), except per share data

|  | 2023      |           |           |           | 2024      |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Q1        | Q2        | Q3        | Q4        | Q1        | Q2        | Q3        | Q4        |
| Revenue  | \$ 28,872 | \$ 28,655 | \$ 25,361 | \$ 20,711 | \$ 22,968 | \$ 25,683 | \$ 21,194 | \$ 19,991 |
| Direct expenses  | 22,429    | 23,289    | 22,210    | 22,801    | 18,077    | 19,200    | 16,780    | 18,403    |
| Depreciation & amortization                            | 1,110     | 1,232     | 1,277     | 1,253     | 1,380     | 1,308     | 1,321     | 1,346     |
| General & administrative                               | 4,372     | 4,287     | 4,001     | 3,697     | 3,686     | 3,688     | 3,323     | 3,308     |
| Interest expense                                       | 671       | 853       | 835       | 1,128     | 898       | 877       | 1,002     | 1,000     |
| Restructuring expense                                  | -         | -         | -         | 934       | -         | -         | -         | 847       |
| (Gain)/loss on sale of New Jersey division             | (423)     | 99        | (1)       | (10)      | -         | -         | -         | -         |
| Net income (loss) before income taxes                  | 713       | (1,105)   | (2,961)   | (9,092)   | (1,073)   | 610       | (1,232)   | (4,913)   |
| Income tax expense (recovery)                          | 201       | (277)     | (771)     | (2,415)   | (270)     | 160       | (320)     | (1,628)   |
| Net income (loss)                                      | 512       | (828)     | (2,190)   | (6,677)   | (803)     | 450       | (912)     | (3,285)   |
| Net income (loss) attributable to Unisync shareholders | 508       | (861)     | (2,222)   | (6,686)   | (813)     | 390       | (971)     | (3,273)   |
| Income (loss) attributable to minority partner         | 4         | 33        | 32        | 9         | 10        | 60        | 60        | (12)      |
| Basic income (loss) per share                          | 0.03      | (0.05)    | (0.12)    | (0.35)    | (0.04)    | 0.02      | (0.05)    | (0.17)    |
| Diluted income (loss) per share                        | 0.03      | (0.05)    | (0.12)    | (0.35)    | (0.04)    | 0.02      | (0.05)    | (0.17)    |
| Supplemental data:                                     |           |           |           |           |           |           |           |           |
| Gross profit   | 5,333     | 4,134     | 1,874     | (3,343)   | 3,510     | 5,175     | 3,093     | 242       |
| Gross profit %   | 18.5%     | 14.4%     | 7.4%      | -16.1%    | 15.3%     | 20.1%     | 14.6%     | 1.2%      |

The following table provides a reconciliation of IFRS "Net Income (Loss)" to Non-IFRS "Adjusted EBITDA":

|                                      | 2023         |              |             |                | 2024         |              |              |              |
|--------------------------------------|--------------|--------------|-------------|----------------|--------------|--------------|--------------|--------------|
|                                      | Q1           | Q2           | Q3          | Q4             | Q1           | Q2           | Q3           | Q4           |
| Net Income (Loss)                    | 512          | (828)        | (2,190)     | (6,677)        | (803)        | 450          | (912)        | (3,285)      |
| Income tax expense (recovery)        | 201          | (277)        | (771)       | (2,415)        | (270)        | 160          | (320)        | (1,628)      |
| Interest expense                     | 671          | 853          | 835         | 1,128          | 898          | 877          | 1,002        | 1,000        |
| Depreciation and amortization        | 1,110        | 1,232        | 1,277       | 1,253          | 1,380        | 1,308        | 1,321        | 1,346        |
| Inventory write-down and adjustments | -            | -            | 1,750       | 4,010          | 34           | 27           | -            | 2,483        |
| Restructuring expense                | -            | -            | -           | 934            | -            | -            | -            | 847          |
| Separation and other costs           | -            | -            | -           | -              | -            | -            | -            | 618          |
| Gain on sale of New Jersey division  | (423)        | 99           | (1)         | (10)           | -            | -            | -            | -            |
| <b>Adjusted EBITDA</b>               | <b>2,071</b> | <b>1,079</b> | <b>900</b>  | <b>(1,777)</b> | <b>1,239</b> | <b>2,822</b> | <b>1,091</b> | <b>1,381</b> |
| <i>Adjusted EBITDA % of Revenue</i>  | <i>7.2%</i>  | <i>3.8%</i>  | <i>3.5%</i> | <i>-8.6%</i>   | <i>5.4%</i>  | <i>11.0%</i> | <i>5.1%</i>  | <i>6.9%</i>  |

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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***Results for the quarter ended September 30, 2024 versus September 30, 2023***

Revenue for the three months ended September 30, 2024 of \$20.0 million was down \$0.7 million or 3.5% from the same period last year due to a decrease in revenue in the Peerless segment of \$1.7 million, partially offset by an increase in the UGL segment of \$1.0 million. UGL segment revenue of \$18.3 million was higher by \$1.0 million or 6.0% and the Peerless segment revenue was lower by \$1.7 million or 50%, compared to the same period last year.

UGL revenues experienced a slight increase due to price increases that took effect subsequent to September 30, 2023, while the Peerless segment experienced a decrease due to delays in receipt of key fabric and the exercise of contract options by DND. While revenues increased marginally quarter over quarter, the UGL segment experienced a gross profit increase of \$3.7 million to \$0.1M or 0.4% of segment revenues. The increase was attributed to price increases and lower product costs from offshore vendors, a decrease in inventory write downs from the same quarter last year and sales mix. In addition, the consolidation of the Carleton Place, Ontario and the Saint-Laurent, Quebec facilities into the more efficient Guelph and Mississauga, Ontario facilities along with the discontinued use of 3PL services reduced fixed overhead costs and staffing levels. This was partially offset by a non-cash adjustment to inventory in the amount of \$2.5 million that negatively impacted gross margins in the current fiscal year, but was related to the increase in container delivery costs originating from 2022 and 2023 that was a timing difference in the recognition of the expense compared to the product being shipped. Excluding this adjustment, gross margin would have been \$2.5 million or 13.9% of segment revenues.

The revenue decrease in the Peerless segment was due to lower uniform product sales to the Department of National Defence ("DND") on account of delays in receipt of key fabric and the exercise of contract options by the DND. The segment experienced \$0.1 million decrease in gross profit, while gross margin increased to 17.5% compared to 11.0% in same period last year due to a higher margin mix of product sales and a decrease in the use of subcontractors to perform a portion of manufacturing output.

Depreciation and amortization increased to \$1.3 million in the quarter from \$1.2 million due to a lease extension in the current year involving the right of use assets.

At \$3.3 million, consolidated general and administrative expenses were lower by \$0.4 million from the same quarter last year due to overhead reductions associated with the consolidation of the Carleton Place, Ontario and the Saint-Laurent, Quebec operations. Included in general and administrative expenses was \$0.6 million related to separation and other related costs for employee matters relating to a prior year. Excluding these costs, consolidated general & administrative costs were down \$1.0 million from the same quarter last year.

Interest expense of \$1.0 million was lower by \$0.1 million from the same quarter last year due to lower borrowing costs resulting from the August 2023 BDC mortgage loan financing that replaced previously availed high interest rate shareholder loans.

The Company reported a net loss before tax of \$4.9 million in the three months ended September 30, 2024 compared to a loss of \$9.1 million in the same quarter last year. Adjusted EBITDA in the quarter was \$1.4 million versus a loss of \$1.8 million for the same quarter last year.

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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***Business Outlook***

During the year ended September 30, 2024, the UGL segment continued to benefit from positive contract pricing adjustments and relocating offshore production from a number of factories with higher labour costs and/or who were import duty subject, to those that offer lower labour costs and/or duty-free status. We expect that these initiatives to positively impact future margins for UGL as these reduced input costs get reflected in the weighted average cost of inventory. In addition, restructuring related expenses of \$0.9 million incurred in the current fiscal year are expected to yield savings starting in fiscal 2025. The UGL segment continues to pursue additional headcount reductions and operational efficiencies that should result in lower future Direct and Administrative costs going forward.

UGL management continues to actively pursue a number of material business opportunities that are coming to market in both the Canadian and US marketplace during the 2025 calendar year.

Notwithstanding the outlook for lower interest rates, the Company is still facing some headwinds in fiscal 2025 due to the risk of a continued lower Canadian dollar following the US election which, if sustained, will increase the cost of offshore production which is payable in US currency.

We continue to also aggressively pursue a tenant to lease out the resulting 40,000+ square feet of vacated space at its Saint-Laurent facility or an outright sale of the 60,000 square foot facility which, in either case, will materially reduce UGL's direct overhead costs.

With \$34.3 million in firm contracts and options on hand as at September 30, 2024, the Peerless business segment is positioned to maintain its current level of revenues and profitability in fiscal 2025

**LIQUIDITY**

At September 30, 2024, Unisync holds two operating loan facilities totalling \$24.0 million with a Canadian chartered bank and a loan facility of US\$5.0 million with the United States affiliate of the Canadian chartered bank to finance its working capital requirements. The maximum amount available under the facilities is based on certain margin requirements and covenants as stipulated in the loan facility agreements as described in accompanying notes 11 and 25 to the audited consolidated financial statements for the years ended September 30, 2024 and September 30, 2023.

The Company has three mortgage loan facilities with the Business Development Bank of Canada ("BDC") with amounts of \$3.5 million (the "Peerless" mortgage loan on the Winnipeg, Manitoba property) and amounts of \$5.7 million and \$7.4 million (the "Utility" mortgage loans on the Saint-Laurent, Quebec property) outstanding at September 30, 2024 on the properties having appraised values of \$5.7 million and \$15.7 million, respectively. The Peerless mortgage loan is repayable in blended monthly instalments of principal and interest of \$23,717 that began on November 1, 2021 over a 240 month term. The first Utility mortgage loan is repayable in blended monthly instalments of principal and interest of \$32,642 that began on November 1, 2021 over a 300 month term. Advances under the Peerless and the first Utility mortgage loan bear interest at a fixed rate of 4.10% until May 1, 2026 following which the interest rate will be adjusted to the BDC's fixed rate then in effect. The second Utility mortgage loan is repayable in blended monthly instalments of principal and interest of \$51,708 commencing on August 1, 2024 for a term of 25 years at a fixed interest rate of 6.7% for the first five years, following which the interest rate will be adjusted to the BDC's fixed rate then in effect.

As at September 30, 2024, The Company was not in compliance with its working capital covenant on its operating loan facilities and its debt service coverage covenants on its operating loan facilities and mortgage loan facilities. The Company expects to receive forbearance from its lenders on these defaults.

Excluding the current portions of the mortgage loan and long-term lease facilities, and amounts due to its minority interest partner, Unisync had working capital of \$10.2 million at September 30, 2024 (September 30, 2023 - \$14.0 million). As at September 30, 2024, the Company had outstanding foreign exchange contracts of \$nil (September 30, 2023 - \$nil) and letters of credit of \$1.5 million (September 30, 2023 - \$1.5 million) in support of government contracts along with operating loans outstanding of \$23.2 million (September 30, 2023 - \$26.1 million) under its three operating loan facilities. As the Company grows its US customer base, its US dollar revenues are expected to increase, creating a natural hedge against its

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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US dollar offshore purchases and thereby reducing the Company's exposure to changes in the Canadian/US dollar exchange rate.

Cash flow from operations of \$9.8 million after changes in working capital was used to fund \$0.3 million of mortgage loan repayments, \$2.3 million in long-term lease facilities principal payments, interest payments on all debt facilities of \$2.9 million, a repayment of \$0.3 million the minority partner, and \$3.0 million decrease in operating loans.

**SHARE CAPITAL**

The following table sets out the share capitalization of the Company as at September 30, 2024 and the date of this MD&A.

| Description                   | Authorized          | Outstanding as at<br>June 30,<br>2024 | Outstanding as<br>at the date of<br>this MD&A |
|-------------------------------|---------------------|---------------------------------------|---|
| Common Shares                 | Unlimited           | 19,012,228                            | 19,012,228                                    |
| Stock Options – Common Shares | 1,901,223           | 1,315,000                             | 1,315,000                                     |
| Class A Preferred Shares      | Unlimited in series | Nil                                   | Nil   |

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements other than letters of credit granted in the ordinary course as set out in the Section headed "Liquidity".

**CRITICAL ACCOUNTING ESTIMATES**

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Going Concern

The determination if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations and or/raise additional capital. There is an assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Certain judgments are made by management when determining if and when the Company will return to profitable operations.

While its revenues have grown since its 2018 fiscal year, and retracted in the current fiscal year, the Company has incurred losses because of the costs associated with the consolidation and restructuring of its acquisitions in Canada, the pursuit of Canadian government contracts, entry into the US market and the implementation of a new ERP system. In addition, in the fiscal years from 2020 to 2022, the COVID-19 pandemic significantly impacted the Company's customers in the hospitality and travel sectors. Following the pandemic, the Company has absorbed the inflationary effect of higher product, labour and borrowing costs as customer contract pricing adjustments lag these cost increases. The Company believes that, based on its forecasts and its initiatives to adjust customer pricing, resource offshore production to lower cost locations and its initiatives to reduce expenditures, it will be able to continue as a going concern for the foreseeable future

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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*Impact of Rising Interest Rates*

The impact of rising interest rates and economic uncertainty can be far reaching and difficult to predict and may potentially impact the Company's ability to continue as a going concern. Interest rates can affect many areas within the consolidated financial statements, including accounting estimates, concentration risks, impairment assessments, borrowing costs, debt covenants, and more.

The Company's operating loans with variable rates of interest may be faced with higher repayments because of increased interest rates and may be unable to meet immediate future repayments. The Company's fixed rate mortgage loans may be subject to higher interest rates at the expiry of the current fixed rate periods on the facilities, meaning higher repayments in the future. Although a significant portion of the Company's accounts receivables are insured and/or with government entities, rising interest rates may also result in expectations of increased credit losses.

These risks have been considered when forecasting future cash flows. The Company has taken steps to improve its cash flows through the sale of its non-core New Jersey division, the restructuring of its Canadian distribution and sewing operations, right sizing the organization, the resourcing of offshore production to lower cost locations and the negotiation of customer contract pricing to respond to the inflationary post pandemic and higher interest rate environment.

Other key areas of estimates and judgments are listed in Note 5 to the consolidated financial statements and include but are not limited to the recognition of deferred income taxes, costing allocations of labour and overhead for inventories, the estimated useful lives of property, plant and equipment, recording of accrued liabilities and contingencies, due to minority partner, valuation of receivables and inventory obsolescence, valuation of goodwill and share based payments and the allocation of purchase consideration on the acquisition of businesses. Actual results could differ from these estimates.

**CHANGE IN ACCOUNTING POLICIES**

*Accounting standards issued but not yet applied.*

The reader is referred to Note 4 to the consolidated financial statements for the year ended September 30, 2024, for a summary of new standards which will be effective for future years. The Company is in the process of assessing the impact of these new standards.

**EFFECTIVENESS OF THE INTERNAL AND DISCLOSURE CONTROLS AND PROCEDURES**

An evaluation has been carried out on the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as defined in National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operation of these internal and disclosure controls and procedures were effective.

The Company did not make any changes to the design of its internal controls over financial reporting in the year ended September 30, 2024 that would have materially affected, or would be reasonably likely to materially affect the Company's internal controls over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Internal financial controls and procedures have been designed under the supervision of management.

It should be noted, that while the Company believes that the current disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **FORWARD-LOOKING INFORMATION**

This Management Discussion and Analysis contains forward-looking information. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- that the Company's profitability will improve as a result of increased contract pricing, headcount reductions and operational efficiencies, the relocation of its offshore production from higher labour cost manufacturers and duty subject jurisdictions and the consolidation of the UGL segment's distribution operations at its main Guelph distribution facilities as outlined in the Business Outlook section;
- that the Company will receive forbearance on its covenant defaults from its lenders as outlined in the Liquidity section;
- that as the Company grows its US customer base, its US dollar revenues are expected to increase, creating a natural hedge against its US dollar offshore purchases and thereby reducing the Company's exposure to changes in the Canadian/US dollar exchange rate as outlined in the Liquidity section.

Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "believes", "anticipates" or "does not anticipate", or variations of such words and phrases or states that certain actions, events, or results "may", "could", "would", "might", "will be taken", "occur", or "be achieved". Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Unisync to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although Unisync has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such material factors include, but are not limited to competition, operational risk, litigation, a change in the timing or bidding conditions of future government contracts, customer concentration/economic dependence, working capital, potential conflicts of interest, volatility of stock price, disruptions in production, government budgetary restraint, reliance on key personnel, reliance on few suppliers, reliance on subcontractors, technological milestones, operating cost fluctuations, increases in interest rates, decreases in the value of the Canadian dollar against the U.S. dollar and other foreign currencies, access to credit, and potential unknown liabilities. Accordingly, readers should not place undue reliance on forward-looking information. Unisync does not undertake any obligation to update forward-looking information except as otherwise required by law.

## **RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2024, interest and processing fees of \$nil (2023 - \$246,101) were paid on \$1,800,000 of shareholder advances that were repaid in the prior year and were provided by Bruce Aunger, Darryl Eddy, Douglas Good, Tim Gu, Joel McLean and Michael O'Brian, members of the Company's board of directors.

Darryl Eddy and Joel Mclean, members of the Company's board of directors, are also board members of a company to which the Company paid rent of \$29,268 (2023 - \$29,268) for its head office location.

Albert El Tassi, the Company's minority partner in the Peerless segment received an income allocation of \$118,388 (2023 - \$78,077) and a distribution of \$107,495 (2023 - \$122,518)

Related party transactions are recorded at the exchange amounts, which are the amounts agreed upon by the related parties.

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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**SUBSEQUENT EVENTS**

None.

**INVESTOR RELATIONS**

Investor relations inquiries are handled by the Company's Chief Executive Officer.

Venture Liquidity Providers Inc. provides market-making services and assists in maintaining an orderly trading market for the shares of the Company.