



UNISYNC CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023
(UNAUDITED)

Unisync Corp.

June 30, 2024

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Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these condensed unaudited interim consolidated financial statements as at and for the three and nine months ended June 30, 2024.

Unisync Corp.
Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian dollars) (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
Revenue	\$ 21,194,134	\$ 25,361,314	\$ 69,844,393	\$ 82,888,629
Direct expenses (Note 15)	16,779,784	22,210,285	54,056,733	67,929,302
General and administrative expenses (Note 15)	3,322,700	4,001,469	10,696,323	12,660,941
Depreciation and amortization (Notes 5,6,7)	1,321,500	1,277,380	4,009,561	3,619,035
	(229,850)	(2,127,820)	1,081,776	(1,320,649)
Interest expense (Notes 9,10,11)	1,001,824	834,647	2,776,218	2,358,320
Gain on sale of New Jersey division	-	(1,012)	-	(325,471)
Net loss before income taxes	(1,231,674)	(2,961,455)	(1,694,442)	(3,353,498)
Income tax expense (recovery) (Note 14)	(320,304)	(770,802)	(430,597)	(846,882)
Net loss	(911,370)	(2,190,653)	(1,263,845)	(2,506,616)
Attributable to				
Unisync Corp. shareholders	(971,382)	(2,222,412)	(1,394,226)	(2,574,776)
Minority partner	60,012	31,759	130,381	68,160
	\$ (911,370)	\$ (2,190,653)	(1,263,845)	(2,506,616)
Net loss per share attributable to				
Unisync Corp. shareholders				
Basic	(0.05)	(0.02)	(0.07)	(0.05)
Diluted	(0.05)	(0.02)	(0.07)	(0.05)
Weighted average number of shares	19,012,228	19,012,228	19,012,228	19,012,228
Diluted weighted average number of shares outstand	19,012,228	19,012,228	19,012,228	19,012,228

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars) (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
Net loss for the period	\$ (911,370)	\$ (2,190,653)	\$ (1,263,845)	\$ (2,506,616)
Other comprehensive income (loss), net of taxes:				
items that maybe reclassified to net income or loss				
Foreign currency translation differences for foreign operations	(184,402)	(26,314)	(10,978)	(46,402)
Total Comprehensive loss for the period	(1,095,772)	(2,216,967)	(1,274,823)	(2,553,018)
Attributable to				
Unisync Corp. shareholders	(1,155,784)	(2,248,726)	(1,405,204)	(2,621,178)
Minority partner	60,012	31,759	130,381	68,160
Total Comprehensive loss for the period	\$ (1,095,772)	\$ (2,216,967)	(1,274,823)	(2,553,018)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian dollars) (Unaudited)

	June 30, 2024	September 30, 2023
ASSETS		
Current		
Cash	\$ 326,655	\$ 2,162
Trade and other receivables	15,703,541	13,050,526
Inventory (Note 4)	44,886,022	53,779,589
Prepaid expenses and deposits	1,942,306	2,909,015
	62,858,524	69,741,292
Cash surrender value of life insurance policy	-	86,601
Note receivable	-	135,200
Property, plant and equipment (Note 5)	7,790,367	8,387,898
Right of use assets (Note 6)	12,556,895	13,952,801
Deferred tax asset (Note 14)	5,760,820	5,330,222
Intangible assets (Note 7)	3,567,744	5,401,960
Goodwill (Note 8)	6,384,797	6,384,797
TOTAL ASSETS	\$ 98,919,147	\$ 109,420,771
LIABILITIES		
Current		
Operating loan (Note 9)	\$ 24,081,343	\$ 26,109,074
Trade payables and accrued liabilities	8,368,851	15,934,241
Deferred revenue	15,584,673	13,723,933
Current portion of mortgage loans (Note 10)	409,940	16,683,772
Current portion of long-term lease liabilities (Note 11)	1,674,098	1,575,249
Due to minority partner (Note 12)	1,500,000	1,500,000
	51,618,905	75,526,269
Mortgage loans (Note 10)	16,063,680	-
Long-term lease liabilities (Note 11)	13,587,389	14,878,693
TOTAL LIABILITIES	\$ 81,269,975	\$ 90,404,962
EQUITY		
Share capital (Note 13)	30,447,488	30,447,488
Share-based payments reserve	2,250,172	2,250,172
Deficit	(14,976,636)	(13,571,432)
Equity attributable to Unisync Corp. shareholders	17,721,024	19,126,228
Deficit attributable to minority partner	(71,852)	(110,419)
TOTAL EQUITY	\$ 17,649,172	\$ 19,015,809
TOTAL LIABILITIES & EQUITY	\$ 98,919,147	\$ 109,420,771

Commitments and contingencies (Note 16)

Approved by the Board:

Signed "Douglas F. Good"
Douglas F. Good, Director

Signed "Bruce W. Aunger"
Bruce W. Aunger, Director

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars) (Unaudited)

	Equity attributable to equity holders of the Company						
	Number of Shares	Share Capital (\$)	Share-based		Total (\$)	Minority Interest (\$)	Total Equity (\$)
			Payments Reserve (\$)	Deficit (\$)			
Balance, September 30, 2022	19,012,228	30,447,488	2,250,172	(4,334,312)	28,363,348	(65,978)	28,297,370
Distribution to minority partner	-	-	-	-	-	(69,313)	(69,313)
Net income (loss) for the period	-	-	-	(2,574,776)	(2,574,776)	68,160	(2,506,616)
Other comprehensive loss	-	-	-	(46,402)	(46,402)	-	(46,402)
Balance, June 30, 2023	19,012,228	30,447,488	2,250,172	(6,955,490)	25,742,170	(67,131)	25,675,039
Balance, September 30, 2023	19,012,228	30,447,488	2,250,172	(13,571,432)	19,126,228	(110,419)	19,015,809
Distribution to minority partner	-	-	-	-	-	(91,814)	(91,814)
Net income (loss) for the period	-	-	-	(1,394,226)	(1,394,226)	130,381	(1,263,845)
Other comprehensive loss	-	-	-	(10,978)	(10,978)	-	(10,978)
Balance, June 30, 2024	19,012,228	30,447,488	2,250,172	(14,976,636)	17,721,024	(71,852)	17,649,172

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (911,370)	\$ (2,190,653)	\$ (1,263,845)	\$ (2,506,616)
Items not affecting cash:				
Interest expense	1,001,824	834,647	2,776,218	2,358,320
Income tax expense (recovery)	(320,304)	(770,802)	(430,597)	(846,882)
Income taxes paid	-	-	-	(55,424)
Depreciation and amortization	1,321,500	1,277,380	4,009,561	3,619,035
	1,091,650	(849,428)	5,091,337	2,568,433
Changes in non-cash working capital items:				
Trade and other receivables	(692,532)	2,218,666	(2,517,815)	(609,638)
Inventory	1,700,789	2,384,296	8,893,567	522,179
Prepaid expenses and deposits	(396,939)	(614,493)	966,709	(1,059,749)
Trade payables and accrued liabilities	(3,181,782)	(3,371,599)	(7,565,390)	(5,685,479)
Deferred revenue	2,932,479	(58,208)	1,860,740	4,627,399
Net cash from/(used in) operating activities	\$ 1,453,665	\$ (290,766)	\$ 6,729,148	\$ 363,145
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	(104,871)	(136,561)	(179,105)
Purchase of intangible assets	(9,460)	(7,917)	(11,510)	(328,349)
Proceeds from cash surrender value of life insurance policy	-	-	86,601	-
Net cash used in investing activities	\$ (9,460)	\$ (112,788)	\$ (61,470)	\$ (507,454)
FINANCING ACTIVITIES				
Increase (decrease) in operating loan	312,193	1,585,457	(2,027,731)	2,018,375
Mortgage loans repayments	(73,716)	(70,760)	(218,904)	(210,126)
Mortgage loan financing costs	-	(32,000)	-	(32,000)
Repayment of lease liabilities	(600,498)	(691,019)	(1,784,989)	(1,700,405)
Shareholder advances	-	-	-	2,000,000
Interest paid	(801,360)	(561,034)	(2,184,467)	(1,731,103)
Distributions to minority partner	(67,651)	(25,181)	(91,814)	(69,313)
Net cash used from financing activities	\$ (1,231,032)	\$ 205,463	\$ (6,307,905)	\$ 275,428
Effects of foreign exchange rates on cash	(199,030)	300,403	(35,280)	(43,169)
INCREASE (DECREASE) IN CASH	14,143	102,312	324,493	87,950
CASH, BEGINNING OF PERIOD	312,512	82,899	2,162	97,261
CASH, END OF PERIOD	\$ 326,655	\$ 185,211	\$ 326,655	\$ 185,211

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

1. Nature of business

Unisync Corp. (the "Company") is incorporated under the laws of British Columbia. Its head office, principal address, and registered and records office are located at Suite 1328, 885 West Georgia Street, Vancouver, British Columbia, Canada. Unisync Corp.'s voting Common Shares are listed and posted for trading on the TSX Exchange under the symbol "UNI" and on the OTC under the symbol "USYNF".

The Company operates in two main business segments. The Peerless segment includes the Company's 90% interest in the business of Winnipeg-based Peerless Garments LP ("Peerless") and 100% of Peerless Garments Inc. ("GP"), the general partner. Peerless manufactures harsh weather outerwear for the Canadian military and other government agencies.

The Unisync Group Limited ("UGL") segment comprises the operations of Unisync Group Limited of Mississauga, Ontario, and Unisync (Nevada) LLC of Henderson, Nevada. During the year ended September 30, 2019, Carleton Uniforms Inc. ("Carleton") of Carleton Place, Ontario and Omega Uniforms Systems Ltd. ("Omega") of Vancouver, British Columbia were each dissolved and the assets were transferred to and the liabilities were assumed by Unisync Group Limited. During the year ended September 30, 2023, Utility Garments Inc. ("Utility") of Saint-Laurent, Quebec was amalgamated with Unisync Group Limited to continue as Unisync Group Limited. This segment is involved in the design, manufacture and distribution of direct sale uniforms, workwear, image apparel and related solutions. The UGL segment operates distribution centres in Guelph, Ontario, Vancouver, British Columbia and Henderson, Nevada.

2. Basis of presentation and significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements but have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended September 30, 2023. The disclosures provided herein are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's annual filings for the year ended September 30, 2023, as filed on SEDAR+ at www.sedarplus.ca.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on August 13, 2024.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Trade and other receivables

The Company maintains an allowance for doubtful accounts to reflect an impairment risk for trade accounts receivable based on an expected credit loss model which factors in changes in credit quality

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

3. Critical accounting estimates and judgments (continued)

since the initial recognition of trade accounts receivable based on customer risk types (insured and non-receivables, government receivables). Expected credit losses are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

(b) Inventory

The Company determines the carrying value of work in progress inventory (“WIP”) and estimated net realizable value at the end of each reporting period. Management allocates costs, such as for materials, labour attributable to goods in production and an allocation of overhead, to WIP based on management’s estimate of the percentage completion of the goods, and the nature of the costs for producing that particular good. Estimates are required in relation to forecasted sales volumes and finished good inventory balances. In situations where excess or slow moving inventory balances are identified, the Company assesses its ability to recover customer payment for such inventory and estimates of net realizable values for the excess or slow moving volumes are made.

(c) Share-based payment

The Company provides incentives via share-based payment entitlements (Note 13). The fair value of entitlements is determined in accordance with the accounting policy in Note 2(n) of the audited consolidated financial statements for the year ended September 30, 2023. If certain assumptions used in the fair value calculation were to change, there would be an impact on the share-based payment expense recognized in the current period.

(d) Income taxes

The Company is subject to income taxes in Canada and the United States. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change. Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize tax losses recognized as deferred tax assets. Assumptions about the generation of future taxable profits depend on managements’ estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

(e) Estimated useful lives

Management estimates the useful lives of property, plant and equipment, and intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these amounts are affected by the useful lives. The estimates are reviewed annually and are updated for changes in the expected useful life.

(f) Impairment of long lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for indicators of impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

3. Critical accounting estimates and judgments (continued)

(g) Impairment of goodwill

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value-in-use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate.

(h) Allocation of purchase consideration

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining the fair value of the asset acquired and liabilities assumed, and the consideration paid. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

4. Inventory

	June 30, 2024	September 30 2023
Raw Materials	\$ 4,191,211	\$ 3,977,236
Work in Progress	1,336,768	1,351,963
Finished goods	38,812,422	44,433,099
Raw materials and finished goods in-transit	545,621	4,017,291
	\$ 44,886,022	\$ 53,779,589

Cost of inventories recognized as an expense during the nine months ended June 30, 2024, amounted to \$39,732,692 (June 30, 2023 - \$49,734,714). The carrying amount of inventory recorded at net realizable value at June 30, 2024, was \$nil (September 30 2023 – \$1,769,352), with the remaining inventory recorded at cost.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

5. Property, plant and equipment

Cost	Land	Warehouse and			Office		Vehicles	Leashold Improvements	Total
		Buildings	Manufacturing Equipment	Computer Equipment	Furnishings & Equipment				
Balance, September 30, 2022	\$ 2,622,730	\$ 5,047,257	\$ 2,071,546	\$ 1,022,787	\$ 443,586	\$ 115,938	\$ 2,038,597	\$ 13,362,441	
Additions	-	3,100	17,685	41,338	-	-	856,497	918,620	
Disposals	-	-	(173,156)	(50,882)	(4,882)	-	(76,877)	(305,797)	
Foreign currency translation adjustment	-	-	(1,693)	(213)	(615)	-	(2,556)	(5,077)	
Balance, September 30, 2023	\$ 2,622,730	\$ 5,050,357	\$ 1,914,382	\$ 1,013,030	\$ 438,089	\$ 115,938	\$ 2,815,661	\$ 13,970,187	
Additions	-	-	107,859	-	3,938	-	24,764	136,561	
Disposals	-	-	-	-	(3,603)	(28,312)	-	(31,915)	
Foreign currency translation adjustment	-	-	1,512	126	613	-	2,282	4,533	
Balance, June 30, 2024	\$ 2,622,730	\$ 5,050,357	\$ 2,023,753	\$ 1,013,156	\$ 439,037	\$ 87,626	\$ 2,842,707	\$ 14,079,366	

Accumulated Depreciation

Balance, September 30, 2022	\$ -	\$ 1,230,039	\$ 1,461,848	\$ 771,939	\$ 275,736	\$ 113,759	\$ 1,114,256	\$ 4,967,577
Depreciation	-	179,533	82,551	73,017	43,685	854	400,999	780,639
Disposals	-	-	(91,775)	(27,917)	(2,521)	-	(39,720)	(161,933)
Foreign currency translation adjustment	-	-	(2,610)	(7)	(215)	-	(1,162)	(3,994)
Balance, September 30, 2023	\$ -	\$ 1,409,572	\$ 1,450,014	\$ 817,032	\$ 316,685	\$ 114,613	\$ 1,474,373	\$ 5,582,289
Depreciation	-	115,302	40,937	74,235	59,353	666	440,781	731,274
Disposals	-	-	-	-	-	(27,653)	-	(27,653)
Foreign currency translation adjustment	-	-	1,020	42	429	-	1,598	3,089
Balance, June 30, 2024	\$ -	\$ 1,524,874	\$ 1,491,971	\$ 891,309	\$ 376,467	\$ 87,626	\$ 1,916,752	\$ 6,288,999

Carrying Value

At September 30, 2023	\$ 2,622,730	\$ 3,640,785	\$ 464,368	\$ 195,998	\$ 121,404	\$ 1,325	\$ 1,341,288	\$ 8,387,898
At June 30, 2024	\$ 2,622,730	\$ 3,525,483	\$ 531,782	\$ 121,847	\$ 62,570	\$ -	\$ 925,955	\$ 7,790,367

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

6. Right of use assets

Cost	
Balance September 30, 2023	\$ 19,572,550
Foreign currency translation adjustment	47,883
Balance, June 30, 2024	\$ 19,620,433
Accumulated Depreciation	
Balance September 30, 2023	5,619,749
Depreciation	1,425,412
Foreign currency translation adjustment	18,377
Balance, June 30, 2024	\$ 7,063,538
Net Carrying Value, June 30, 2024	\$ 12,556,895
Cost	
Balance September 30, 2022	\$ 12,350,188
Right of use leases added	7,998,693
Right of use leases terminated	(831,984)
Foreign currency translation adjustment	55,653
Balance, September 30, 2023	\$ 19,572,550
Accumulated Depreciation	
Balance September 30, 2022	4,357,514
Right of use leases terminated	(624,221)
Depreciation	1,841,713
Foreign currency translation adjustment	44,743
Balance, September 30, 2023	\$ 5,619,749
Net Carrying Value, September 30, 2023	\$ 13,952,801

The Company's right of use leases are for its distribution, sales, and administrative facilities.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

7. Intangible assets

Cost	Computer Software	Customer relationships from Utility acquisition	Standards Certification	Total
Balance, September 30, 2022	\$ 7,079,275	\$ 7,195,285	\$ 74,143	\$ 14,348,703
Additions	334,102	-	-	334,102
Foreign currency translation adjustment	(1,610)	-	-	(1,610)
Balance, September 30, 2023	\$ 7,411,767	\$ 7,195,285	\$ 74,143	\$ 14,681,195
Additions	11,510	-	-	11,510
Foreign currency translation adjustment	1,437	-	-	1,437
Balance, June 30, 2024	\$ 7,424,714	\$ 7,195,285	\$ 74,143	\$ 14,694,142
Accumulated Depreciation				
Balance, September 30, 2022	\$ 3,680,446	\$ 3,286,254	\$ 63,691	\$ 7,030,391
Depreciation	1,407,464	839,783	2,207	2,249,454
Foreign currency translation adjustment	(610)	-	-	(610)
Balance, September 30, 2023	\$ 5,087,300	\$ 4,126,037	\$ 65,898	\$ 9,279,235
Depreciation	1,214,671	629,838	1,651	1,846,160
Foreign currency translation adjustment	1,003.00	-	-	1,003
Balance, June 30, 2024	\$ 6,302,974	\$ 4,755,875	\$ 67,549	\$ 11,126,398
Carrying Value				
At September 30, 2023	\$ 2,324,467	\$ 3,069,248	\$ 8,245	\$ 5,401,960
At June 30, 2024	\$ 1,121,740	\$ 2,439,410	\$ 6,594	\$ 3,567,744

8. Goodwill

	June 30, 2024	September 30, 2023
<i>Cost</i>		
Peerless and GP	\$ 2,586,000	\$ 2,586,000
Carleton	305,049	305,049
Omega	342,893	342,893
Utility	3,150,855	3,150,855
	\$ 6,384,797	\$ 6,384,797

Goodwill arose on the acquisitions of Peerless and GP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility in 2018. For impairment testing purposes, the goodwill is allocated to the cash-generating unit ("CGU"). There has been no change to the goodwill since each acquisition.

9. Operating loan

The Company has established two operating loan facilities totalling \$24,000,000 with a Canadian chartered bank and an operating loan facility of US\$5,000,000 with the United States affiliate of the Canadian chartered bank to finance its working capital requirements. Borrowings under these revolving loan facilities are subject to normal margining requirements that limit borrowings to acceptable accounts receivable and inventory. As at June 30, 2024, combined drawings under the operating loan facilities were \$24,081,343 (September 30, 2023 - \$26,109,074). The borrowings under the operating loan facilities are available by way of prime rate advances,

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

9. Operating loan (continued)

banker's acceptances or SOFR advances. Prime rate advances under the operating loan facilities bear interest at bank prime rate plus 1.0%. During the nine months ended June 30, 2024, the Company incurred interest expense of \$1,509,046 (June 30, 2023 - \$1,173,560) on borrowings under its operating loan facilities. In addition, the Company has a \$2,000,000 letter of guarantee facility (see Note 16(a)), an unutilized foreign exchange loan facility to purchase foreign exchange contracts up to an aggregate of USD18,000,000, a \$200,000 credit card facility and an unutilized \$19,000,000 interest rate swap facility. Security for the loan facilities include a second mortgage on the Company's land and buildings, general security agreements, a specific pledge of certain assets and inter-company guarantees. As at June 30, 2024, the Company was in compliance with the covenants of its operating loan facilities.

10. Mortgage loans

Balance, September 30, 2023	\$	16,683,772
Repayment of mortgage loans		(218,904)
Amortization of mortgage loan financing fees		8,752
Balance, June 30, 2024		16,473,620
Less: current portion of mortgage loans		409,940
Balance, June 30, 2024	\$	16,063,680
<hr/>		
Balance, September 30, 2022	\$	9,608,228
Drawdown of mortgage loans		7,450,000
Repayment of mortgage loans		(281,613)
Mortgage loan financing costs		(100,539)
Amortization of mortgage loan financing fees		7,696
Balance, September 30, 2023		16,683,772
Less: current portion of mortgage loans		16,683,772
Balance, September 30, 2023	\$	-

On July 26, 2021, the Company established two mortgage loan facilities with the Business Development Bank of Canada ("BDC") in amounts of \$3,880,000 (the "Peerless" mortgage loan) and \$6,120,000 (the "Utility" mortgage loan) secured by first mortgages over the land and buildings, by general security agreements and inter-company guarantees. Advances under the Peerless and Utility mortgage loans 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 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 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. Following an updated appraisal of the Company's land and buildings in Saint-Laurent, Quebec, the BDC increased the Utility mortgage loan by \$7,450,000 on August 18, 2023. This additional Utility financing 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. Proceeds from this additional Utility financing were used to repay shareholder advances and to reduce operating loan advances. During the nine months ended June 30, 2024, the Company recorded interest expense of \$668,280 (June 30, 2023 - \$297,110) on borrowings under its BDC mortgage loans. As at June 30, 2024, the Company was in compliance with the covenants of its mortgage loan facilities.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

11. Long-term lease liabilities

Balance September 30, 2023	\$ 16,453,942
Repayment of lease liabilities	(1,784,989)
Interest accretion	581,250
Foreign currency translation adjustment	11,284
Balance, June 30, 2024	\$ 15,261,487
Less: current portion of long-term lease liabilities	1,674,098
Balance, June 30, 2024	13,587,389

Balance September 30, 2022	9,934,987
Lease additions	7,998,693
Leases terminated	(177,490)
Repayment of lease liabilities	(2,088,770)
Interest accretion	807,159
Foreign currency translation adjustment	(20,637)
Balance, September 30, 2023	\$ 16,453,942
Less: current portion of long-term lease liabilities	1,575,249
Balance, September 30, 2023	\$ 14,878,693

During the nine months ended June 30, 2024, the Company accreted interest expense of \$581,250 (June 30, 2023 - \$664,709) on its long-term lease liabilities.

12. Due to minority partner

As part of the acquisition of Peerless in 2010, the Company and the minority partner entered into a put/call agreement to purchase the 10% interest in Peerless held by the minority partner at a fixed price of \$1,500,000. The notice period is a minimum duration of one year plus one day for a triggering event under the triggering events of the put/call agreement. On April 9, 2020, the Company received notice from the minority partner of Peerless that the minority partner was exercising its put option to receive payment of \$1,500,000 from the Company for the minority partner's interest in Peerless by no later than April 10, 2021. On September 30, 2021, the minority partner agreed to defer payment of the put option until October 15, 2022. The Company is in negotiations with the minority partner to extend the payment date of the put option.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

13. Capital stock

(a) *Authorized*

Unlimited number of the following classes of shares:

- Common shares without par value.
- Class A preferred shares issuable in series with no voting rights.

(b) *Shares issued and fully paid*

	Number of Common Shares	Amount
Balance, September 30, 2023 and 2022	19,012,228 \$	30,447,488
Balance, June 30, 2024	19,012,228 \$	30,447,488

(c) *Stock options*

The stock option plan provides that, subject to the requirements of the TSX Exchange (the "Exchange"), the aggregate number of common shares reserved for issuance under the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company.

On April 3, 2023, 300,000 stock options were granted for a term of five years and vest over three years annually in arrears from the date in which they were granted.

On September 6, 2023, 160,000 stock options were granted for a term of five years and vest over five years annually in arrears from the date in which they were granted.

On June 17, 2023, 100,000 stock options were granted for a term of five years and vest over five years annually in arrears from the date in which they were granted.

The following table summarizes stock options outstanding:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance, September 30, 2022	1,515,000 \$	2.20
Granted	300,000	2.00
Forefeited	(80,000)	3.08
Balance, June 30, 2023	1,735,000	2.12
Balance, September 30, 2023	1,815,000 \$	2.08
Granted	100,000	2.00
Forefeited	(385,000)	2.09
Balance, June 30, 2024	1,530,000 \$	2.07

Based on the vesting schedule, a stock option compensation expense of \$168,177 was determined for the nine months ended June 30, 2024, but due to a carry over forfeitures true-up, a stock option compensation expense of \$nil was recognized for the nine month period ended June 30, 2024 (June 30, 2023 - \$nil). Option pricing models require the use of highly subjective estimates and assumptions, changes in which can materially affect the value estimates.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

14. Income taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate (see below) applicable to consolidated profits of the Company are as follows:

	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Income tax expense (recovery)	\$ -	\$ -	\$ -	\$ -
Deferred tax expense (recovery)	(320,304)	(770,802)	(430,597)	(846,882)
Income tax expense (recovery)	\$ (320,304)	\$ (770,802)	\$ (430,597)	\$ (846,882)

The tax on the Company's net income (loss) before tax differs from the amount that would arise using the weighted average tax rate applicable to consolidated profits of the Company as follows:

	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Net loss before income taxes	\$ (1,231,674)	\$ (2,961,455)	\$ (1,694,442)	\$ (3,353,498)
Tax rate	26.2%	26.2%	26.2%	26.2%
	(322,699)	(775,901)	(443,944)	(878,616)
Taxes attributable to minority partner	(15,731)	(8,293)	(34,250)	(17,859)
True-ups	17,895	12,205	44,933	47,107
Permanent differences	231	1,187	2,664	2,486
Income tax expense (recovery)	\$ (320,304)	\$ (770,802)	\$ (430,597)	\$ (846,882)

The Company's deferred tax asset (liability) consists of the following:

	June 30, 2024	September 30, 2023
Deferred tax assets		
Available non-capital losses and other	\$ 7,489,225	\$ 7,143,312
Deferred tax liabilities		
Property, plant and equipment	(1,728,405)	(1,813,090)
	5,760,820	5,330,222

The Company has non-capital losses of approximately \$25,193,000 (September 30, 2023 - \$21,723,000) that can be applied against future years' taxable income for Canadian income tax purposes. These losses were recognized as a deferred tax asset in the amount of \$6,802,000 (September 30, 2023 - \$5,865,000) that is included in the deferred tax asset balance at June 30, 2024. The Company has recognized these losses as a deferred income tax asset as it expects to utilize these losses against income from the sale of uniform products for which the Company held contracts at June 30, 2024.

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

14. Income taxes (continued)

The Canadian Revenue Agency (“CRA”) issued Notices of Reassessment for taxation years 2019 and 2020 on the Company’s subsidiary Unisync Group Limited (“UGL”) as a result of miscommunications between the CRA and the Company. Notwithstanding reported losses in each of the years, the Reassessments disallowed all of the cost of materials and the majority of operating expenses resulting in a reassessment totalling \$18.1 million including interest and penalties. UGL has filed its Notice of Objection and has submitted all of the outstanding support material requested by the CRA Audit Division. Management believes that there will be no material tax liability remaining once the review process is completed, however, it is not possible at this stage to predict the outcome or provide a reasonable estimate of the amount of any reassessment. A such, no provision was recognized at June 30, 2024.

15. Expenses by nature

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Direct expenses:				
Materials	\$ 12,001,487	\$ 16,133,862	\$ 39,732,692	\$ 49,734,714
Wages and benefits	2,122,174	2,983,987	6,653,339	9,041,040
Delivery	1,744,021	2,257,328	4,331,971	6,300,545
Rent, utilities and other property costs	480,696	573,060	1,618,510	1,882,920
Subcontract fees	398,904	211,737	1,608,074	684,438
Insurance	1,008	924	2,633	4,138
Other	31,495	49,387	109,514	281,507
	\$ 16,779,784	\$ 22,210,285	\$ 54,056,733	\$ 67,929,302
General and administrative expenses:				
Wages and benefits	\$ 2,069,687	\$ 2,407,479	\$ 6,536,614	\$ 7,704,509
Data services, system maintenance, telecommunications and software licenses	450,670	746,957	1,571,776	1,921,668
Legal, bank, insurance and professional services	547,959	470,369	1,268,834	1,408,985
Rent, utilities and other property costs	74,765	81,201	334,615	253,990
Advertising, marketing and other promotion costs	14,797	(85,187)	96,014	168,736
Other	164,822	380,650	888,469	1,203,053
	\$ 3,322,700	\$ 4,001,469	\$ 10,696,323	\$ 12,660,941

16. Commitments and contingencies

- (a) At June 30, 2024, the Company had \$1,485,500 (September 30, 2023 - \$1,485,500) in letters of credit outstanding.
- (b) The Company is the subject of litigation by former employees claiming damages for termination without cause. Management believes that these claims are without merit and the Company has countersued the employees for conflict of interest and dishonesty. No provision or recovery for these claims was recorded as of June 30, 2024 (September 30, 2023 - \$nil).

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

17. Economic dependence

During the nine month period ended June 30, 2024, revenue from the Canadian military and other Canadian governmental agencies accounted for 5% of total revenue (June 30, 2023 - 6%), and revenue from two airline industry customers accounted for 35% of total revenue (June 30, 2023 - 36%).

18. Segmented information

The Company has two reportable operating segments, Peerless and UGL. While both segments are involved in the distribution and manufacture of garments and uniforms and the sale of product to government agencies and corporate entities in Canada, Peerless is primarily engaged in manufacturing products for government agencies while UGL is primarily involved in distributing products to corporate entities. The segments are separately managed for reporting purposes.

Performance is measured based on segment income before income taxes, as included in the internal management reports reviewed by the Company's chief operating decision maker. Management has determined that this measure is the most relevant in evaluating segment results.

Three months ended June 30, 2024

		Peerless	UGL	Eliminations adjustments and corporate expenses	Total
Revenue	\$	3,211,116	\$ 18,081,295	\$ (98,277)	\$ 21,194,134
Direct expenses		2,283,562	14,594,499	(98,277)	16,779,784
General and administrative expenses		296,748	2,822,924	203,028	3,322,700
Depreciation and amortization		9,236	1,202,997	109,267	1,321,500
	\$	621,570	\$ (539,125)	\$ (312,295)	\$ (229,850)
Interest expense		21,452	980,372	-	1,001,824
Net income (loss) before income taxes	\$	600,118	\$ (1,519,497)	\$ (312,295)	\$ (1,231,674)
Capital expenditures on property, plant and equipment		-	-	-	-
Capital expenditures on intangible assets		-	(9,460)	-	(9,460)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

18. Segmented information (continued)

Nine months ended June 30, 2024

	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
Revenue	\$ 8,357,513	\$ 62,072,400	\$ (585,520)	\$ 69,844,393
Direct expenses	5,959,497	48,682,756	(585,520)	54,056,733
General and administrative expenses	986,753	9,214,031	495,539	10,696,323
Depreciation and amortization	27,709	3,654,051	327,801	4,009,561
	\$ 1,383,554	\$ 521,562	\$ (823,340)	\$ 1,081,776
Interest expense	79,746	2,696,472	-	2,776,218
Net income (loss) before income taxes	\$ 1,303,808	\$ (2,174,910)	\$ (823,340)	\$ (1,694,442)
Capital expenditures on property, plant and equipment	-	(136,561)	-	(136,561)
Capital expenditures on intangible assets	-	(11,510)	-	(11,510)
Total assets	9,019,279	77,282,710	12,617,158	98,919,147
Property, plant and equipment	791,800	6,998,567	-	7,790,367
Right of use assets	-	12,556,895	-	12,556,895
Intangible assets	-	3,567,744	-	3,567,744
Goodwill	2,586,000	3,798,797	-	6,384,797
Liabilities, excluding due to minority partner	4,571,770	75,198,205	-	79,769,975

Three months ended June 30, 2023

	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
Revenue	\$ 2,748,728	\$ 22,719,981	\$ (107,395)	\$ 25,361,314
Direct expenses	2,086,870	20,230,810	(107,395)	22,210,285
General and administrative expenses	299,044	3,542,348	160,077	4,001,469
Depreciation and amortization	10,788	1,157,138	109,454	1,277,380
	\$ 352,026	\$ (2,210,315)	\$ (269,531)	\$ (2,127,820)
Interest expense	34,439	679,344	120,864	834,647
Gain on sale of New Jersey division	-	(1,012)	-	(1,012)
Net income (loss) before income taxes	\$ 317,587	\$ (2,888,647)	\$ (390,395)	\$ (2,961,455)
Capital expenditures on property, plant and equipment	-	(104,871)	-	(104,871)
Capital expenditures on intangible assets	-	(7,917)	-	(7,917)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Unisync Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

18. Segmented information (continued)

Nine months ended June 30, 2023

	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
Revenue	\$ 8,069,158	\$ 75,070,091	\$ (250,620)	\$ 82,888,629
Direct expenses	6,344,258	61,835,664	(250,620)	67,929,302
General and administrative expenses	915,244	11,295,702	449,995	12,660,941
Depreciation and amortization	32,364	3,258,307	328,364	3,619,035
	\$ 777,292	\$ (1,319,582)	\$ (778,359)	\$ (1,320,649)
Interest expense	95,689	2,019,690	242,941	2,358,320
Gain on sale of New Jersey division	-	(325,471)	-	(325,471)
Net income (loss) before income taxes	681,603	(3,013,801)	(1,021,300)	\$ (3,353,498)
Capital expenditures on property, plant and equipment	-	(179,105)	-	(179,105)
Capital expenditures on intangible assets	-	(328,349)	-	(328,349)
Total assets	10,608,167	84,483,467	13,998,863	109,090,497
Property, plant and equipment	2,569,856	5,234,211	-	7,804,067
Right of use assets	-	12,138,459	-	12,138,459
Intangible assets	-	6,010,816	-	6,010,816
Goodwill	2,586,000	3,798,797	-	6,384,797
Liabilities, excluding due to minority partner	6,114,891	75,800,567	-	81,915,458

The Company operates in two geographic segments as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Revenue				
Canada	\$ 16,557,615	\$ 22,377,327	\$ 56,229,402	\$ 67,447,924
United States of America	4,636,519	2,983,987	13,614,991	15,440,705
	\$ 21,194,134	\$ 25,361,314	\$ 69,844,393	\$ 82,888,629
Total assets				
Canada			84,400,422	97,246,788
United States of America			14,518,725	11,843,709
	-	\$ -	\$ 98,919,147	\$ 109,090,497

The accompanying notes form an integral part of these interim condensed consolidated financial statements.