



**UNISYNC CORP.
MANAGEMENT DISCUSSION AND ANALYSIS**

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2025

Unisync Corp.
Management's Discussion and Analysis
For the Three and Nine Months Ended June 30, 2025

BACKGROUND

The following discussion and analysis, prepared as of August 11, 2025, should be read together with the audited consolidated financial statements and the accompanying notes for the year ended September 30, 2024 and the unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine month period ended June 30, 2025 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.

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.

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OVERALL RESULTS OF OPERATIONS

The overall results of operations include 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 not limited to the Company's ability to incur and service debt.

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

	Three Months Ending June 30,		Nine Months Ending June 30,	
	2025	2024	2025	2024
Revenue	\$ 21,873	\$ 21,194	\$ 67,757	\$ 69,844
Direct expenses	15,145	16,780	50,571	54,057
Depreciation & amortization	878	1,321	3,438	4,010
General & administrative	3,222	3,323	9,294	10,696
Interest expense	821	1,002	2,669	2,776
Net income (loss) before income taxes	1,807	(1,232)	1,785	(1,695)
Income tax expense (recovery)	438	(320)	1,092	(431)
Net income (loss)	1,369	(912)	693	(1,264)
Net income (loss) attributable to Unisync shareholders	1,351	(971)	608	(1,394)
Income (loss) attributable to minority partner	18	60	85	130
Basic income (loss) per share	0.07	(0.05)	0.03	(0.07)
Diluted income (loss) per share	0.07	(0.05)	0.03	(0.07)
<i>Supplemental data:</i>				
Gross profit ⁽¹⁾	5,850	3,093	13,748	11,778
Gross profit %	26.7%	14.6%	20.3%	16.9%

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

	Three Months Ending June 30,		Nine Months Ending June 30,	
	2025	2024	2025	2024
Net Income (Loss)	1,369	(912)	693	(1,264)
Income tax expense (recovery)	438	(320)	1,092	(431)
Interest expense	821	1,002	2,669	2,776
Depreciation and amortization	878	1,321	3,438	4,010
Inventory write-down and adjustments	-	-	-	61
Adjusted EBITDA ^{(2) (3)}	3,506	1,091	7,892	5,152
<i>Adjusted EBITDA % of Revenue</i>	16.0%	5.1%	11.6%	7.4%

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

⁽²⁾ 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.

⁽³⁾ 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.

Results for the three months ended June 30, 2025 versus the three months ended June 30, 2024

Revenue for the three months ended June 30, 2025 of \$21.9 million was higher by \$0.7 million or 3.5% from the same period last year due to an increase in revenue in the UGL segment of \$0.6 million from \$18.1 million to \$18.7 million, while the Peerless segment was relatively unchanged year over year.

The UGL segment experienced an increase in revenues due to higher volumes within the airline accounts and a one-time shipment for a new customer, partially offset by a decrease in public safety and other accounts. The UGL segment experienced a significant increase in gross profit of \$3.1 million from \$2.3 million or 12.6% of segment revenues in the same period last year to \$5.4 million or 28.9% of segment revenues. The increase in gross profit and margin was mainly due to lower input costs, sales product mix with higher margins and a lower depreciation and amortization charge of \$0.4 million due to certain intangibles being fully amortized subsequent to June 30, 2024. In addition, UGL segment incurred an unrealized foreign exchange gain of \$1.0 million during the quarter. Excluding unrealized foreign exchange gains, gross margins was 23.5%

The Peerless segment revenues were relatively unchanged at \$3.2 million for the quarter. While revenues were unchanged, the segment experienced a decrease in gross profit of \$0.4 million during the quarter on an account of a mix of product sales with lower margins and a write down of inventory of \$0.2 million.

Depreciation and amortization decreased by \$0.4 million due to certain intangibles being fully amortized subsequent to June 30, 2024.

At \$3.2 million, consolidated general and administrative expenses were lower by \$0.1 million from the same quarter last year due to overhead reductions associated with the aforementioned consolidation of operations that began in September 2023, partially offset by a temporary increase in fees related to professional services.

Interest expense of \$0.8 million was lower from the same quarter last year due to lower average borrowings in the quarter combined with a depreciation of the United States Dollar

The Company reported a net income before tax of \$1.8 million in the three months ended June 30, 2025, compared to a net loss before tax of \$1.2 million in the same quarter last year. Adjusted EBITDA in the quarter before adjusting for foreign exchange gains was \$3.5 million versus \$1.1 million for the same quarter last year. Adjusting for unrealized foreign exchange gains, net Income before tax for the quarter was \$0.8 million and Adjusted EBITDA was \$2.5 million.

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Results for the nine months ended June 30, 2025 versus the nine months ended June 30, 2024

Revenue for the nine months ended June 30, 2025 of \$67.8 million was down \$2.0 million or 2.9% from the same period last year due to a decrease in revenue in the UGL segment of \$4.2 million from \$62.1 million to \$57.9 million, partially offset by an increase in the Peerless segment of \$1.8 million from \$8.4 million to \$10.1 million in the same period in the prior year.

UGL revenues experienced a decrease due to timing of product shipments, lost business with two smaller accounts and overall lower sales in public safety accounts partially offset by an increase in revenue with airline accounts. The UGL segment experienced an increase in gross profit of \$2.3 million from \$9.7 million or 15.7% of segment revenues in the same period last year to \$12.0 million or 20.7% of segment revenues. The increase in gross profit in the nine months ending June 30, 2025, was due to sales mix with higher margins attributed to price increases, lower input costs from offshore vendors, lower depreciation and amortization charge of \$0.6 million due to certain intangible assets being fully amortized, partially offset by unrealized foreign exchange losses of \$0.4 million. Excluding the unrealized foreign exchange losses of \$0.4 million, operating gross profit was \$12.4 million or 21.4% of segment revenues.

The Peerless segment revenues increased by \$1.8 million during the nine months ending June 30, 2025, compared to the same period in the prior year due to timing of the shipments and an increase in orders from government contract. The segment experienced a decrease in gross profit of \$0.3 million mainly on an account of mix of product sales with lower margins and a write down of inventory of \$0.2 million.

Depreciation and amortization decreased by \$0.6 million from the same period in the prior year due to certain intangibles being fully amortized subsequent to June 30, 2024.

At \$9.3 million, consolidated general and administrative expenses were lower by \$1.4 million or 13% from the same period in the prior year due to overhead reductions associated with the aforementioned consolidation of operations that began in September 2023.

Interest expense of \$2.7 million was slightly lower from the same period last year due to average lower borrowings from the prior period.

The company reported a net income before tax of \$1.8 million in the nine months ended June 30, 2025, compared to a net loss of \$1.7 million in the same period in the prior year. Adjusted EBITDA before adjusting for unrealized foreign exchange losses was \$7.9 million versus \$5.2 million for same period in the prior year. Adjusting for foreign exchange losses, net Income before tax was \$2.2 million and Adjusted EBITDA was \$6.2 million.

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Business Outlook

During the three months ended June 30, 2025, the UGL segment continued to benefit from 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. These initiatives have yielded improved margins in the current quarter and expect to continue to positively impact future margins for UGL as these reduced input costs get reflected in the weighted average cost of inventory. In addition, restructuring initiatives carried out in the last fiscal year have resulted in realized savings in the current quarter resulting in operational efficiencies, lower staffing levels and administrative costs.

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 possible headwinds in fiscal 2025 due to the risk of a continued lower Canadian dollar which, if sustained, could continue to affect the cost of offshore production for Canadian clients.

We continue to 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 this 60,000 square foot facility which, in either case, will materially reduce UGL's direct overhead costs.

With \$28.9 million in firm contracts and options on hand as at June 30, 2025, the Peerless business segment is positioned to maintain its current level of revenues and profitability in fiscal 2025.

LIQUIDITY

At June 30, 2025, Unisync holds two operating loan facilities totalling \$24.0 million and a loan facility of US\$5.0 million with a 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 \$3.4 million (the "Peerless" mortgage loan on the Winnipeg, Manitoba property) and amounts of \$5.6 million and \$7.3 million (the "Utility" mortgage loans on the Saint-Laurent, Quebec property) outstanding at June 30, 2025 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.

The Company was not in compliance with its annually calculated debt service coverage covenant on its mortgage loan facilities as at September 30, 2024 but subsequently received a waiver from BDC. As at June 30, 2025, the Company was in compliance with its debt service coverage and working capital covenants on its operating loan facilities.

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 \$13.6 million at June 30, 2025 (September 30, 2024 - \$10.2 million). As at June 30, 2025, the Company had outstanding foreign exchange contracts of \$nil (September 30, 2024 - \$nil) and letters of credit of \$1.5 million (September 30, 2024 - \$1.5 million) in support of government contracts along with operating loans outstanding of \$21.6 million (September 30, 2024 - \$23.2 million) under its three operating loan facilities.

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Cash flow from operations of \$5.5 million after changes in working capital was used to fund a decrease in operating lines of \$1.6 million, \$0.3 million of mortgage loan repayments, \$1.9 million in long-term lease facilities principal payments, and interest payments on all debt facilities of \$2.0 million.

Summary of Quarterly Results

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

	2025			2024				2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 21,873	\$ 24,527	\$ 21,358	\$ 19,991	\$ 21,194	\$ 25,683	\$ 22,968	\$ 20,711
Net income (loss)	1,369	63	(738)	(3,285)	(912)	450	(803)	(6,677)
Net income (loss) attributable to Unisync shareholders	1,351	1	(744)	(3,273)	(971)	390	(813)	(6,686)
Basic income (loss) per share	0.07	0.00	(0.04)	(0.17)	(0.05)	0.02	(0.04)	(0.35)
Diluted income (loss) per share	0.07	0.00	(0.04)	(0.17)	(0.05)	0.02	(0.04)	(0.35)

SHARE CAPITAL

The following table sets out the share capitalization of the Company as at June 30, 2025 and the date of this MD&A.

Description	Authorized	Outstanding as at June 30, 2025	Outstanding as at the date of this MD&A
Common Shares	Unlimited	19,012,229	19,012,229
Stock Options – Common Shares	1,901,223	1,205,000	1,105,000
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. 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.

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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.

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 3 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.

None.

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 three months ended June 30, 2025 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.

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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 achievement 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

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 \$21,951 (June 30, 2024 - \$21,951) for its head office location for the nine months ended June 30, 2025.

Albert El Tassi, the Company's minority partner in the Peerless segment received an income allocation of \$85,383 (June 30, 2024 - \$130,381) and a distribution of \$66,126 (2024 - \$91,814)

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

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SUBSEQUENT EVENTS

None.

INVESTOR RELATIONS

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

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