

IFABRIC CORP.

**CONSOLIDATED
FINANCIAL STATEMENTS**

DECEMBER 31, 2025 AND 2024

(EXPRESSED IN CANADIAN DOLLARS)

CONTENTS

AUDITORS' REPORT	1-4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	5
Consolidated Statements of Earnings and Comprehensive Earnings (Loss)	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 27



Tel: 416 865 0200
Fax: 416 865 0882
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200, P.O. Box 131
Toronto, ON M5K1H1 Canada

Independent Auditor's Report

To the Shareholders of iFabric Corp.

Opinion

We have audited the consolidated financial statements of iFabric Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of earnings and comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Description of the key audit matter

The Company's revenues consist of intimate apparel for women and innovative products and treatments for application to textiles and other surfaces. The Company entered into an arrangement with a supplier whose related party also acted as a distributor, requiring a determination of whether revenue should be recognized on a principal or agent basis. Due to the significance of the revenue to the overall operating results of the Company and judgement in the assessment of whether the Company is acting as a principal or an agent, revenue recognition was determined to be a key audit matter requiring special audit consideration.

Please refer to Note 3 (c) to the consolidated financial statements for the Company's revenue recognition policy and Note 16 that includes revenue information by operating segments.

Independent Auditor's Report

How the key audit matter was addressed in the audit

Our audit procedures included but are not limited to a review of new revenue contracts and exclusive license agreements in effect during the fiscal year, including any modifications or amendments, for recognition and measurement in accordance with IFRS 15, including the assessment as principal or agent.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Richard Yeghiayan.

BDO Canada s.r.l./S.E.N.C.R.L./LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2026

IFABRIC CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	3,783,334	2,058,156
Accounts receivable (note 4)	9,838,190	10,811,834
Inventories (note 5)	21,025,662	10,163,536
Income taxes recoverable	10,108	20,439
Foreign exchange forward contracts (note 7)	-	219,285
Prepaid expenses and deposits (note 6)	2,870,616	1,058,147
Total current assets	37,527,910	24,331,397
Non-current assets		
Property, plant and equipment (note 8)	3,370,038	3,122,705
Right-of-use assets (note 9)	293,954	394,379
Deferred development costs (note 10)	106,810	142,414
Deferred income taxes (note 11)	1,633,500	1,443,200
Goodwill	55,050	55,050
Total non-current assets	5,459,352	5,157,748
Total assets	42,987,262	29,489,145
LIABILITIES		
Current liabilities		
Operating credit line (note 12)	6,661,109	-
Accounts payable and accrued liabilities (note 13)	10,826,557	4,374,022
Customer deposits	24,435	66,450
Income taxes payable	543,533	24,847
Current portion of lease liability (note 9)	107,470	101,929
Current portion due to related parties (note 14)	231,469	143,535
Current portion of car loan payable	5,928	12,358
Bank loan payable (note 15)	3,646,044	779,639
Total current liabilities	22,046,545	5,502,780
Non-current liabilities		
Non-current portion of lease liability (note 9)	243,228	350,698
Non-current portion of car loan payable	-	8,069
Due to related parties (note 14)	-	487,372
Total non-current liabilities	243,228	846,139
Total liabilities	22,289,773	6,348,919
Commitments (note 23)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 21)	8,818,844	8,898,580
Reserves	7,179,614	9,185,631
Retained earnings	4,583,824	4,683,019
Accumulated other comprehensive earnings	115,207	367,355
Total equity attributable to iFabric Corp. shareholders	20,697,489	23,134,585
Non-controlling interest	-	5,641
Total equity	20,697,489	23,140,226
Total liabilities and equity	42,987,262	29,489,145

Approved on behalf of the Board of Directors on March 30, 2026:

"Hylton Karon"

Director

"Hilton Price"

Director

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

IFABRIC CORP.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS (LOSS)
(Expressed in Canadian Dollars)

For the period ending	December 31, 2025	December 31, 2024
REVENUE	32,874,918	27,327,390
COST OF SALES	22,377,716	16,025,306
GROSS PROFIT	10,497,202	11,302,084
EXPENSES		
General and administrative costs (note 17)	6,660,493	6,084,190
Selling costs (note 17)	2,930,682	2,527,044
Impairment provision - legal claim (note 4)	-	(361,980)
Interest expense	280,183	97,050
Depreciation of property, plant and equipment and right-of-use assets	190,150	196,480
Amortization of deferred development costs	35,604	35,604
Share-based compensation	159,341	548,040
	10,256,453	9,126,428
EARNINGS FROM OPERATIONS	240,749	2,175,656
OTHER EXPENSES (INCOME)		
Gain on foreign exchange	(4,826)	(53,037)
Loss on disposal of property, plant and equipment	-	217
	(4,826)	(52,820)
EARNINGS BEFORE INCOME TAXES	245,575	2,228,476
PROVISION (RECOVERY) OF INCOME TAXES (note 19)		
Current	518,370	99,256
Deferred	(173,600)	501,500
	344,770	600,756
NET EARNINGS (LOSS)	(99,195)	1,627,720
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	(99,195)	1,632,614
Non-controlling interest	-	(4,894)
	(99,195)	1,627,720
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that will or may be reclassified to profit or loss		
Unrealized gain (loss) on translation of foreign operations	(252,148)	332,431
TOTAL COMPREHENSIVE EARNINGS (LOSS)	(351,343)	1,960,151
EARNINGS (LOSS) PER SHARE (note 20)		
Basic	(0.003)	0.054
Diluted	(0.003)	0.054

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

IFABRIC CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves							
	Capital stock	Contributed surplus	Options	Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
Balance at December 31, 2024	8,898,580	6,751,573	2,434,058	4,683,019	367,355	23,134,585	5,641	23,140,226
Total comprehensive earnings (loss)	-	-	-	(99,195)	(252,148)	(351,343)	-	(351,343)
Deferred tax on share issue costs	(50,100)	-	-	-	-	(50,100)	-	(50,100)
Transaction with non-controlling interest (note 22)	-	(2,194,994)	-	-	-	(2,194,994)	(5,641)	(2,200,635)
Expiry of options/warrant extension (note 21)	(29,636)	29,636	-	-	-	-	-	-
Share-based compensation	-	-	159,341	-	-	159,341	-	159,341
Balance at December 31, 2025	8,818,844	4,586,215	2,593,399	4,583,824	115,207	20,697,489	-	20,697,489

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves							
	Capital stock	Contributed surplus	Options	Retained earnings	Accumulated Other Comprehensive Earnings	Total Comprehensive Earnings (Loss)		
Balance at December 31, 2023	8,989,049	6,434,584	2,180,138	3,050,405	34,924	20,689,100	10,535	20,699,635
Total comprehensive earnings (loss)	-	-	-	1,632,614	332,431	1,965,045	(4,894)	1,960,151
Deferred tax on share issue costs	(67,600)	-	-	-	-	(67,600)	-	(67,600)
Expiry of options/warrant extension (note 22)	(22,869)	316,989	(294,120)	-	-	-	-	-
Share-based compensation	-	-	548,040	-	-	548,040	-	548,040
Balance at December 31, 2024	8,898,580	6,751,573	2,434,058	4,683,019	367,355	23,134,585	5,641	23,140,226

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

IFABRIC CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year ended December 31	2025	2024
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings (loss)	(99,195)	1,627,720
Items not affecting cash		
Interest on lease liability	26,706	31,339
Depreciation of property, plant and equipment and right-of-use assets	190,150	196,480
Amortization of deferred development costs	35,604	35,604
Fair value adjustment on foreign exchange contracts	-	154,806
Loss on disposal of property, plant and equipment	-	217
Share-based compensation	159,341	548,040
Deferred income tax provision	(173,600)	501,500
	139,006	3,095,706
Changes in operating assets and liabilities		
Accounts receivable	973,644	(2,996,255)
Inventories	(10,862,126)	(685,571)
Income taxes recoverable	10,331	26,671
Prepaid expenses and deposits	(1,812,469)	(158,273)
Foreign exchange forward contracts	219,285	(307,956)
Due from related parties	-	49,748
Accounts payable and accrued liabilities	6,452,535	1,306,599
Customer deposits	(42,015)	(11,363)
Income taxes payable	518,686	(17,524)
	(4,542,129)	(2,793,924)
	(4,403,123)	301,782
FINANCING ACTIVITIES		
Due to related parties	(399,438)	(3,160)
Increase in investment in subsidiary (note 22)	(2,200,635)	-
Increase in operating credit line	6,661,109	-
Repayment of car loan	(14,499)	(13,829)
Increase in bank loan (note 15)	2,866,405	(110,066)
Repayment of lease liability	(128,635)	(87,687)
	6,784,307	(214,742)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(337,058)	(92,859)
Proceeds on property, plant and equipment	-	40,000
	(337,058)	(52,859)
CHANGE IN CASH POSITION	2,044,126	34,181
CASH, beginning of year	2,058,156	1,571,744
Effect of foreign currency translation	(318,948)	452,231
CASH, end of year	3,783,334	2,058,156

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

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

iFabric Corp. ("iFabric" or the "Company") is a Canadian public company, incorporated under the Alberta Business Corporations Act and is domiciled in Canada. iFabric is listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IFA" and traded on the OTC Markets under the trading symbol "IFABF". The head office is located at 525 Denison Street, Unit 1, Markham, Ontario, Canada.

The Company's principle activities relate to the business of designing and distributing women's intimate apparel as well as a range of complimenting accessories. The Company is also in the business of developing and distributing a range of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces as well as finished performance apparel which integrate one or more such treatments. These products are designed to provide added benefits to the user in terms of protection and performance enhancements.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB),

(b) Basis of measurement

These consolidated financial statements were prepared on a historical cost basis except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the significant accounting policies and measurement basis summarized below.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the accounts of iFabric Corp., and its wholly-owned subsidiaries:

- (i) Coconut Grove Textiles Inc., which includes the consolidated accounts of:
 - a. Coconut Grove Pads Inc., a wholly-owned subsidiary;
 - b. 2074160 Ontario Inc., a wholly-owned subsidiary (refer to note 22);
 - c. Intelligent Fabric Technologies (North America) Inc. a wholly-owned subsidiary, which includes the consolidated accounts of:
 - i. Intelligent Fabric Technologies Inc., a U.S. company and wholly-owned subsidiary;
 - ii. Intelligent Fabric Technologies (Taiwan), a Taiwanese branch office
- (ii) Protx (Shanghai) Trading Co., Ltd., a company incorporated in China.

All inter-corporate balances and transactions have been eliminated on consolidation.

(b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars.

The functional currency of the Coconut Grove Pads Inc., Protx (Shanghai) Trading Co., Ltd., and Intelligent Fabric Technologies (North America) Inc., is the United States Dollar ("USD") given the prevalence of USD transactions in operations. The functional currency of the parent company and remaining subsidiaries is Canadian dollars.

The results and financial position of the subsidiaries with USD functional currency are translated into Canadian dollars as follows:

- i. Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- ii. Income and expenses are translated at average exchange rates;
- iii. All resulting exchange differences are recognized in other comprehensive income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES, *continued***(c) Revenue recognition**

The Company recognizes revenue when a contract specifying the number of units ordered, price and timing of delivery exists with a customer and control of the goods has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. Variable consideration received in excess of the performance obligation is recorded as a contract liability. If the performance obligation is in excess of the consideration received, a contract asset is recognized.

At the inception of any contracts with a customer that include a milestone payment, which may be payable upon the successful achievement of development or a regulatory event, the Company evaluates whether the milestone is considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If the Company concludes it is highly probable that a significant revenue reversal will not occur, the associated milestone payment is included in the transaction price. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue when (or as) the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company reassesses the probability of achievement of milestones and any related constraints, and, if necessary, adjusts the estimate of the overall transaction price on a cumulative catch-up basis.

Net revenue reflects the Company's sale of merchandise, less returns, slotting fees and other funded costs from retail partners, and after making allowance for anticipated discounts and rebates in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Standard payment terms range from 30 to 90 days.

(d) Cash

Cash consists of cash on hand and bank balances held at various major financial institutions.

(e) Inventories

Inventories are comprised of merchandise for resale and are valued at the lower of cost (determined on a first-in, first-out basis) and net realizable value.

Cost includes the cost of purchase, duty, brokerage and transportation costs that are directly incurred to bring inventories to their present location and condition.

The Company estimates net realizable value as the amount at which inventories are expected to be sold less any costs to complete the sale. Inventories are written down to net realizable value when it is determined that the cost of inventories is not recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Company provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual depreciation rates and methods are as follows:

Buildings	4% Declining balance
Computer and office equipment	30% Declining balance
Factory machinery	20% Declining balance

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(g) Goodwill

Goodwill is measured at cost less accumulated impairment loss.

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES, *continued*

(h) Finite-life intangible assets

Research and development costs

Costs related to research are expensed as incurred.

Development costs of new products for sale, net of government assistance, are capitalized as deferred development costs if they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the product. Otherwise, development costs are expensed as incurred.

Deferred development costs are amortized, commencing when the product in question is commercially available for sale, over the estimated product life of five years using the straight-line method.

Subsequent to initial measurement, deferred development costs are stated at cost less accumulated amortization and accumulated impairment losses.

(i) Impairment of non-financial assets

The Company reviews the carrying value of its non-financial assets, which include property, plant and equipment, deferred development costs and goodwill whenever changed circumstances indicate that the carrying value may not be recoverable. For goodwill, the carrying value is tested at the end of each fiscal period.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying value of a non-financial asset exceeds the recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(j) Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are recognized in net earnings (loss).

(k) Leases

The Company as the lessee

At the commencement date of the lease, the Company recognizes a lease liability comprising of fixed payments less incentive receivables, variable payments, residual value guarantees, exercise price of purchase options and termination penalties, which is discounted at the implicit lease rate or, if the rate cannot be determined, the Company's incremental borrowing rate. At the same time, the right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the amount of lease liability, initial direct costs, costs of removal and restoring, payments made prior to commencement less any incentives received,

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES, *continued*

is recognized. Subsequently, the lease liability is reduced by lease payments less finance charges, which are expensed as part of financing cost while the right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term.

The Company has elected to account for all short-term leases with terms less than 12 months and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis.

The Company as the lessor

The Company records the total income on a straight-line basis over the term of the relevant lease contract. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually owing. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense on a straight-line basis over the lease term.

(l) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of earnings (loss) and comprehensive earnings (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Tax for current and prior periods is, to the extent unpaid, recognized as a tax payable in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as a tax recoverable in the statement of financial position.

Deferred tax

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable earnings will be available against which the difference can be utilized.

(m) Share-based payments

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, key employees and consultants. Terms and conditions of options granted under the Plan are determined by the Board of Directors.

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded over the vesting period as share-based compensation expense in the consolidated financial statements. The fair value determined by using the Black-Scholes option pricing model at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche separately based on the Company's estimate of shares that will eventually vest factoring in any forfeitures. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital.

Compensation expense on stock options, shares or warrants granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, the value is measured by reference to the fair value of the equity instruments granted by use of a Black-Scholes option pricing model.

In order to determine the fair value using the Black-Scholes option pricing model, the expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES, *continued***(n) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction to equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value of the shares on the date of issue.

(o) Financial instruments**Classification and measurement**

Financial instruments are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

On initial recognition, all financial instruments are measured at fair value, adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value through profit or loss, the amount of transaction costs directly attributable to the instrument.

After initial recognition, the measurement of financial instruments depends on their classification described below:

Amortized cost: Financial assets under this classification primarily arise from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contract cash flows are solely the payments of principal and interest. Financial liabilities, other than those held for trading or elected to measure at fair value through profit or loss, are measured at amortized cost. Financial instruments of the Company that are classified as amortized cost include cash, accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities, due to related parties, and loan payable.

Fair value through profit or loss: Financial instruments under this classification include foreign exchange forward contracts. Transaction costs associated with these financial instruments are expensed as incurred.

Fair value through other comprehensive income: The Company has no financial instruments under this classification.

Financial Instrument	Category	Measurement
Cash	Financial assets measured at amortized cost	Amortized cost
Accounts receivable	Financial assets measured at amortized cost	Amortized cost
Foreign exchange forward contracts	Financial assets measured at fair value	Fair value
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Bank loan payable	Other financial liabilities	Amortized cost
Car loan	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are done so using the effective interest method.

Impairment of financial assets

The Company applies the simplified approach of the expected credit loss model when assessing impairment of accounts receivable. Under this approach, lifetime expected credit losses are recognized and are calculated using a provision matrix based on historical impairment rates, which is adjusted based on current conditions and future expectations.

Fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy is as follows:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

Forward foreign exchange contracts are measured at the fair value based on the mark-to-market variance calculated between the forward and spot rate (refer to note 25). These derivative instruments are categorized as Level 2 in the fair value hierarchy. The Company has no financial instruments classified as Level 3 on the fair value hierarchy.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES, *continued*

(p) Earnings (loss) per share

Basic and diluted earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method of calculating diluted per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

(q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company also reports on the external revenues received from different geographical regions.

(r) Management judgments and use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Significant judgments include the following:

Benefits of deferred income tax assets

The recognition of deferred income tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which the deferred income tax assets can be utilized is based on management's best estimate of future taxable income that the Company expects to achieve based on its internal projections. The estimate is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. Deferred income tax assets are recognized to the extent it is probable that estimated taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

Revenue recognition

Revenue recognized from contracts with variable consideration is based on estimates and judgments on achieving future milestones and unit sales. Projections of future sales is based on historical data and projections from customers.

Recoverability of deposit

The Company has an outstanding deposit from a foreign supplier which was partially fulfilled (note 4). Recoverability of the deposit has been delayed due to government closures from COVID-19. The arbitrator court ruled in favour of the Company and is in the court enforcement process to recover the deposit, so the amount has been reclassified as a receivable. Management has not concluded that a loss relating to the deposit is probable. Although possible, there does not appear to be sufficient information to determine the amount or range of reasonably possible loss, if any. There are judgments and estimates associated with determining whether the amount is recoverable.

Valuation of inventories

Provisions for non-saleable inventories are prepared by management based on estimates and judgments that include current market prices, current economic trends and past experience in the measurement of net realizable value.

(s) Changes in accounting policies

i) New standards, interpretations and amendments adopted from January 1, 2025

IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment - Currency Translation - Lack of Exchangeability)

Under the revised guidance, when exchangeability between two currencies is lacking at the measurement date, the Company estimates the spot exchange rate that would have applied in an orderly transaction between market participants. The adoption of these amendments did not have a material impact on the Company's financial statements.

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

ii) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2027 and 1 January 2026:

- IFRS 18 Presentation and Disclosure in Financial Statements
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

4. ACCOUNTS RECEIVABLE

	December 31, 2025	December 31, 2024
Trade receivables	9,493,219	10,466,947
Deposit recoverable (i)	3,474,343	3,474,343
Expected credit loss	(3,496,442)	(3,499,993)
Contract asset	359,475	359,475
Other	7,595	11,062
	9,838,190	10,811,834

i) On May 4, 2020, the Company entered into an agreement to purchase 1,000,000 N95 masks from a foreign supplier. The contract required full delivery by June 2020 but was partially fulfilled, with the supplier defaulting on the timing of the remaining delivery. The Company sourced these products from a different supplier to fulfill the order to its customer in 2021. The Company pursued recovery of the deposit through an arbitration process in the foreign jurisdiction, which was delayed due to COVID-19 restrictions and lockdowns. On December 21, 2021, the arbitration court ruled in the Company's favor and confirmed that the Company was entitled to recover its remaining deposit of USD \$2,905,000, plus liquidated damages of USD \$146,942, interest at the rate of 12% per annum calculated from the date of payment of the deposit, and reimbursement of the arbitration cost of RMB 445,902. In December 2023, the Company's claim was registered with the competent court in China and the Company is currently following a court supervised process in order to recover all amounts owing to it. Given the uncertain recovery timeline and its inability to fully assess the degree of recoverability the Company has made provision for the full impairment of its claim on December 31, 2023. As of December 31, 2025, the Company has recovered an amount of RMB 1,921,335.41 to date. Accordingly, the previously recorded impairment provision has been reduced by an amount of \$361,980, being the Canadian \$ equivalent. The collection process is ongoing.

5. INVENTORIES

Inventories represent the carrying amount of merchandise for resale. During the period, the amount of inventories charged to net earnings (loss) was \$21,499,749 (2024 - \$14,877,479) and the amount of inventory write-downs were \$0 (2024 - \$294,052). There were no reversals of prior years write-downs of inventory.

6. PREPAID EXPENSES AND DEPOSITS

	December 31, 2025	December 31, 2024
Prepaid expenses and other assets	997,316	478,505
Deposits paid to suppliers	1,873,300	579,642
	2,870,616	1,058,147

7. FOREIGN EXCHANGE FORWARD CONTRACTS

The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. The balance is comprised of the following:

	December 31, 2025	December 31, 2024
Margin balance – cash deposit	-	116,935
Mark to market variance – gain (loss) on foreign exchange	-	102,350
	-	219,285

As at December 31, 2025, the Company had no foreign exchange forward contracts.

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
8. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2025		
	Cost	Accumulated depreciation	Net carrying amount
Land and buildings	3,673,304	673,220	3,000,084
Computer and office equipment	585,263	281,552	303,711
Factory machinery	55,959	28,736	27,223
Motor vehicle	65,579	26,559	39,020
	4,380,105	1,010,067	3,370,038

	December 31, 2024		
	Cost	Accumulated depreciation	Net carrying amount
Land and buildings (i)	3,573,304	625,299	2,948,005
Computer and office equipment	348,205	263,276	84,929
Factory machinery	55,959	21,930	34,029
Motor vehicle	65,579	9,837	55,742
	4,043,047	920,342	3,122,705

The tables below summarize the changes in the net carrying amounts of property, plant and equipment during the years presented:

	December 31, 2024				December 31, 2025
	Net carrying amount	Additions	Depreciation	Disposals	Net carrying amount
Land and buildings	2,948,005	100,000	(47,920)	-	3,000,085
Computer and office equipment	84,929	237,058	(18,277)	-	303,710
Factory machinery	34,029	-	(6,806)	-	27,223
Motor vehicle	55,742	-	(16,722)	-	39,020
	3,122,705	337,058	(89,725)	-	3,370,038

	December 31, 2023				December 31, 2024
	Net carrying amount	Additions	Depreciation	Disposals	Net carrying amount
Land and buildings	2,989,203	6,500	(47,698)	-	2,948,005
Computer and office equipment	108,466	-	(23,537)	-	84,929
Factory machinery	19,159	20,780	(5,910)	-	34,029
Motor vehicle	51,893	65,579	(21,513)	(40,217)	55,742
	3,168,721	92,859	(98,658)	(40,217)	3,122,705

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	December 31, 2024				December 31, 2025
	Net carrying amount	Additions	Depreciation	Disposals	Net carrying amount
Right-of-use assets	394,379	-	(100,425)	-	293,954
	394,379	-	(100,425)	-	293,954

	December 31, 2023				December 31, 2024
	Net carrying amount	Additions	Depreciation	Disposals	Net carrying amount
Right-of-use assets	451,890	41,291	(97,822)	(980)	394,379
	451,890	41,291	(97,822)	(980)	394,379

	December 31, 2024				December 31, 2025
	Opening Balance	Additions	Accretion Interest	Payments	Ending Balance
Lease liabilities	452,627	-	26,706	(128,635)	350,698
	452,627	-	26,706	(128,635)	350,698

	December 31, 2023				December 31, 2024
	Opening Balance	Additions	Accretion Interest	Payments	Ending Balance
Lease liabilities	468,664	41,291	31,339	(88,667)	452,627
	468,664	41,291	31,339	(88,667)	452,627

10. DEFERRED DEVELOPMENT COSTS

	December 31, 2025		
	Cost	Accumulated amortization	Net carrying amount
Product development costs	1,119,446	1,012,636	106,810

	December 31, 2024		
	Cost	Accumulated amortization	Net carrying amount
Product development costs	1,119,446	977,032	142,414

The tables below summarize the changes in the net carrying amounts of deferred development costs during the years shown:

	December 31, 2024				December 31, 2025
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Product development costs	142,414	-	(35,604)	-	106,810
	142,414	-	(35,604)	-	106,810

	December 31, 2023				December 31, 2024
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Product development costs	178,018	-	(35,604)	-	142,414
	178,018	-	(35,604)	-	142,414

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
11. DEFERRED INCOME TAXES

Temporary differences between accounting and taxable income which result in deferred income tax assets (liabilities) are as follows:

	December 31, 2024	Changes in profit or loss	Changes in equity	December 31, 2025
Non-capital losses carryforward	1,446,200	231,500	-	1,677,700
Property and equipment	(15,400)	(500)	-	(15,900)
Intangible assets	(37,700)	9,400	-	(28,300)
Share issuance costs	50,100	-	(50,100)	-
	1,443,200	240,400	(50,100)	1,633,500

	December 31, 2023	Changes in profit or loss	Changes in equity	December 31, 2024
Non-capital losses carryforward	2,074,800	(628,600)	-	1,446,200
Property and equipment	(13,200)	(2,200)	-	(15,400)
Intangible assets	(47,200)	9,500	-	(37,700)
Share issuance costs	117,700	-	(67,600)	50,100
	2,132,100	(621,300)	(67,600)	1,443,200

The Company provides for income taxes on the undistributed earnings and other outside basis temporary differences of foreign subsidiaries unless they are considered indefinitely reinvested outside Canada. As at December 31, 2025, a deferred tax liability related to any remaining undistributed foreign earnings has not been recognized in respect of the outside basis difference in Protix (Shanghai) Trading Co., Ltd. The estimated deferred tax liability not recognized is approximately \$110,000 (2024 - \$190,000).

12. CREDIT FACILITIES

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$12,000,000 (2024 - \$6,750,000), against which \$6,661,109 was outstanding as at December 31, 2025 (2024 - \$0). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$11,850,000 (2024 - \$3,000,000) on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2025	December 31, 2024
Trade payables	9,492,799	3,850,798
Government remittances	135,869	215,321
Accrued liabilities	1,197,889	307,903
	10,826,557	4,374,022

14. DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, non-interest bearing and due on demand.

	December 31, 2025	December 31, 2024
Due to director	231,469	143,535
Due to director of subsidiary co. (i)	-	487,372
	231,469	630,907
Less current portion	231,469	143,535
Due beyond one year	-	487,372

(i) As of December 31, 2025, this loan has been repaid and the creditor is no longer a director of the subsidiary company.

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
15. BANK LOAN PAYABLE

	December 31, 2025	December 31, 2024
Bank loan	3,646,044	779,639
	3,646,044	779,639
Less current portion	(3,646,044)	(779,639)
Due beyond one year	-	-

One of the Company's subsidiaries has a fixed rate demand term loan, against which \$3,646,044 was outstanding at December 31, 2025 (December 31, 2024 - \$779,639). The loan is repayable in monthly instalments of \$22,172 comprising principal and interest at a fixed interest rate of 5.25% per annum. The loan is amortized over a twenty-five-year period ending March 21, 2055, matures on March 21, 2029 and, is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$11,850,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies. Management expects to pay the minimum monthly payments over the next 12 months.

Refer to note 25 regarding the Company's capital management strategy as well as compliance with covenants associated with the bank loan.

16. SEGMENTED INFORMATION

The Company has three reportable operating segments, as described below. The reportable segments offer different products and services, and are managed separately because they require different marketing strategies, technologies, and resource allocations. For each of the operating segments, the CEO and CFO (the chief operating decision makers) review internal management reports on at least a quarterly basis. The following describes the operations in each of the reportable segments:

- Intimate Apparel: Includes the design and distribution of women's intimate apparel and accessories.
- Intelligent Fabrics: Includes the development and distribution of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces as well as finished performance apparel which integrate one or more such treatments. These products are designed to provide added benefits to the user.
- Other: Includes leasing of property to group companies, related parties and third parties.

Inter-segment transactions are made at prices that approximate market rates.

Operating Segments Twelve Months December 31, 2025	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenues					
Third party	6,641,039	26,221,629	12,250	-	32,874,918
Inter-segment	-	1,579,345	1,199,294	(2,778,639)	-
Total Revenues	6,641,039	27,800,974	1,211,544	(2,778,639)	32,874,918
Gross Profit	3,278,556	7,206,396	12,250	-	10,497,202
Earnings (loss) before income taxes	(255,310)	1,155,950	(18,575)	(636,490)	245,575
Provision for (recovery of) income taxes	(138,900)	624,770	(1,600)	(139,500)	344,770
Net income	(116,410)	531,180	(16,975)	(496,990)	(99,195)
Amortization of deferred development costs	-	35,604	-	-	35,604
Depreciation of property, plant and equipment and right-of-use asset	56,742	2,892	62,324	68,192	190,150
Interest expense	82,906	-	173,596	23,681	280,183
Segment assets	3,381,520	35,331,280	3,066,071	1,208,391	42,987,262
Expenditures on property, plant and equipment	237,058	-	100,000	-	337,058

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION, *continued*

Operating Segments Twelve Months December 31, 2024	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenues					
Third party	7,537,058	19,778,082	12,250	-	27,327,390
Inter-segment	-	2,710,599	1,041,811	(3,752,410)	-
Total Revenues	7,537,058	22,488,681	1,054,061	(3,752,410)	27,327,390
Gross Profit	3,757,319	7,532,515	12,250	-	11,302,084
Earnings (loss) before income taxes	100,831	3,115,802	(26,598)	(961,559)	2,228,476
Provision for (recovery of) income taxes	124,500	709,878	(7,022)	(226,600)	600,756
Net income	(23,669)	2,405,924	(19,576)	(734,959)	1,627,720
Amortization of deferred development costs	-	35,604	-	-	35,604
Depreciation of property, plant and equipment and right-of-use asset	59,433	3,615	65,703	67,729	196,480
Interest on bank loan	5,858	-	62,978	28,214	97,050
Segment assets	4,891,161	20,175,358	3,030,321	1,392,305	29,489,145
Expenditures on property, plant and equipment	86,359	-	6,500	-	92,859

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

	December 31, 2025	December 31, 2024
For the year ended		
External sales revenue		
Canada	10,960,919	10,840,502
United States	17,011,888	10,892,461
United Kingdom	-	36,129
Southeast Asia and other	4,902,111	5,558,298
Total	32,874,918	27,327,390

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

17. SELLING, GENERAL AND ADMINISTRATIVE COSTS

	December 31, 2025	December 31, 2024
For the period ending		
Office salaries and benefits	2,313,181	2,159,490
Professional fees	2,342,655	1,984,389
Management and directors' fees	956,513	614,125
Insurance	299,644	308,254
Listing fees	99,963	103,148
Expected credit loss	425	(5,432)
Other general and administrative costs	648,112	920,216
	6,660,493	6,084,190

Selling costs are primarily comprised of commissions, royalties, advertising and promotional costs, distribution costs, and travel costs.

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
18. PERSONNEL EXPENSES

For the period ending	December 31, 2025	December 31, 2024
Wages, salaries and short-term benefits	2,443,906	2,284,971
Management, professional, and directors' fees	956,513	890,625
Share-based compensation	159,341	548,040
	3,559,760	3,723,636
Included in cost of sales	130,695	125,482
Included in selling, general and administrative costs	3,269,724	3,050,114
Included in share-based compensation	159,341	548,040
	3,559,760	3,723,636

19. INCOME TAXES

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 26.5% (2024 - 26.5%) to the earnings for the year as follows:

For the period ending	December 31, 2025	December 31, 2024
Earnings for the year before income taxes	245,575	2,228,476
Tax on accounting earnings	65,100	590,500
Tax effect of the following:		
Non-deductible share-based compensation	42,200	145,200
Items not deductible for tax purposes	15,800	13,500
Professional fees re: issuance of shares	(50,100)	(67,600)
Prior year income tax reassessment	320,030	-
Difference in tax rates and other	(48,260)	(80,844)
Provision (recovery) for income taxes	344,770	600,756

20. EARNINGS (LOSS) PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated to reflect the dilutive effect of warrants and stock options outstanding. The calculation of basic earnings (loss) per share is based on net loss attributable to iFabric Corp.'s shareholders for the period ended December 31, 2025 of \$99,195 (earnings of \$1,632,613 for the year ended December 31, 2024). The number of shares used in the earnings (loss) per share calculation is as follows:

For the period ending	December 31, 2025	December 31, 2024
Weighted average number of shares outstanding - basic	30,299,467	30,299,467
Dilutive effect of options	5,467	-
Weighted average number of shares outstanding - diluted	30,304,934	30,299,467

For the period ended December 31, 2025, 1,760,000 options were deemed to be anti-dilutive. (December 31, 2024 – 1,870,000 options) For the period ended December 31, 2025, no warrants were deemed to be anti-dilutive. (December 31, 2024 – 2,943,717 warrants)

21. CAPITAL STOCK**(a) Authorized, Issued and Outstanding**

Authorized: Unlimited number of common shares

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

	Number of common shares	Common share capital
Balance at December 31, 2023	30,299,467	8,989,049
Deferred tax on share issue costs	-	(67,600)
Warrants extension	-	(22,869)
Balance at December 31, 2024	30,299,467	8,898,580

(b) Stock option plan

The Company has reserved 10% of the issued and outstanding common shares for issuance under its stock option plan. The status of the Company's stock option plan is summarized as follows:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2024	1,870,000	2.03
Granted, during the period (i)	124,000	1.03
Expired, during the period	(110,000)	3.00
Balance at December 31, 2025	1,884,000	1.91

	Number of stock options	Weighted average exercise price
Balance at December 31, 2023	1,345,000	2.52
Granted, during the period (i)	600,000	1.20
Expired, during the period	(75,000)	4.15
Balance at December 31, 2024	1,870,000	2.03

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

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

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

21. CAPITAL STOCK, *continued*

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

- (ii) On May 15, 2024 the Company issued 600,000 stock options to members of the Board of Directors. Each option entitles the holder to acquire one common share of the Company at a price of \$1.20, and is exercisable for a period of 5 years from the grant date. 150,000 options vested immediately and 150,000 options vested on August 15, 2024, November 13, 2024 and February 13, 2025. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$524,894 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	90.01%
Risk-free interest rate	3.76%
Expected maturity	5 years

As of December 31, 2025, the following options were outstanding and exercisable:

Expiry date	Options Outstanding			Options Exercisable	
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
June 5, 2027	450,000	1.42	2.40	450,000	2.40
February 9, 2027	150,000	1.11	3.50	150,000	3.50
March 1, 2027	50,000	1.41	3.10	50,000	3.10
May 15, 2028	5,000	2.37	1.29	5,000	1.29
August 15, 2028	5,000	2.62	1.29	5,000	1.29
July 25, 2028	75,000	2.56	1.44	75,000	1.44
October 25, 2028	75,000	2.81	1.44	75,000	1.44
January 25, 2029	75,000	3.07	1.44	75,000	1.44
April 25, 2029	75,000	3.31	1.44	75,000	1.44
April 7, 2030	200,000	4.26	2.70	200,000	2.70
May 13, 2029	150,000	3.36	1.20	150,000	1.20
August 13, 2029	150,000	3.61	1.20	150,000	1.20
November 13, 2029	150,000	3.87	1.20	150,000	1.20
November 21, 2030	12,500	4.15	0.97	12,500	0.97
February 13, 2030	150,000	4.12	1.20	150,000	1.20
May 21, 2031	12,500	5.89	0.97	-	0.97
June 9, 2030	33,000	4.95	1.04	33,000	1.04
June 9, 2031	33,000	5.95	1.04	-	1.04
June 9, 2032	33,000	6.95	1.04	-	1.04
	1,884,000	2.97	1.91	1,805,500	1.94

(c) Warrants

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

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

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

22. INVESTMENT IN SUBSIDIARY

On March 21, 2025, the Company acquired the remaining 25% of the common shares in 2074160 Ontario Inc. from the non-controlling shareholders for cash consideration of \$2,200,635, resulting in the Company's shareholding in 2074160 Ontario Inc. increasing to 100% from the prior 75% at the end of fiscal 2024. This resulted in a charge of \$2,194,994 to contributed surplus. The acquisition was financed by a newly secured mortgage loan. See note 15 for details. As a condition of the acquisition, the Company repaid the non-controlling shareholders' loans amounting to \$487,272. 2074160 Ontario Inc. owns the Markham, Ontario land and buildings utilized by the Company as a warehouse.

23. COMMITMENTS

- (a) The Company's total commitments, under various operating leases and a property lease agreement exclusive of occupancy costs are as follows:

2026	463,669
2027	253,490
2028	248,712
2029	113,707
2030	47,971
	<u>1,127,549</u>

- (b) In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 0%-10%. Minimum annual royalties have been established for the balance of the contract period ending August 31, 2026 in U.S. dollar amounts of \$240,000 respectively. If minimum amount is not met, an accrual for the difference is included in accrued liabilities. In addition, the Company is required to pay an advertising fee of 1%-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until August 31, 2026.
- (c) In terms of a Canadian license agreement pursuant to which the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 10-12%. Minimum annual royalties have been established for the contract period ending December 31, 2026, in amount of \$200,000. The license term is in effect until December 31, 2026.
- (d) On October 16, 2023, the Company executed a lease agreement for the rental of 5,202 square feet of office space in Markham, Ontario, at a location in close proximity to its current warehouse location. After the move of management and all administrative staff to the new location, the Company's Markham owned building will be fully repurposed as warehouse space, in order to accommodate the warehousing of products for new Canadian apparel programs. The lease agreement is for a period of 5 years commencing on April 1, 2024 and expiring March 31, 2029, with the option of renewal for a further period of 5 years. Basic rent payable is \$17.95 per square foot for years 1-3 of the lease amounting to \$93,376 per annum and \$18.95 per square foot for years 4-5, amounting to \$98,578 per annum. Additional rent will be calculated each year and, is estimated at \$17.96 per square foot for the first year of the lease, or \$93,428 per annum. A right of use asset and lease liability has been recognized during the period (refer to note 10).
- (e) In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rate is 3.5%. Minimum annual royalties have been established for the 36 month period after the effective date (January 6, 2025) of \$60,000 and each annual period after the initial period of \$35,000. The license term is in effect for a period of 10 years.

24. RELATED PARTY TRANSACTIONS

- (a) Key management personnel of the Company are those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the Company's Board of Directors, which includes three executive officers of the Company.

24. RELATED PARTY TRANSACTIONS, *continued*

Remuneration of key management personnel of the Company was as follows:

For the period ending	December 31, 2025	December 31, 2024
Salaries, management and professional fees, directors' fees, and short-term benefits	1,533,798	1,378,670
Share-based compensation	131,220	548,040
	1,665,018	1,926,710

- (b) Included in accounts payable and accrued liabilities is an amount of \$90,000 (2024 - \$100,000) due to directors and key management personnel of the Company in respect of unpaid fees.
- (d) Included in selling, general and administrative costs is an amount of \$106,000 (2024 - \$92,785) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.
- (e) There is an amount of \$0 due to a previous director of one of the Company's subsidiaries (2024 - \$487,372). Refer to notes 15 and 22 respectively.

25. FINANCIAL RISK MANAGEMENT
Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts presented in the balance sheets, are as follows:

	Fair Value Hierarchy	Carrying Amount	Fair Value
Bank loan payable	Level 2	3,646,044	3,646,044

The carrying values of cash, accounts receivables, balances with related party, bank indebtedness, accounts payable and accrued liabilities, and loan payable approximate their fair values due to the immediate or short-term maturity of these financial instruments. These financial instruments have been classified as level 2 within the fair value hierarchy.

The fair value of bank loan payable bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank's prime rate.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk. Management of the Company monitors the credit worthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market and relationships with customers and other vendors. Further, the Company reviews forward looking information such as indications of customers going through financial difficulties that may create doubt over the receipt of funds.

The Company's maximum exposure to credit risk is \$10,759,658 (2024 - \$10,441,297). Included in selling, general and administrative costs are bad debts of \$425 expensed during the year (2024 - \$367,142 recovered).

The following table provides further details on trade receivables not impaired:

	December 31, 2025	December 31, 2024
Trade receivables not past due	9,195,762	9,701,470
Trade receivables past due and not impaired		
Under 31 days	171,270	534,383
31 - 60 days	18,890	62,906
61 - 90 days	10,101	50,676
Over 90 days	75,097	91,862
Trade receivables, net of expected credit loss allowance	9,471,120	10,441,297

IFABRIC CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
25. FINANCIAL RISK MANAGEMENT, *continued*
Economic Dependence

Approximately 72% of the Company's total sales were to four customers (2024 - 59% of sales were to four customers). At December 31, 2025, four customers accounted for 82% (2024 - four customers accounted for 78%) of the Company's accounts receivable. Approximately 82% of the Company's total purchases were from four vendors (2024 - 65% of purchases were to four vendors), one of which is related to a distributor of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities. The Company is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, income taxes payable, related party loans, bank loan payable, and commitments. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains an adequate line of credit to pay trade creditors and repays long term debt interest and principal as it becomes due using cash generated from operations.

	December 31, 2025	Contractual cash flow	2026	2027	2028	2029	2030	2031
Minimum guaranteed royalties	-	378,178	227,412	27,412	27,412	47,971	47,971	-
Lease obligations	749,371	749,371	236,257	226,078	221,300	65,736	-	-
Car loan	5,928	5,928	5,928	-	-	-	-	-
Bank loan payable	3,646,044	3,646,044	3,646,044	-	-	-	-	-
Trade and other payables	11,689,007	11,689,007	11,689,007	-	-	-	-	-
Operating credit line	6,661,109	6,661,109	6,661,109	-	-	-	-	-
	22,751,459	23,129,637	22,465,757	253,490	248,712	113,707	47,971	-

	December 31, 2024	Contractual cash flow	2025	2026	2027	2028	2029	2030
Minimum guaranteed royalties	-	345,336	345,336	-	-	-	-	-
Lease obligations	974,218	974,218	243,162	217,942	226,078	221,300	65,736	-
Car loan	21,898	21,898	12,358	9,540	-	-	-	-
Bank loan payable	779,639	779,639	779,639	-	-	-	-	-
Trade and other payables	3,850,798	3,850,798	3,850,798	-	-	-	-	-
Related party loans	487,372	487,372	-	487,372	-	-	-	-
	6,113,925	6,459,261	5,231,293	714,854	226,078	221,300	65,736	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The following balances were included in the consolidated financial statements:

USD	December 31, 2025	December 31, 2024
Cash	2,073,181	699,958
Accounts receivable	4,818,337	5,409,305
Accounts payable and accrued liabilities	(2,591,584)	(1,021,433)
Prepays and deposits	608,121	69,056
	4,908,055	5,156,886

TWD	December 31, 2025	December 31, 2024
Cash	1,971,778	2,923,774
Accounts receivable	4,404,973	12,676,954
Accounts payable and accrued liabilities	(142,343)	(179,011)
	6,234,408	15,421,717

25. FINANCIAL RISK MANAGEMENT, *continued*

RMB	December 31, 2025	December 31, 2024
Cash	4,173,536	2,396,928
Accounts receivable	5,268,791	3,948,455
Accounts payable and accrued liabilities	(2,359,217)	(2,108,145)
	7,083,110	4,237,238

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD against the Canadian Dollar as at December 31, 2025, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$260,000 to net comprehensive earnings for 2024, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at December 31, 2025, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$10,000 to net comprehensive earnings for 2025, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at December 31, 2025, in relation to the net amount of RMB-denominated currency balances, would have resulted in an increase (decrease) of approximately \$50,000 to net comprehensive earnings for 2025, all other variables held constant.

The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its secured bank loan and its bank operating line, which bear interest at variable rates, since changes in market rates can cause fluctuations in cash flows.

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately \$52,000 to net earnings for 2025, all other variables held constant.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while providing a return to its stakeholders.

The capital structure of the Company is composed of operating line of credit, bank loan payable, and equity attributable to iFabric Corp.'s shareholders.

The Company's primary uses of capital are to finance working capital and capital expenditures.

The Company is subject to capital requirements on debt described in notes 13, 16 and 22. As at December 31, 2025, the Company was slightly short from meeting one covenant, but the bank had subsequently waived the breach of the covenant noting the mitigating circumstances.

27. SUBSEQUENT EVENTS

On January 8, 2026, the Company secured a new CAD 2,500,000 trade finance facility. This facility is fully unsecured and has been put in to place to provide additional financial flexibility to support future growth and expansion initiatives. Each draw under the line is required to be repaid within 150 days from the day of advance and the facility currently bears interest at a fixed rate of 6% per annum.