

GROUNDPEOPLE APPAREL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

Notice to Readers

The accompanying unaudited condensed interim consolidated financial statements of Grounded People Apparel Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The financial statements do not include all the information and notes required by International Financial Reporting Standards ("IFRS") for annual financial statements and should be read in conjunction with the Company's annual financial statements and notes for the year ended February 29, 2024, which are available on SEDAR at www.sedar.com.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants ("CICPA") for a review of interim financial statements by an entity's auditor.

GROUNDPEOPLE APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2024, and February 29, 2024
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2024	February 29, 2024
ASSETS			
Cash		\$ 292,768	\$ 222,973
Amounts receivable	5	59,423	103,007
Prepaid expense	6	38,169	18,157
Inventory	7	231,920	321,695
TOTAL ASSETS		\$ 622,280	\$ 665,832
LIABILITIES			
Accounts payable and accrued liabilities	8, 11	\$ 525,178	\$ 552,926
SHAREHOLDERS' EQUITY			
Share capital	10	6,023,700	4,878,200
Reserves	10	2,249,128	444,128
Deficit		(8,175,726)	(5,209,422)
TOTAL SHAREHOLDERS' EQUITY		97,102	112,906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 622,280	\$ 665,832

Going concern (Note 2)
Contingent liabilities (Note 14)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 30, 2024:

<u>“Maximilian Justus”</u> Maximilian Justus	Director	<u>“Joel Shacker”</u> Joel Shacker	Director
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GROUNDPEOPLE APPAREL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the six months ended August 31, 2024, and 2023

(Unaudited - Expressed in Canadian Dollars)

		Three months ended August 31,		Six months ended August 31,	
	Notes	2024	2023	2024	2023
Sales		\$ 95,603	\$ 6,079	\$ 150,039	\$ 16,541
Cost of goods sold	7	54,353	2,821	86,416	5,725
Gross profit		41,250	3,258	63,623	10,816
EXPENSES					
Advertising and marketing	7	390,631	383,536	650,131	710,565
Consulting fees	11	52,982	99,038	145,622	190,806
Office and miscellaneous		42,489	89,681	106,125	176,584
Professional fees (recovery)		116,265	97,078	114,679	122,739
Selling expense		68,624	26,545	110,543	47,694
Share-based compensation	10	-	-	1,805,000	-
Transfer agent and filing fees		8,539	16,925	33,923	19,714
Wages & salaries	11	31,474	31,128	63,904	63,546
		(711,004)	(743,931)	(3,029,927)	(1,331,648)
Net loss before other income (expense)		(669,754)	(740,673)	(2,966,304)	(1,320,832)
OTHER INCOME (EXPENSE)					
Impairment of inventory		-	(7,515)	-	(7,515)
		-	(7,515)	-	(7,515)
Net loss and comprehensive loss for the year		\$ (669,754)	\$ (748,188)	\$ (2,966,304)	\$ (1,328,347)
Basic and diluted loss per share		\$ (0.03)	\$ (0.03)	\$ (0.12)	\$ (0.06)
Weighted average number of common shares outstanding		25,490,131	23,212,006	25,196,342	23,212,006

GROUND PEOPLE APPAREL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended August 31, 2024, and 2023
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares #	Share Capital \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
Balance, February 29, 2023	23,212,006	4,469,000	351,728	(2,899,481)	1,921,247
Net loss for the period	-	-	-	(1,328,347)	(1,328,347)
Balance, August 31, 2023	23,212,006	4,469,000	351,728	(4,227,828)	592,900
Balance, February 29, 2024	24,558,406	4,878,200	444,128	(5,209,422)	112,906
Private placement, net of share issue costs	1,735,334	1,110,000	-	-	1,110,000
Exercise of warrants	71,000	35,500	-	-	35,500
Share-based compensation	-	-	1,805,000	-	1,805,000
Net loss for the period	-	-	-	(2,966,304)	(2,966,304)
Balance, August 31, 2024	26,293,740	6,023,700	2,249,128	(8,175,726)	97,102

GROUNDPEOPLE APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended August 31, 2024, and 2023
(Unaudited - Expressed in Canadian Dollars)

	Six months ended August 31, 2024	Six months ended August 31, 2023
Operating Activities		
Net loss for the period	\$ (2,966,304)	\$ (1,328,347)
Items not involving cash:		
Share-based compensation	1,805,000	-
Impairment of inventory	-	(7,515)
Changes in non-cash working capital items related to operations:		
Amounts receivable	43,584	(28,644)
Prepaid expense	(20,012)	389,453
Inventory	89,775	(234,331)
Accounts payable and accrued liabilities	(27,748)	131,922
Cash used in operating activities	(1,075,705)	(1,077,462)
Financing Activities		
Proceeds from private placement	1,110,000	-
Proceeds from warrant exercise	35,500	-
Cash provided by financing activities	1,145,500	-
Change in cash during the period	69,795	(1,077,462)
Cash, beginning of period	222,973	1,153,119
Cash, end of period	\$ 292,768	\$ 75,657
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Unaudited – Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Grounded People Apparel Inc. (the “Company”) was incorporated on April 20, 2020, in British Columbia under the Business Corporations Act. The head office of the Company is located at 800 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5. The registered and records office of the Company is located at 2200 HSBC Building – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8. On October 5, 2022, the Company commenced trading under the trading symbol “SHOE” on the Canadian Securities Exchange (“CSE”).

The Company is primarily engaged in the business of fair trade, sustainable and earth-conscious fashion. The Company’s initial focus is on the design and production of shoes, and more specifically, high-top and low-cut canvassed sneakers.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on October 30, 2024.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary at the end of the reporting period:

	Incorporated	Nature	Ownership August 31, 2024	Ownership February 29, 2024
Grounded People Apparel (US) SPC	Washington, USA	Social Purpose Apparel	100%	100%

The results of the wholly owned subsidiary will continue to be included in the condensed interim consolidated financial statements of the Company until the date that the Company’s control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation. During the six months ended August 31, 2024 and year ended February 29, 2024, Grounded People Apparel (US) SPC remained inactive with minimal operations.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(d) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. The functional currency of Grounded People Apparel (US) SPC is the US dollar, which is determined by the currency of the primary economic environment in which it operates.

(e) Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At August 31, 2024, the Company has not achieved profitable operations, has an accumulated deficit of \$8,175,726 (February 29, 2024 - \$5,209,422) since inception and expects to incur further losses in the development of its business.

The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These condensed interim consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amount on its consolidated statement of financial position.

3. MATERIAL ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements for the year ended February 29, 2024. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 29, 2024.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

Management has made critical judgments in the process of applying accounting policies. The one has the most significant effect on the amounts recognized in the condensed interim consolidated financial statements include:

- i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 2(e).

Significant estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product sales. Assumptions underlying the allowance for inventory obsolescence include future sales trends, marketing strategy and others. These estimates could materially change from period to period due to changes in various factors.

5. AMOUNTS RECEIVABLE

	August 31, 2024	February 29, 2024
Accounts receivable	\$ 721	\$ 869
GST receivable	58,312	101,805
US taxes receivable	390	334
	\$ 59,423	\$ 103,007

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

6. PREPAID EXPENSE

	August 31, 2024	February 29, 2024
Prepaid expense	\$ 38,169	\$ 18,157
	\$ 38,169	\$ 18,157

7. INVENTORY

Inventory is comprised of finished goods held on hand. During the six months ended August 31, 2024, the Company recognized \$86,416 (February 29, 2024 – \$38,631) of inventory as cost of goods sold, which includes an impairment of inventory of \$Nil (year ended February 29, 2024 - \$7,515) for discontinued products. In addition, there was \$8,474 (year ended February 29, 2024 – \$18,939) of inventory given out for promotion, which is recognized as advertising and marketing expenditures.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2024	February 29, 2024
Accounts payable	\$ 451,788	\$ 470,182
Accrued liabilities	49,725	62,580
Payroll payable	23,665	20,164
	\$ 525,178	\$ 552,926

9. OPERATING SEGMENTS

As at August 31, 2024, the Company is operating its business in one reportable segment: the sale of shoes.

During the six months ended August 31, 2024, and year ended February 29, 2024, the Company did not have any customers who accounted for more than 10% of revenues from operations. The Company's revenues allocated by geography for the six months ended August 31, 2024, and year ended February 29, 2024, are as follows:

	Six months ended August 31, 2024	Year ended February 29, 2024
United States of America	\$ 88,308	\$ 29,903
Canada	61,403	25,915
Other	328	3,528
Total	\$ 150,039	\$ 59,346

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

During the six months ended August 31, 2024:

On August 12, 2024, the Company closed a non-brokered private placement of 1,016,667 units of the Company at a price of \$0.60 per unit for gross proceeds of \$610,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$0.75 with an expiry date of August 12, 2029. In connection with the private placement, the Company issued 10,167 common shares with a fair value of \$7,117 for administrative services, recognized as share issuance costs.

On April 17, 2024, the Company closed a non-brokered private placement of 625,000 units of the Company at a price of \$0.80 per unit for gross proceeds of \$500,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$1.00 with an expiry date of April 17, 2029. In connection with the private placement, the Company issued 12,500 common shares with a fair value of \$12,500 for administrative services, recognized as share issuance costs.

During the six months ended August 31, 2024, the Company issued 71,000 common shares pursuant to the exercise of warrants for gross proceeds of \$35,500.

During the year ended February 29, 2024

On December 27, 2023, the Company closed a non-brokered private placement of 1,320,000 units of the Company at a price of \$0.38 per unit for gross proceeds of \$501,600. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$0.50 with an expiry date of December 27, 2028. A fair value of \$92,400 was assigned to the 1,320,000 warrants issued. In connection with the private placement, the Company issued 26,400 common shares with a fair value of \$13,464 for administrative services, recognized as share issuance costs.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

(c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six months ended August 31, 2024		Year ended February 29, 2024	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	8,988,651	\$ 0.61	7,668,651	\$ 0.63
Issued	1,641,667	0.85	1,320,000	0.50
Exercised	(71,000)	0.50	-	-
Outstanding, ending	10,559,318	\$ 0.65	8,988,651	\$ 0.61

The following warrants were outstanding and exercisable at August 31, 2024:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
October 5, 2024	0.10	\$ 0.50	2,786,143	2,786,143
January 13, 2025	0.37	\$ 0.70	4,464,286	4,464,286
November 4, 2025	1.18	\$ 0.90	347,222	347,222
December 27, 2028	4.33	\$ 0.50	1,320,000	1,320,000
April 17, 2029	4.63	\$ 1.00	625,000	625,000
August 12, 2029	4.95	\$ 0.75	1,016,667	1,016,667
	1.51		10,559,318	10,559,318

(d) Stock Options

The Company has a stock option plan (the “Plan”) to grant incentive stock options to directors, officers, employees, and consultants. Under the Plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 20% of the issued common shares of the Company as of that date. Options granted may not exceed a term of 10 years. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

(d) Stock Options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six months ended August 31, 2024		Year ended February 29, 2024	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning	1,501,000	\$ 0.31	1,501,000	\$ 0.31
Granted	3,410,000	0.56	-	-
Outstanding, end	4,911,000	\$ 0.48	1,501,000	\$ 0.31

The following stock options were outstanding and exercisable at August 31, 2024:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
June 28, 2026	1.82	\$ 0.30	888,000	888,000
December 1, 2026	2.25	\$ 0.30	200,000	200,000
May 19, 2027	2.72	\$ 0.35	413,000	413,000
May 29, 2029	4.75	\$ 0.56	3,410,000	3,410,000
	3.94		4,911,000	4,911,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the six months ended August 31, 2024, \$3,410,000 (year ended February 29, 2024 – Nil) stock options were granted with a fair value of \$1,805,000 (year ended February 29, 2024 - \$Nil).

The fair value of stock options issued was calculated using the following weighted average assumptions:

	Six months ended August 31, 2024	Year ended February 29, 2024
Expected life (years)	5	-
Risk-free interest rate	3.81%	-
Annualized volatility*	168%	-
Dividend yield	-	-
Stock price at issue date	\$0.56	-
Exercise price	\$0.56	-
Weighted average issue date fair value	\$0.53	-

GROUNDPEOPLE APPAREL INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended August 31, 2024

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Key management personnel are those having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors.

	For the six months ended August 31, 2024	For the six months ended August 31, 2023
Key Management Compensation		
Wages and salaries, to Maximilian Justus, Director, CEO	\$ 60,000	\$ 60,000
Consulting Fees, to a company partially controlled by Geoff Balderson, Director, CFO	60,000	-
Shared Based Compensation		
Maximilian Justus, Director, CEO	158,798	-
Geoff Balderson, Director CFO	10,587	-
Patrick Morris, Director	10,587	-
Nima Bahrami, Director	10,587	-
Joel Shacker, Director, Chairman	10,587	-
	\$ 321,146	\$ 60,000

As at August 31, 2024, there are \$8,389 (August 31, 2023 - \$8,320) balances owing to related parties, which are unsecured, non-interest bearing, and due on demand

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject to. Capital of the Company comprises of cash and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in the note.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at August 31, 2024, the Company has a working capital of \$97,102 (February 29, 2024 - \$112,906).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's operations, income, or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

(i) 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 not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. As at August 31, 2024, the Company has no interest-bearing financial liabilities and considers interest rate risk to be negligible.

(ii) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at August 31, 2024, the Company had US \$19,749 in cash and US \$58,724 in accounts payable in US dollars, €65,935 in accounts payable in European Euros and considers foreign currency risk to be negligible. A fluctuation in the exchange rates between the Canadian dollar, US dollars and European Euro of 10% would result in an approximately \$20,000 change in the Company's net assets. The Company does not use any techniques to mitigate currency risk.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended August 31, 2024
(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISKS (continued)

Credit Risk

Financial instruments that potentially expose the Company to credit risk include cash and accounts receivable. The carrying amount of these financial assets represent the maximum credit exposure. The Company holds cash at a major Canadian financial institution, and management believes the exposure to credit risk with respect to these institutions is not significant. Accounts receivable has been subsequently collected.

Fair Values

The Company's financial instruments include cash, accounts receivable, and accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of the financial instruments, accounts receivable and accounts payable and accrued liabilities approximates their carrying value under the effective interest method.

14. CONTINGENT LIABILITIES

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. The Company does not currently carry insurance, including with respect to inventory stored at third-party distribution centers. Payment of liabilities for which the Company does not carry insurance, including with respect to inventory stored at third-party distribution centers, may have a material adverse effect on the Company's financial position and operations.