Interim Condensed Consolidated Financial Statements

INSCAPE CORPORATION

(Unaudited)

July 31, 2022 and 2021

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the first quarter ended July 31,
Unaudited
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Note	2022	2021
SALES	9	**$ 8,858**	$ 7,858
COST OF GOODS SOLD	10	**8,506**	7,251
GROSS PROFIT		**352**	607
EXPENSES			
Selling, general and administrative	10	**6,344**	4,685
Gain on foreign exchange		**(7)**	(99)
Other income	12	**(93)**	(1,380)
(Gain) loss on derivatives	6.2	**(107)**	420
Interest expense		**402**	366
		6,539	3,992
Loss before income taxes		**(6,187)**	(3,385)
Income tax expense		**-**	1
NET LOSS		**$ (6,187)**	$ (3,386)
Net Loss per share available to shareholders	8		
Basic		**$ (0.43)**	$ (0.24)
Diluted		**$ (0.43)**	$ (0.24)

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the first quarter ended July 31,
Unaudited
(in thousands of Canadian dollars)

	Note	2022	2021
NET LOSS		**$ (6,187)**	$ (3,386)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified to earnings			
Exchange (loss) gain on translation of foreign operations		**(2)**	21
Other comprehensive (loss) income		**(2)**	21
TOTAL COMPREHENSIVE LOSS		**$ (6,189)**	$ (3,365)

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited
(in thousands of Canadian dollars)

	Note	As at July 31, 2022	As at April 30, 2022
ASSETS			
Current assets			
Cash & cash equivalents		**$ 5,803**	$ 8,284
Restricted cash		**321**	3,200
Trade and other receivables	4	**9,844**	11,778
Inventories	5	**5,281**	4,926
Note receivable		**41**	40
Prepaid expenses and other assets		**573**	469
		21,863	28,697
Non-current assets			
Property, plant and equipment		**5,112**	5,660
Intangible assets		**812**	826
Right-of-use assets		**12,398**	13,579
Other assets		**2,700**	2,700
Note receivable		**227**	237
Retirement benefit assets		**1,313**	1,350
Deferred income tax assets		**2,581**	2,581
		25,143	26,933
TOTAL ASSETS		**$ 47,006**	$ 55,630
LIABILITIES			
Current liabilities			
Trade and other payables		**9,843**	10,794
Lease liabilities		**2,121**	2,158
Derivative financial liabilities	6.2	**-**	107
Income tax payable		**521**	521
Provisions		**80**	80
		12,565	13,660
Non-current liabilities			
Retirement benefit obligation		**665**	654
Lease liabilities		**25,384**	26,653
Provisions		**356**	322
Other long-term obligations		**49**	165
		26,454	27,794
TOTAL LIABILITIES		**39,019**	41,454
SHAREHOLDERS' EQUITY			
Shareholders' capital	7	**52,868**	52,868
Contributed surplus		**2,675**	2,675
Accumulated other comprehensive income		**3,639**	3,641
Deficit		**(51,195)**	(45,008)
TOTAL SHAREHOLDERS' EQUITY		**7,987**	14,176
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 47,006**	$ 55,630

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

Approved by the Board of Directors,

(signed)
Bartley Bull
Chair

(signed)
Eric Ehgoetz
Director & Chief Executive Officer

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited

(in thousands of Canadian dollars)

	Shareholders' Capital	Contributed Surplus	Cumulative Remeasurement of Retirement Benefit Obligation	Cumulative Translation Gain (loss)	Deficit	Total Shareholders' Equity
Balance, April 30, 2022	$ 52,868	$ 2,675	$ 2,300	$ 1,341	$ (45,008)	$ 14,176
Net loss	-	-	-	-	(6,187)	(6,187)
Other comprehensive loss	-	-	-	(2)	-	(2)
Balance, July 31, 2022	**$ 52,868**	**$ 2,675**	**$ 2,300**	**$ 1,339**	**$ (51,195)**	**$ 7,987**
Balance, April 30, 2021	$ 52,868	$ 2,675	$ 1,207	$ 1,255	$ (44,169)	$ 13,836
Net loss	-	-	-	-	(3,386)	(3,386)
Other comprehensive income	-	-	-	21	-	21
Balance, July 31, 2021	$ 52,868	$ 2,675	$ 1,207	$ 1,276	$ (47,555)	$ 10,471

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the first quarter ended July 31,

Unaudited

(in thousands of Canadian dollars)

	Note	2022	2021
Net inflow (outflow) of cash related to the following activities:			
OPERATING			
Net loss		**$ (6,187)**	$ (3,386)
Items not affecting cash			
Amortization and depreciation		**1,134**	685
Interest expense		**425**	346
Amortization of deferred financing fees		-	54
Unrealized (gain) loss on derivatives		**(107)**	420
Share-based compensation		**(117)**	107
Foreign exchange gain		**(7)**	(47)
Non-cash portion of other income		**-**	(225)
Other income		**(93)**	-
Retirement benefit obligation expense net of employer contributions		**49**	134
Cash used in operating activities before non-cash working capital		**(4,903)**	(1,912)
Movements in non-cash working capital			
Trade and other receivables		**324**	146
Inventories		**(361)**	(819)
Prepaid expenses and other assets		**(104)**	(256)
Trade and other payables		**(941)**	(203)
Provisions		**34**	(7)
Income tax receivables and payables		**(1)**	-
Changes in non-cash operating items		**(1,049)**	(1,139)
Interest payment on lease liabilities and loans		**(389)**	(122)
Restricted shares and stock options settled		**-**	(23)
Cash used in operating activities		**(6,341)**	(3,196)
INVESTING			
Additions to property, plant and equipment		**(41)**	(129)
Additions to intangible assets		**(109)**	-
Proceeds from sale of property, plant and equipment		**1,624**	-
Proceeds from note receivable		**9**	14
Cash generated from (used in) investing activities		**1,483**	(115)
FINANCING			
Proceeds from revolving credit facility		**-**	1,250
Payment on revolving credit facility		**-**	(35)
Principal portion of lease liabilities		**(523)**	(142)
Cash (used in) generated from financing activities		**(523)**	1,073
Unrealized foreign exchange loss on cash		**21**	99
Net cash outflow		**(5,360)**	(2,139)
Cash, cash equivalents and restricted cash, beginning of period		**11,484**	3,736
Cash, cash equivalents and restricted cash, end of period		**$ 6,124**	$ 1,597

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

1. GENERAL INFORMATION

Inscape Corporation (the “Company”) is a limited company incorporated in Ontario, Canada, with Class B common shares listed on the Toronto Stock Exchange (TMX). The Company’s registered office is at 67 Toll Road, Holland Landing, Ontario, Canada.

The Company is an office furniture manufacturer with production at two facilities, an approximately 313,000 square feet plant in Holland Landing, and a 30,000 square feet plant in Jamestown, New York, USA. The Company serves its clients through a network of dealers and representatives supported by showrooms across North America.

The Company reports in two reportable operating segments - the Furniture segment which includes storage, benching, systems and seating products, and the Walls segment which includes architectural and movable walls.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS including comparatives

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, interim financial reporting as issued by the International Accounting Standards Board (“IASB”) using the same accounting policies as those used in the Company’s most recent audited annual consolidated financial statements.

These interim condensed consolidated financial statements were prepared on a going concern assumption using the historical cost basis except for financial instruments. These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on September 7, 2022.

The interim consolidated financial statements are presented in Canadian dollars, the functional currency of Inscape, and all values are rounded to the nearest thousands, except where indicated. Certain comparative amounts have been restated to conform to the presentation adopted in the current period.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its two wholly owned US subsidiaries, Inscape Inc. and Inscape (New York) Inc. Subsidiaries are consolidated from the date of acquisition and control and continue to be consolidated until the date that such control ceases. The Company controls an entity when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through the Company’s power over the investee. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following significant items:

- derivative instruments are measured at fair value;
- defined benefit plan assets and liabilities are recognized at the present value of the defined benefit obligation, less the fair value of plan assets.

Revenue recognition

Sale of manufactured goods

The Company's revenue is generated from sales and installation of manufactured goods to customers through a dealer network. For manufactured goods, revenue is recognized at a point in time when the goods are shipped. Revenue is recognized at a point in time when control of the assets passes to the customer; the Company's terms and condition state that control of the assets transfers at shipping point. This is where the customer gains control of the asset.

Revenue from installation is recognized over time on a percentage of completion based on physical stage of completion of the contract. This output method is the best measure of progress as the nature of the products installed enable measurement to be reliably observed.

The Company invoices the customer as the installation occurs. The payments are received as per normal payment terms established with the customer.

Revenue from the sale of manufactured goods and installation is measured at fair value of the consideration received less applicable sales taxes, discounts, rebates and dealer incentives. Sales-related warranties associated with the sales and installation of manufactured goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. These assurance warranties are not distinct and does not represent a separate performance obligation for IFRS 15 purposes. Hence, the Company accounts for warranties in accordance with IAS 37.

Dealer incentives

The Company offers a variety of incentives to its dealer base to support sales initiatives. An obligation arises from the incentives when the Company sells manufactured goods and/or installations through the dealer network. The obligation is measured at fair value of the incentive earned. The dealer incentives are recorded as a reduction to revenue in the Consolidated Statement of Operations.

3. NEW ACCOUNTING STANDARDS ADOPTED

(a) New standards, interpretations and amendments adopted by the Company
There were no new standards, interpretations or amendments that had a material impact on the Company's consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(b) Standards issued but not yet effective
There are no new standards issued but not yet effective as at January 1, 2022 that are expected to have a material impact on the Company's consolidated financial statements.

(in thousands of Canadian dollars, except where indicated and per share amounts)

4. TRADE AND OTHER RECEIVABLES

	As at July 31, 2022	As at April 30, 2022
Trade accounts receivable, gross	**$ 9,437**	$ 9,256
Allowance for expected credit losses	**(21)**	(9)
	9,416	9,247
Other receivables	**428**	2,531
	$ 9,844	$ 11,778

Included in other receivables at April 30, 2022 was $1,624 related to the sale of surplus land at 70 Toll Road, Holland Landing, Ontario, which was subsequently collected on May 2, 2022.

An aging analysis of trade accounts receivable:

	As at July 31, 2022	As at April 30, 2022
Current	**$ 3,259**	$ 3,611
1-30 days	**2,247**	2,645
31-60 days	**713**	624
61-90 days	**496**	595
> 90 days	**2,723**	1,781
	$ 9,437	$ 9,256

5. INVENTORIES

	As at July 31, 2022	As at April 30, 2022
Raw materials	**$ 4,406**	$ 3,946
Work-in-progress	**224**	288
Finished goods	**651**	692
	$ 5,281	$ 4,926

The cost of inventories recognized as cost of goods sold was $7,962 (2022 - $6,677). During the period, there was an inventory write-down to net realizable value of $61 (2022 - $34).

(in thousands of Canadian dollars, except where indicated and per share amounts)

6. FINANCIAL INSTRUMENTS

6.1 Capital risk management
The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders through growth in earnings.

Management defines capital as the Company's total capital, debt and reserves, excluding accumulated other comprehensive income as summarized in the following table:

		As at July 31, 2022		As at April 20, 2022
Issued capital	**$**	**52,868**	$	52,868
Contributed surplus		**2,675**		2,675
Deficit		**(51,195)**		(45,008)
Total	**$**	**4,348**	$	10,535

The Company manages its capital structure and makes modifications in response to changes in economic conditions and the risks associated with the underlying strategic initiatives. To maintain or adjust the capital structure, the Company may return capital to shareholders. As at July 31, 2022, the Company has no credit facility.

6.2 Foreign currency risk management
The Company's activities expose it primarily to the financial risks of changes in the US dollar exchange rates. The Company enters into a variety of derivative financial instruments to hedge the exchange rate risk arising on the anticipated sales to the US. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Board on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As at July 31, 2022, the Company had no outstanding US dollar hedge contracts because it unwound all outstanding contracts on July 29, 2022, as it transitioned to a new financial institution. On August 3, 2022 the Company commenced new hedge contracts with the new financial institution. (See note 16).

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following reconciles the changes in the fair value of the derivatives at the beginning and end of the period:

	As at July 31, 2022	As at April 30, 2022
Fair value of derivative liabilities, beginning of period	**$ (107)**	$ (606)
Changes in fair value during the period:		
Decrease in fair value of new contracts added	**-**	(107)
Realization of derivative liabilities of contracts settled	**107**	(74)
Decrease in fair values of outstanding contracts	**-**	(532)
Net decrease (increase) in fair value of derivative contracts recognized during the period	**107**	(713)
Fair value of derivative liabilities, end of period	**$ -**	$ (107)
Current	**$ -**	$ (107)

6.3 Foreign currency sensitivity analysis

Based on the existing average US currency hedge contract rates and the mix of US dollar denominated sales and expenses for the first quarter ended July 31, 2022, a 1% change in the Canadian dollar against the US dollar would have an impact of approximately $9 on the Company's pre-tax earnings (2021 – $nil).

Based on the US dollar denominated assets and liabilities as at July 31, 2022, a 1% change in the Canadian dollar against the US dollar would have an impact of $369 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2021 - $307) and an impact of $210 on the Consolidated Statements of Comprehensive Income (Loss) (2021 - $162).

6.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to the Company. The credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. The Company's cash, restricted cash, trade accounts receivable, loan receivable and derivative assets are subject to the risk that the counterparties may fail to discharge their obligation to pay the Company. As at July 31, 2022, the Company's maximum direct exposure to credit risk is $18,936 (July 31, 2021 – $10,675).

The Company is in regular contact with its customers, suppliers and logistics providers, and to date have not experienced significant counterparty non-performance. However, if a key supplier (or any company within such supplier's supply chain) or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss. The Company would also suffer a significant financial loss if an institution from which the Company purchased foreign exchange contracts and/or annuities for its pension plans defaults on their contractual obligations. With respect to its financial market activities, the Company has adopted a policy of dealing only with credit-worthy counterparties. In light of COVID-19, the Company assessed the financial stability and liquidity of its customers at the reporting date. No significant adjustments were made to the allowance for expected credit loss in connection with this assessment.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated by assessing new customers' credit history, reviewing credit limits, monitoring aging of accounts receivable, assessing specific customer information and reviewing general historical trends. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at July 31, 2022, the allowance for ECL was $21 (April 30, 2022 - $9).

(in thousands of Canadian dollars, except where indicated and per share amounts)

The Company's allowance for ECL consists of sales allowances released during the period of $12 (July 31,2021 – $1) mainly from adjustments to expected lifetime credit losses. No amounts were written-off for the comparative periods. Below is a breakdown of the Company's ECL:

Movement in the allowance for ECL	**As at July 31, 2022**	As at April 30, 2022
Balance, beginning of period	**$ 9**	$ 45
Sales allowance adjustments	**12**	(26)
Amount written-off	**-**	(11)
Foreign currency differences	**-**	1
Balance, end of period	**$ 21**	$ 9

6.5 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Company is exposed to liquidity risk primarily as a result of its lease liabilities and trade and other payables. The Company continuously reviews actual and forecasted cash flows to ensure there is appropriate capital capacity.

The primary source of liquidity is funds generated by operating activities and financial assets. The Company is debt-free.

The following table summarizes the amount of contractual undiscounted future cash flow requirements as at July 31, 2022:

	2023	2024	2025	2026	2027	Thereafter	Total
Trade and other payables	$ 9,843	$ -	$ -	$ -	$ -	$ -	$ 9,843
Income taxes payable	521	-	-	-	-	-	521
Lease liabilities	3,633	3,799	3,589	3,654	3,757	18,198	36,630
Total contractual obligations	**$ 13,997**	**$ 3,799**	**$ 3,589**	**$ 3,654**	**$ 3,757**	**$ 18,198**	**$ 46,994**

6.6 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following table illustrates the classification of financial assets in the fair value hierarchy as at July 31, 2022:

	Level 1	Level 2	Level 3
Financial assets			
Cash equivalents	**$ -**	**$ 3,013**	**$ -**
Total net financial assets	**$ -**	**$ 3,013**	**$ -**

The following table illustrates the classification of financial assets (liabilities) in the fair value hierarchy as at April 30, 2022:

	Level 1	Level 2	Level 3
Financial assets			
Cash equivalents	$ -	$ 5,011	$ -
Financial liabilities			
Derivative financial liabilities	$ -	$ (107)	$ -
Total net financial assets	$ -	$ 4,904	$ -

There were no transfers between Level 1, 2 and 3 in the periods.

7. ISSUED CAPITAL

Authorized
Unlimited Class B subordinated voting shares, 1 vote per share

	As at July 31, 2022	As at April 30, 2022
Issued and outstanding		
Class B subordinated voting	**14,380,701**	14,380,701
	14,380,701	14,380,701

8. LOSS PER SHARE

The net loss and weighted average number of shares used in the calculation of basic and diluted loss per share are as follows:

	Three months ended July 31, 2022	2021
Net loss	**$ (6,187)**	$ (3,386)
Weighted average number of shares outstanding basic	**14,380,701**	14,380,701
Dilution impact of stock options	**-**	-
Weighted average number of shares outstanding diluted	**14,380,701**	14,380,701
Basic and diluted loss per share	**$ (0.43)**	$ (0.24)

(in thousands of Canadian dollars, except where indicated and per share amounts)

9. SEGMENTED REPORTING

The Company's reportable segments include Furniture and Walls. In determining reportable segments, the Company looks at the shared economic characteristics. The chief decision maker, the CEO, monitors the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Additionally, the product offerings, process and production are distinct and different between the operating segments.

Aggregated in the Furniture segment are Systems, Benching, Storage and Seating. The aggregation is based on the similarity in those products' functionalities, production or procurement, process of distribution and gross margin. Walls is a separate segment due to the different nature of movable walls compared to Furniture, the production process and the installation services involved in the selling of movable walls.

The following is an analysis of the Company's revenue and results from continuing operations, capital expenditures, amortization and depreciation by reportable segments:

	Three months ended July 31,	
	2022	2021
Segmented sales		
Furniture	**$ 6,171**	$ 5,948
Walls	**2,687**	1,910
	$ 8,858	$ 7,858

	Three months ended July 31,	
	2022	2021
Segmented loss		
Furniture	**$ (4,769)**	$ (2,908)
Walls	**(1,130)**	(1,170)
	$ (5,899)	$ (4,078)
Unrealized gain on foreign exchange	**7**	99
Unrealized gain (loss) on derivatives	**107**	(420)
Other income	**-**	1,380
Interest expense	**(402)**	(366)
Loss before income taxes	**(6,187)**	(3,385)
Income tax recovery	**-**	(1)
Net loss	**$ (6,187)**	$ (3,386)

10. SUPPLEMENTAL INFORMATION

10.1 Revenue by nature

	Three months ended July 31,	
	2022	2021
Included in:		
Product sales	**$ 8,173**	$ 7,116
Installation sales	**685**	742
	$ 8,858	$ 7,858

(in thousands of Canadian dollars, except where indicated and per share amounts)

10.2 Salaries, wages and benefits

	Three months ended July 31, 2022	2021
Included in:		
Cost of goods sold	**$ 2,693**	$ 2,427
Selling, general and administrative	**2,989**	2,580
	$ 5,682	$ 5,007

10.2 Amortization and depreciation

	Three months ended July 31, 2022	2021
Included in:		
Cost of goods sold	**$ 230**	$ 358
Selling, general and administrative	**455**	654
	$ 685	$ 1,012

11. CREDIT FACILITY

On April 29, 2021 the Company closed its revolving committed credit facility with FrontWell Capital Partners Inc and is now debt-free.

12. GOVERNMENT ASSISTANCE

In response to the COVID-19 pandemic, the Company received a United States government unsecured forgivable loan in two tranches, with a 1.00% per annum interest rate, repayable over 24 months. Tranche 1 was forgiven as of the end of fiscal 2021.

Tranche 2 for $1,800 (US $1,390) was received during the fourth quarter of fiscal 2021, and was forgiven subject to the terms of the Paycheck Protection Program. The confirmation that the Tranche II loan was forgiven was received on June 8, 2022.

In addition, the Company applied for and received grants from the Canadian government under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs.

These programs ended during fiscal 2022.

Grants included in other income:	Three months ended July 31, 2022	2021
Government assistance:		
US Government forgivable loan, utilized	**$ -**	$ (256)
CEWS subsidies recognized	**-**	(1,061)
CERS subsidies recognized	**-**	(63)
	$ -	$ (1,380)

(in thousands of Canadian dollars, except where indicated and per share amounts)

13. RELATED PARTY TRANSACTIONS

The following was the remuneration of directors and other members of key management personnel, including the Chief Executive Officer, Chief Financial Officer, SVP Sales and Distribution, VP Marketing & Product Development and VP Manufacturing & Supply Chain.

	Three months ended July 31, **2022**	2021
Salaries and short-term benefits	**$ 395**	$ 702
Post-employment benefits	**6**	4
Share-based compensation	**(117)**	107
	$ 284	$ 813

14. INCOME TAXES

During the year, we received reassessments from the Canada Revenue Agency (CRA), in respect of the 2016 and 2017 taxation years, which suggest that the Company owes additional taxes of approximately $2,240 as they denied the deductibility of certain expenses. The Company has responded to the reassessment and are confident that our tax filing position was appropriate and intend to defend ourselves vigorously. The Company will be filing a Notice of Objection in due course. As of April 30, 2022, the Company recorded a tax liability of $130 (2021 – $0) for prior year reassessment resulting from a CRA audit.

15. GOING CONCERN

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at July 31, 2022, the Company had not yet achieved profitable operations and had a net loss of $6,187 for the first quarter of fiscal 2023, and negative cash flows from operations of $6,341. As at July 31, 2022, the Company had current assets less current liabilities of $9,298 and a shareholder’s deficit of $51,195.

The impact of COVID-19 on the markets and industries to which the Company sells its products, has been significant and is evolving. To the extent that customer orders do not materialize as expected, our revenues, cash flows and financial performance will be adversely impacted.

To the extent that our cash needs exceed our cash and cash equivalents, or the Company is unable to obtain and secure sufficient financial support, the Company will experience difficulty in meeting its financial obligations.

The Company has not, to date, experienced an inability to fulfill customer orders and is not experiencing delays in delivery to customers.

The Company continues to update its plans with respect to its cash flow. However, there can be no assurance of attaining sufficient revenues and/or sufficient operating cost reductions to achieve positive cash flow which presents material uncertainty regarding the Company’s ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

16. SUBSEQUENT EVENTS

On July 15, 2022, the Company entered into a derivative forward contract arrangement with a financial institution, which commenced on August 3, 2022. Under this arrangement the Company has outstanding US dollar hedge contracts with settlement dates from August 2022 to April 2023. The total notional amounts under the contracts are US$7,800 to US$15,600. Dependent on the spot CAD/US on each settlement date, the Company can sell US dollars at rates ranging from $1.300 CAD/US to $1.325 CAD/USD. If the rate falls below $1.300 CAD/US, the Company has the right but not the obligation to trade at the rate of $1.300 CAD/US.

17. COMPARATIVE FINANCIAL STATEMENTS

Certain figures in the comparative Financial Statements have been reclassified from statements previously presented to conform to the presentation of the current period’s Financial Statements.