



**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**



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**NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of iFabric Corp. have been prepared by, and are the responsibility of, management. The unaudited condensed consolidated interim financial statements have not been reviewed by iFabric Corp.'s auditors.

**iFABRIC CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited, Expressed in Canadian Dollars)**

As at	March 31, 2021	September 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	9,627,720	1,160,428
Accounts receivable (note 4)	3,554,519	4,442,787
Inventories (note 5)	2,835,984	3,138,128
Income taxes recoverable	228,037	265,982
Prepaid expenses and deposits (note 6)	4,511,246	4,106,986
Foreign exchange forward contracts (note 7)	-	126,994
<b>Total current assets</b>	<b>20,757,506</b>	<b>13,241,305</b>
<b>Non-current assets</b>		
Due from related parties (note 8)	104,748	112,248
Property, plant and equipment	2,719,712	2,744,875
Right-of-use assets	44,917	61,735
Deferred development costs	245,068	258,478
Deferred income taxes	608,300	1,040,400
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>3,777,795</b>	<b>4,272,786</b>
<b>Total assets</b>	<b>24,535,301</b>	<b>17,514,091</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	1,271,019	1,771,983
Customer deposits	-	3,909,093
Income taxes payable	253,263	324,775
Deferred revenue	41,743	57,770
Current portion of contract liability	165,611	165,611
Current portion of lease liability	30,037	30,037
Current portion due to related parties	709	38
Current portion of bank loan payable	1,259,470	1,259,783
<b>Total current liabilities</b>	<b>3,021,852</b>	<b>7,519,090</b>
<b>Non-current liabilities</b>		
Non-current portion of contract liability	8,465	122,560
Non-current portion of lease liability	10,379	25,398
Due to related parties	502,172	502,172
<b>Total non-current liabilities</b>	<b>521,016</b>	<b>650,130</b>
<b>Total liabilities</b>	<b>3,542,868</b>	<b>8,169,220</b>
<b>Commitments (note 15)</b>		
<b>EQUITY</b>		
<b>Equity attributable to iFabric Corp. shareholders</b>		
Capital stock (note 14)	11,935,488	3,282,276
Reserves	4,606,781	2,768,217
Retained earnings	4,704,354	3,243,227
Accumulated other comprehensive earnings (loss)	(271,104)	46,146
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>20,975,519</b>	<b>9,339,866</b>
<b>Non-controlling interest</b>	<b>16,914</b>	<b>5,005</b>
<b>Total equity</b>	<b>20,992,433</b>	<b>9,344,871</b>
<b>Total liabilities and equity</b>	<b>24,535,301</b>	<b>17,514,091</b>

Approved on behalf of the Board of Directors on May 12, 2021:

"Hylton Karon"  
 \_\_\_\_\_  
 Director

"Hilton Price"  
 \_\_\_\_\_  
 Director

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

**iFABRIC CORP.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)**  
**(Unaudited, Expressed in Canadian Dollars)**

For the period ended March 31,	Three months		Six months	
	2021	2020	2021	2020
<b>REVENUE</b>	<b>2,882,660</b>	2,252,090	<b>10,403,561</b>	4,848,931
<b>COST OF SALES</b>	<b>1,707,857</b>	1,410,467	<b>6,324,523</b>	2,915,089
<b>GROSS PROFIT</b>	<b>1,174,803</b>	841,623	<b>4,079,038</b>	1,933,842
<b>EXPENSES</b>				
Selling, general and administrative costs	1,299,717	1,275,560	2,396,411	2,476,247
Interest on operating line of credit	9,363	-	9,363	-
Interest on long-term debt	7,429	11,881	21,674	24,099
Amortization of property, plant and equipment and right-of-use assets	20,991	21,967	41,981	43,933
Amortization of deferred development costs	6,705	6,705	13,410	13,410
Share-based compensation	6,598	11,611	13,343	23,350
	<b>1,350,803</b>	1,327,724	<b>2,496,182</b>	2,581,039
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>(176,000)</b>	(486,101)	<b>1,582,856</b>	(647,197)
<b>OTHER EXPENSES (INCOME)</b>				
Loss (gain) on foreign exchange	35,894	48,416	(100,616)	(184,472)
Government grants	(124,815)	-	(196,150)	-
	<b>(88,921)</b>	48,416	<b>(296,766)</b>	(184,472)
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>(87,079)</b>	(534,517)	<b>1,879,622</b>	(462,725)
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>				
Current	14,948	(24,581)	(25,514)	(57,132)
Deferred	33,200	(30,500)	432,100	17,619
	<b>48,148</b>	(55,081)	<b>406,586</b>	(39,513)
<b>NET EARNINGS (LOSS)</b>	<b>(135,227)</b>	(479,436)	<b>1,473,036</b>	(423,212)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>				
iFabric Corp. shareholders	(141,155)	(481,746)	1,461,127	(427,935)
Non-controlling interest	5,928	2,310	11,909	4,723
	<b>(135,227)</b>	(479,436)	<b>1,473,036</b>	(423,212)
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>				
Unrealized gain (loss) on translation of foreign operations	(45,379)	401,858	(317,250)	175,077
<b>TOTAL COMPREHENSIVE EARNINGS (LOSS)</b>	<b>(180,606)</b>	<b>(77,578)</b>	<b>1,155,786</b>	<b>(248,135)</b>
<b>EARNINGS (LOSS) PER SHARE (note 13)</b>				
Basic	<b>(0.005)</b>	(0.018)	<b>0.055</b>	(0.016)
Diluted	<b>(0.005)</b>	(0.018)	<b>0.053</b>	(0.016)

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**iFABRIC CORP.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**
**(Unaudited, Expressed in Canadian Dollars)**

	Attributable to iFabric Corp. shareholders							Non-controlling interest	Total equity
	Reserves				Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Warrants	Options					
Balance at September 30, 2020	3,282,276	852,679	-	1,915,538	3,243,227	46,146	9,339,866	5,005	9,344,871
Total comprehensive earnings (loss)	-	-	-	-	1,461,127	(317,250)	1,143,877	11,909	1,155,786
Private placement (note 14)	11,499,996	-	-	-	-	-	11,499,996	-	11,499,996
Share issue costs - cash (note 14)	(1,271,563)	-	-	-	-	-	(1,271,563)	-	(1,271,563)
Fair value of purchase warrants issued on private placement (note 14)	(1,563,410)	-	1,563,410	-	-	-	-	-	-
Share issue costs - fair value of agent compensation options issued on private placement (note 14)	(383,923)	-	-	383,923	-	-	-	-	-
Exercise of options	372,112	-	-	(122,112)	-	-	250,000	-	250,000
Share-based compensation	-	-	-	13,343	-	-	13,343	-	13,343
<b>Balance at March 31, 2021</b>	<b>11,935,488</b>	<b>852,679</b>	<b>1,563,410</b>	<b>2,190,692</b>	<b>4,704,354</b>	<b>(271,104)</b>	<b>20,975,519</b>	<b>16,914</b>	<b>20,992,433</b>

	Attributable to iFabric Corp. shareholders							Non-controlling interest	Total equity
	Reserves				Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Warrants	Options					
Balance at September 30, 2019	2,963,824	852,679	-	1,440,940	3,860,997	138,199	9,256,639	11,946	9,268,585
Total comprehensive earnings (loss)	-	-	-	-	(427,935)	175,077	(252,858)	4,723	(248,135)
Share-based compensation	-	-	-	23,350	-	-	23,350	-	23,350
<b>Balance at March 31, 2020</b>	<b>2,963,824</b>	<b>852,679</b>	<b>-</b>	<b>1,464,290</b>	<b>3,433,062</b>	<b>313,276</b>	<b>9,027,131</b>	<b>16,669</b>	<b>9,043,800</b>

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**iFABRIC CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**(Unaudited, Expressed in Canadian Dollars)**

For the six months ended March 31,	2021	2020
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	1,473,036	(423,212)
Items not affecting cash		
Interest on lease liability	1,470	1,471
Amortization of property, plant and equipment and right-of-use assets	41,981	43,933
Amortization of deferred development costs	13,410	13,410
Fair value adjustment on foreign exchange forward contracts	-	128,647
Share-based compensation	13,343	23,350
Deferred income tax provision	432,100	17,619
IFRS 16 transition adjustment	-	(9,900)
	<b>1,975,340</b>	<b>(204,682)</b>
Changes in operating assets and liabilities		
Accounts receivable	888,268	32,135
Inventories	302,144	466,369
Income taxes recoverable	37,945	173,003
Prepaid expenses and deposits	(404,260)	(2,895,082)
Foreign exchange forward contracts	126,994	(262,954)
Due from related parties	7,500	-
Accounts payable and accrued liabilities	(500,964)	2,533,927
Customer deposits	(3,909,093)	-
Deferred revenue	(16,027)	-
Contract liability	(114,095)	(99,171)
Income taxes payable	(71,512)	56,391
	<b>(3,653,100)</b>	<b>4,618</b>
	<b>(1,677,760)</b>	<b>(200,064)</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	671	10,358
Share and warrant issuances (note 14)	11,749,996	-
Share and warrant issuance costs (note 14)	(1,271,563)	-
Increase in bank loan	40,000	-
Repayment of bank loan	(40,313)	(33,758)
Interest paid	(1,470)	(1,471)
Repayment of lease liability	(15,019)	(15,020)
	<b>10,462,302</b>	<b>(39,891)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in intangible assets	-	(136,219)
	-	(136,219)
<b>CHANGE IN CASH POSITION</b>	<b>8,784,542</b>	<b>(376,174)</b>
<b>CASH, beginning of period</b>	<b>1,160,428</b>	<b>2,287,548</b>
Effect of foreign currency translation	(317,250)	175,077
<b>CASH, end of period</b>	<b>9,627,720</b>	<b>2,086,451</b>

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**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". 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.

**2. BASIS OF PREPARATION****(a) Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, Interim Financial Reporting. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended September 30, 2020.

**(b) Seasonal fluctuations**

The interim period results of operations do not necessarily reflect results for the full fiscal year because of seasonal fluctuations that characterize the apparel and textiles industries.

**(c) Basis of measurement**

These unaudited condensed consolidated interim 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 the significant accounting policies of the most recent audited annual financial statements for the year ended September 30, 2020.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2020 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements, except as detailed below.

**4. ACCOUNTS RECEIVABLE**

	March 31, 2021	September 30, 2020
Trade receivables	3,719,809	4,572,763
Expected credit loss	(208,000)	(208,000)
Allowance for discounts and rebates	(13,756)	(11,680)
Deferred rent asset	54,013	63,406
Grant receivable	-	23,894
Other	2,453	2,404
	<b>3,554,519</b>	<b>4,442,787</b>

There is an expected credit loss of \$208,000, which accounts for probability of customer default as a major retailer filed for bankruptcy protection.

**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the six months ended March 31, 2021, the amount of inventories charged to net earnings was \$6,092,800 (2020 - \$2,425,697) and the amount of inventory write-downs were \$580 (2020- \$82,320). There were no reversals of prior period write-downs of inventory.

**6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2021	September 30, 2020
Prepaid expenses and other assets	199,933	74,610
Deposits paid to suppliers (i)	4,311,313	4,032,376
	<b>4,511,246</b>	<b>4,106,986</b>

(i) The Company entered into an agreement to purchase 1,000,000 N95 masks. 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 the first quarter. The Company is in process of seeking to recover its remaining deposit of approximately USD \$3,000,000 plus as-yet unspecified damages instead of receiving the remaining product. No amount has been accrued for any additional damages as at March 31, 2021.

**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:

	March 31, 2021	September 30, 2020
Margin balance – cash deposit	-	126,994
	-	126,994

As at March 31, 2021 and September 30, 2020, the Company had no forward contracts.

For the six months ended March 31, 2021, there is no unrealized gain or loss on foreign exchange (2020 - \$129,647 gain) recognized in net earnings, with respect to changes in fair value of the Company's foreign exchange forward contracts.

**8. DUE FROM RELATED PARTIES**

The amounts due from related parties represent a housing loan to an executive officer. The loan bears interest at a rate that is the greater of 1% per annum and the minimum interest rate per the Canada Revenue Agency, and is repayable in full by May 5, 2024. The fair market value of the loan using the applicable market interest rate would not result in a material adjustment to the carrying value of the loan, and as such, no adjustment has been made by the Company in this regard.

**9. CREDIT FACILITIES**

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$3,750,000, against which \$0 was outstanding as at March 31, 2021 (September 30, 2020 - \$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 \$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.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2021	September 30, 2020
Trade payables	1,121,480	1,244,692
Government remittances	(59,926)	149,341
Accrued liabilities	189,551	358,036
Tenants deposits	19,914	19,914
	<b>1,271,019</b>	<b>1,771,983</b>

**11. BANK LOAN**

One of the Company's subsidiaries has variable rate demand loan, payable in monthly payments of \$10,331 comprising principal and interest at the bank's prime interest rate plus 0.75% per annum, amortized over a fifteen-year period ending February 28, 2032, and is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 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 only the minimum monthly payments within the next twelve months.

Two of the Company's subsidiaries received \$60,000 each for a total of \$120,000, which was funded by the Canada Emergency Business Account ("CEBA"). CEBA is interest free until December 31, 2022 with one third of the balance forgiven if two thirds of the balance is repaid by December 31, 2022. Management expects to pay two thirds of the balance of \$80,000 of CEBA within the next 12 months.

**12. 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.

There has been no material change in the total assets for each reportable segment since the last annual audited financial statements.

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
<b>Six months ended March 31, 2021</b>					
Revenue					
Third party	928,797	9,418,822	55,942	-	10,403,561
Inter-segment	-	627,883	82,717	(710,600)	-
Total Revenue	928,797	10,046,705	138,659	(710,600)	10,403,561
Earnings (loss) before income taxes	(283,339)	2,277,382	62,538	(176,959)	1,879,622
Total assets	3,245,572	9,460,136	2,772,242	8,829,314	24,307,264
Total liabilities	133,091	1,249,090	1,733,807	198,843	3,314,831

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
<b>Six months ended March 31, 2020</b>					
Revenue					
Third party	2,113,008	2,671,758	64,165	-	4,848,931
Inter-segment	15,000	1,015,679	82,270	(1,112,949)	-
Total Revenue	2,128,008	3,687,437	146,435	(1,112,949)	4,848,931
Earnings (loss) before income taxes	(655,824)	289,807	26,330	(123,038)	(462,725)
Total assets	4,421,756	6,805,504	2,797,913	145,408	14,170,581
Total liabilities	191,900	3,162,430	1,746,039	26,412	5,126,781



**12. SEGMENTED INFORMATION, continued**

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

Six months ended March 31,	2021	2020
External sales revenue		
Canada	2,738,473	1,147,765
United States	4,658,199	1,910,265
United Kingdom	25,056	45,795
Southeast Asia and other	2,981,833	1,745,106
<b>Total</b>	<b>10,403,561</b>	<b>4,848,931</b>

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

For the six months ended March 31, 2021, approximately 78% of the Company's total sales were to three customers (2020 – 67%). These customers relate to the Intelligent Fabrics segment. Approximately 76% of the Company's total purchases were from four vendors (2020 – 97%), one of which is related to a distributor of the Company.

**13. EARNINGS (LOSS) PER SHARE**

Basic earnings (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 and diluted earnings (loss) per share is based on net earnings (loss) attributable to iFabric Corp.'s shareholders for the three and six months ended March 31, 2021 of (\$141,155) and \$1,461,127, respectively (loss of \$481,746 and \$427,935 for the three and six months ended March 31, 2020, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended March 31,	Three months		Six months	
	2021	2020	2021	2020
Weighted average number of shares outstanding - basic	26,406,914	26,209,500	26,680,220	26,209,500
Dilutive effect of options	1,346,146	671,821	1,017,366	597,497
Dilutive effect of warrants	1,473	-	-	-
<b>Weighted average number of shares outstanding - diluted</b>	<b>27,754,533</b>	<b>26,881,321</b>	<b>27,697,586</b>	<b>26,806,997</b>

For the three months ended March 31, 2021, 10,000 options were excluded from the calculation of diluted loss per share as these instruments were deemed to be anti-dilutive (2020 – 800,000 options). For the six months ended March 31, 2021, 10,000 options and 2,948,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2020 - 800,000 options).

**14. CAPITAL STOCK****(a) Authorized, issued and outstanding**

Authorized: Unlimited number of common shares

	Number of common shares	Common share capital
Balance at September 30, 2020	26,475,750	3,282,276
Private placement (i)	2,948,717	11,499,996
Share issuance costs - cash (i)	-	(1,271,563)
Fair value of purchase warrants issued on private placement (i)	-	(1,563,410)
Share issuance costs - fair value of agent compensation options issued on private placement (i)	-	(383,923)
Shares issued pursuant to exercise of stock options	125,000	250,000
Ascribed value credited to share capital on exercise of options	-	122,112
<b>Balance at March 31, 2021</b>	<b>29,549,467</b>	<b>11,935,488</b>
	Number of common shares	Common share capital
<b>Balance at September 30, 2019 and March 31, 2020</b>	<b>26,209,500</b>	<b>2,963,824</b>

**14. CAPITAL STOCK, *continued***

**(a) Authorized, issued and outstanding, *continued***

- (i) On February 22, 2021, the Company closed an offering of equity comprising 2,948,717 subscription receipts at a price per unit of \$3.90 for gross proceeds of \$11,499,996. The Escrow release conditions were satisfied on March 22, 2021 at which time, funds were released and each unit is automatically converted to one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$4.60 per share for a period of 2 years from March 22, 2021.

As compensation for the issue, the agent received a cash fee of 6% of the gross proceeds, totaling \$690,000 as well as 176,923 compensation options receipts which was automatically converted into compensation options on March 23, 2021. Each compensation option entitles the holder to acquire one common share of the Company at a price of \$3.90 for a period of 2 years from March 23, 2021.

The Company incurred \$581,563 in legal costs and disbursements in connection with the issue.

The fair value of the purchase warrants has been estimated by management at \$1,563,410 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	110.51%
Risk-free interest rate	0.22%
Expected maturity	2 years

The fair value of the agent compensation options has been estimated by management at \$383,923 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	108%
Risk-free interest rate	0.27%
Expected maturity	2 years

**(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 September 30, 2020	1,829,000	1.56
Exercised, during the period	(125,000)	2.00
<b>Balance at March 31, 2021</b>	<b>1,704,000</b>	<b>1.53</b>
	Number of stock options	Weighted average exercise price
Balance at September 30, 2019	1,860,250	1.32
Granted, during the period	75,000	1.80
Expired, during the period	(50,000)	2.40
<b>Balance at March 31, 2020</b>	<b>1,885,250</b>	<b>1.31</b>

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**14. CAPITAL STOCK, *continued***

**(b) Stock option plan, *continued***

As of March 31, 2021, 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
January 16, 2023	869,000	1.79	0.40	869,000	0.40
April 1, 2024	75,000	3.00	4.15	75,000	4.15
May 6, 2025	100,000	4.10	2.70	100,000	2.70
June 5, 2027	450,000	6.18	2.40	350,000	2.40
April 7, 2030	200,000	9.02	2.70	200,000	2.70
June 30, 2025	10,000	4.25	6.05	10,000	6.05
	<b>1,704,000</b>	<b>4.00</b>	<b>1.53</b>	<b>1,604,000</b>	<b>1.48</b>

**(c) Warrants**

The following tables summarize changes in the status of the Company's outstanding warrants:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2020 and March 31, 2021	-	-
Issued, during the period (note 14(a)(i))	2,948,717	4.60
<b>Balance, March 31, 2021</b>	<b>2,948,717</b>	<b>4.60</b>

  

	Number of warrants	Weighted average exercise price
Balance, September 30, 2019 and March 30, 2020	-	-

The following table summarizes the warrants outstanding at March 31, 2021.

Expiry date	Number of warrants	Weighted average exercise price
March 23, 2023 (note 14(a)(i))	2,948,717	4.60

**15. COMMITMENTS**

- (a) The Company enters into foreign exchange forward contracts from time to time to manage the risks associated with exchange rate fluctuations. See note 7 for more information.
- (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 December 31, 2021 in U.S. dollar amounts of \$122,500. 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 December 31, 2021.

**16. FINANCIAL RISK MANAGEMENT**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposure during the three months and six ended March 31, 2021 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2020.