



**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**(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	June 30, 2022	September 30, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	2,608,493	8,901,718
Accounts receivable (note 4)	5,960,094	6,452,896
Inventories (note 5)	10,792,400	3,015,010
Income taxes recoverable	22,219	90,521
Prepaid expenses and deposits (note 6)	4,734,741	4,734,352
<b>Total current assets</b>	<b>24,117,947</b>	<b>23,194,497</b>
<b>Non-current assets</b>		
Due from related parties (note 7)	87,248	131,404
Property, plant and equipment	3,132,808	2,942,104
Right-of-use assets	57,350	54,168
Deferred development costs	396,256	231,658
Deferred income taxes	1,155,800	1,020,984
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>4,884,512</b>	<b>4,435,368</b>
<b>Total assets</b>	<b>29,002,459</b>	<b>27,629,865</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	4,283,454	2,941,445
Customer deposits	80,216	151,315
Income taxes payable	213,210	256,426
Deferred revenue	14,610	25,609
Current portion of contract liability	20,535	180,509
Current portion of lease liability	19,208	30,613
Current portion due to related parties	59	-
Current portion of car loan payable	12,792	-
Current portion of bank loan payable (note 10)	1,150,250	1,215,464
<b>Total current liabilities</b>	<b>5,794,334</b>	<b>4,801,381</b>
<b>Non-current liabilities</b>		
Non-current portion of lease liability	38,142	20,855
Non-current portion of car loan payable	35,915	-
Due to related parties	530,422	530,422
<b>Total non-current liabilities</b>	<b>604,479</b>	<b>551,277</b>
<b>Total liabilities</b>	<b>6,398,813</b>	<b>5,352,658</b>
<b>Commitments (note 14)</b>		
<b>EQUITY</b>		
<b>Equity attributable to iFabric Corp. shareholders</b>		
Capital stock (note 13)	13,656,894	13,585,774
Reserves	3,566,207	3,264,746
Retained earnings	5,454,010	5,612,925
Accumulated other comprehensive earnings	(94,142)	(196,551)
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>22,582,969</b>	<b>22,266,894</b>
<b>Non-controlling interest</b>	<b>20,677</b>	<b>10,313</b>
<b>Total equity</b>	<b>22,603,646</b>	<b>22,277,207</b>
<b>Total liabilities and equity</b>	<b>29,002,459</b>	<b>27,629,865</b>

Approved on behalf of the Board of Directors on August 11, 2022:

"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 (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) EARNINGS  
(Unaudited, Expressed in Canadian Dollars)**

For the period ended June 30,	Three months		Nine months	
	2022	2021	2022	2021
<b>REVENUE</b>	<b>5,238,900</b>	4,155,829	<b>13,710,058</b>	14,559,390
<b>COST OF SALES</b>	<b>3,155,998</b>	2,142,121	<b>8,537,889</b>	8,466,644
<b>GROSS PROFIT</b>	<b>2,082,902</b>	2,013,708	<b>5,172,169</b>	6,092,746
<b>EXPENSES</b>				
General and administrative costs	1,310,629	989,300	3,623,152	2,952,100
Selling costs	308,860	218,968	879,317	652,579
Interest expense	12,711	12,223	34,271	43,260
Depreciation of property, plant and equipment and right-of-use assets	30,629	21,584	76,566	63,565
Amortization of deferred development costs	6,705	6,705	20,115	20,115
Share-based compensation	2,150	5,653	332,581	18,996
	<b>1,671,684</b>	1,254,433	<b>4,966,002</b>	3,750,615
<b>EARNINGS FROM OPERATIONS</b>	<b>411,218</b>	759,275	<b>206,167</b>	2,342,131
<b>OTHER EXPENSES (INCOME)</b>				
(Gain) loss on foreign exchange	(54,146)	(9,775)	175,522	(110,391)
Gain on disposal of capital assets	(17,500)	-	(17,500)	-
Government Grants	(1,519)	(85,506)	(16,375)	(281,656)
	<b>(73,165)</b>	(95,281)	<b>141,647</b>	(392,047)
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>484,383</b>	854,556	<b>64,520</b>	2,734,178
<b>PROVISION (RECOVERY OF) FOR INCOME TAXES</b>				
Current	105,246	182,016	347,887	156,502
Deferred	32,800	(39,700)	(134,816)	392,400
	<b>138,046</b>	142,316	<b>213,071</b>	548,902
<b>NET EARNINGS (LOSS)</b>	<b>346,337</b>	712,240	<b>(148,551)</b>	2,185,276
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>				
iFabric Corp. shareholders	344,805	705,406	(158,915)	2,166,533
Non-controlling interest	1,532	6,834	10,364	18,743
	<b>346,337</b>	712,240	<b>(148,551)</b>	2,185,276
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>				
Unrealized gain (loss) on translation of foreign operations	14,132	(68,795)	102,409	(386,045)
<b>TOTAL COMPREHENSIVE EARNINGS (LOSS)</b>	<b>360,469</b>	<b>643,445</b>	<b>(46,142)</b>	<b>1,799,231</b>
<b>EARNINGS (LOSS) PER SHARE (note 12)</b>				
Basic	0.012	0.024	(0.005)	0.078
Diluted	0.012	0.023	(0.005)	0.075

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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	Options					
Balance at September 30, 2021	13,585,774	852,679	2,412,067	5,612,925	(196,551)	22,266,894	10,313	<b>22,277,207</b>
Total comprehensive earnings (loss)	-	-	-	(158,915)	102,409	(56,506)	10,364	<b>(46,142)</b>
Exercise of options	71,120	-	(31,120)	-	-	40,000	-	<b>40,000</b>
Share-based compensation	-	-	332,581	-	-	332,581	-	<b>332,581</b>
<b>Balance at June 30, 2022</b>	<b>13,656,894</b>	<b>852,679</b>	<b>2,713,528</b>	<b>5,454,010</b>	<b>(94,142)</b>	<b>22,582,969</b>	<b>20,677</b>	<b>22,603,646</b>

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Reserves			Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Options					
Balance at September 30, 2020	3,282,276	852,679	1,915,538	3,243,227	46,146	9,339,866	5,005	<b>9,344,871</b>
Total comprehensive earnings (loss)	-	-	-	-	-	-	18,743	<b>18,743</b>
Private placement (note 13)	11,499,996	-	-	-	-	11,499,996	-	<b>11,499,996</b>
Share issue costs - cash (note 13)	(1,271,563)	-	-	-	-	(1,271,563)	-	<b>(1,271,563)</b>
Share issue costs - fair value of agent compensation options issued on private placement (note 13)	(383,923)	-	383,923	-	-	-	-	<b>-</b>
Exercise of options	372,112	-	(122,112)	-	-	250,000	-	<b>250,000</b>
Share-based compensation	-	-	18,996	-	-	18,996	-	<b>18,996</b>
<b>Balance at June 30, 2021</b>	<b>13,498,898</b>	<b>852,679</b>	<b>2,196,345</b>	<b>3,243,227</b>	<b>46,146</b>	<b>19,837,295</b>	<b>23,748</b>	<b>19,861,043</b>

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

For the nine months ended June 30,	2022	2021
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	(148,551)	2,185,276
Items not affecting cash		
Interest on lease liability	2,053	2,207
Depreciation of property, plant and equipment and right-of-use assets	76,566	63,565
Amortization of deferred development costs	20,115	20,115
Share-based compensation	332,581	18,996
Deferred income tax provision	(134,816)	392,400
	<b>147,948</b>	<b>2,682,559</b>
Changes in operatings assets and liabilities		
Accounts receivable	492,802	36,910
Inventories	(7,777,390)	(453,696)
Income taxes recoverable	68,302	87,175
Prepaid expenses and deposits	(389)	(280,211)
Foreign exchange forward contracts	-	126,994
Due from related parties	44,156	7,500
Accounts payable and accrued liabilities	1,342,009	(30,187)
Customer deposits	(71,099)	(3,761,900)
Deferred revenue	(10,999)	(24,094)
Contract liability	(159,974)	(201,476)
Income taxes payable	(43,216)	(105,816)
	<b>(6,115,798)</b>	<b>(4,598,801)</b>
	<b>(5,967,850)</b>	<b>(1,916,242)</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	59	281
Share and warrant issuances (note 13)	40,000	11,749,996
Share and warrant issuances costs (note 13)	-	(1,271,563)
Increase in bank loan	-	60,000
Repayment of bank loan	(65,214)	(82,276)
Interest paid	(2,053)	(2,207)
Increase in car loan	48,707	-
Repayment of lease liability	(21,815)	(22,672)
	<b>(316)</b>	<b>10,431,559</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(242,755)	(5,982)
Investment in intangible assets	(184,713)	-
	<b>(427,468)</b>	<b>(5,982)</b>
<b>CHANGE IN CASH POSITION</b>	<b>(6,395,634)</b>	<b>8,509,335</b>
<b>CASH, beginning of period</b>	<b>8,901,718</b>	<b>1,160,428</b>
Effect of foreign currency translation	102,409	(386,045)
<b>CASH, end of period</b>	<b>2,608,493</b>	<b>9,283,718</b>

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

**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, 2021. Certain comparative figures have been reclassified to conform to the current year's presentation.

**(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, 2021.

**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, 2021 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

**4. ACCOUNTS RECEIVABLE**

	June 30, 2022	September 30, 2021
Trade receivables	5,985,380	6,434,597
Allowance for discounts and rebates	(58,137)	(38,132)
Deferred rent asset	30,515	43,447
Grant receivable	-	10,984
Other	2,336	2,000
	<b>5,960,094</b>	<b>6,452,896</b>

**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the nine months ended June 30, 2022, the amount of inventories charged to net earnings was \$7,329,536 (2021 - \$7,991,124) and the amount of inventory write-downs were \$193,730 (2021 - \$580). There were no reversals of prior period write-downs of inventory.

**6. PREPAID EXPENSES AND DEPOSITS**

	June 30, 2022	September 30, 2021
Prepaid expenses and other assets	183,849	103,530
Deposits paid to suppliers (i)	4,550,892	4,630,822
	<b>4,734,741</b>	4,734,352

(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 Q1 2021. The Company is in process of seeking 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. No amounts have been accrued for damages or interest as at June 30, 2022.

**7. 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.

**8. 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 June 30, 2022 (September 30, 2021 - \$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.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2022	September 30, 2021
Trade payables	3,832,893	2,231,223
Government remittances	78,118	57,391
Accrued liabilities	352,529	632,917
Tenants deposits	19,914	19,914
	<b>4,283,454</b>	2,941,445

**10. BANK LOAN PAYABLE**

One of the Company's subsidiaries has a variable rate demand loan, payable in monthly payments of \$10,331 comprising principal and interest at a prime interest rate plus 0.75% per annum, amortized over a fifteen-year period ending February 28, 2032, and 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. The bank loan payable is owed by a subsidiary of the Company with a 25% non-controlling interest.

Management expects to pay the minimum monthly payments within the next twelve months.

Two of the Company's subsidiaries has a \$60,000 loan 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 the two thirds of the balance of \$120,000 of CEBA within the next 12 months.

**11. 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.

<b>Nine months ended June 30, 2022</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	5,046,057	8,583,024	80,977	-	<b>13,710,058</b>
Inter-segment		1,886,233	122,820	(2,009,053)	-
<b>Total Revenue</b>	<b>5,046,057</b>	<b>10,469,257</b>	<b>203,797</b>	<b>(2,009,053)</b>	<b>13,710,058</b>
Earnings (loss) before income taxes	(194,743)	783,721	57,401	(581,859)	<b>64,520</b>

<b>Nine months ended June 30, 2021</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	2,723,326	11,752,151	83,913	-	<b>14,559,390</b>
Inter-segment		1,060,331	120,998	(1,181,329)	-
<b>Total Revenue</b>	<b>2,723,326</b>	<b>12,812,482</b>	<b>204,911</b>	<b>(1,181,329)</b>	<b>14,559,390</b>
Loss before income taxes	138,483	2,743,905	98,637	(246,847)	<b>2,734,178</b>

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

Nine months ended June 30,	2022	2021
External sales revenue		
Canada	<b>3,811,681</b>	3,278,289
United States	<b>4,179,126</b>	6,417,976
United Kingdom	<b>287,020</b>	35,229
Southeast Asia and other	<b>5,432,231</b>	4,827,896
<b>Total</b>	<b>13,710,058</b>	14,559,390

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

For the nine months ended June 30, 2022, approximately 52% of the Company's total sales were to three customers (2021 – 70%). Approximately 87% of the Company's total purchases were from four vendors (2021 – 77%), one of which is related to a distributor of the Company.



**12. 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 nine months ended June 30, 2022 of \$344,805 and (\$158,915), respectively (earnings of \$705,406 and \$2,166,533 for the three and nine months ended June 30, 2021, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended June 30,	Three months		Nine months	
	2022	2021	2022	2021
Weighted average number of shares outstanding - basic	29,615,401	29,549,467	29,646,445	27,636,635
Dilutive effect of options	594,476	1,087,061	719,327	1,078,809
Weighted average number of shares outstanding - diluted	30,209,877	30,636,528	30,365,772	28,715,445

For the three and nine months ended June 30, 2022, 1,211,923 and 461,923 options respectively, were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2021 – 85,000 and 10,000 options respectively). For the three and nine months ended June 30, 2022, 2,948,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2021 – 2,948,717 warrants).

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

Authorized: Unlimited number of common shares

	Number of common shares	Common share capital
Balance at September 30, 2021	29,624,467	13,585,774
Shares issued pursuant to exercise of stock options	100,000	40,000
Ascribed value credited to share capital on exercise of options	-	31,120
Balance at June 30, 2022	29,724,467	13,656,894

	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)
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
Balance at June 30, 2021	29,549,467	13,498,898

(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. The share price at the date of grant was \$5.40.

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 share price at the date of grant was \$5.36.

The Company incurred \$582,025 in legal costs and disbursements in connection with the issue.

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

**13. CAPITAL STOCK, *continued***

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, 2021	1,629,000	1.58
Granted, during the period (i)	200,000	3.40
Exercised, during the period	(100,000)	0.40
<b>Balance at June 30, 2022</b>	<b>1,729,000</b>	<b>1.86</b>

  

	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 June 30, 2021</b>	<b>1,704,000</b>	<b>1.53</b>
Balance at June 30, 2020	3,408,000	0.82

(i) On February 9, 2022, the Company issued 150,000 stock options to a new member of the Board of Directors. Each option entitles the holder to acquire one common share of the Company at a price of \$3.50, and is exercisable for a period of 5 years from the grant date. All 150,000 options vested immediately. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$252,000 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	53.63%
Risk-free interest rate	1.68%
Expected maturity	5 years

On March 1, 2022, the Company issued 50,000 additional stock options to an existing member of the Board of Directors. Each option entitles the holder to acquire one common share of the Company at a price of \$3.10, and is exercisable for a period of 5 years from the grant date. All 50,000 options vested immediately. Share-based compensation expense, based on the fair value of the options, had been estimated by management at \$72,500 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	52.76%
Risk-free interest rate	1.61%
Expected maturity	5 years

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**(Unaudited, Expressed in Canadian Dollars)**

**13. CAPITAL STOCK, *continued***

As of June 30, 2022, 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	694,000	0.55	0.40	694,000	0.40
April 1, 2024	75,000	1.75	4.15	75,000	4.15
May 6, 2025	100,000	2.85	2.70	100,000	2.70
June 5, 2027	450,000	4.93	2.40	450,000	2.40
February 9, 2027	150,000	4.61	3.50	150,000	3.50
March 1, 2027	50,000	4.67	3.10	50,000	3.10
April 7, 2030	200,000	7.77	2.70	200,000	2.70
June 30, 2025	10,000	3.00	6.05	10,000	6.05
	<b>1,729,000</b>	<b>3.19</b>	<b>1.86</b>	<b>1,729,000</b>	<b>1.86</b>

**(c) Warrants**

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

	Number of warrants	Weighted average exercise price
<b>Balance, September 30, 2021 and Jun 30, 2022</b>	2,948,717	4.60
	Number of warrants	average exercise price
Balance, September 30, 2020	-	-
Issued, during the period (note 13(a)(i))	2,948,717	4.60
<b>Balance, June 30, 2021</b>	2,948,717	4.60

The following table summarizes the warrants outstanding at June 30, 2022.

Expiry date	Number of warrants	Weighted average exercise price
March 22, 2023 (note 13(a)(i))	2,948,717	4.60

**(d) Compensation options**

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

	Number of compensation options	Weighted average exercise price
<b>Balance, September 30, 2021 and June 30, 2022</b>	176,923	3.90
	Number of compensation options	Weighted average exercise price
Balance, September 30, 2020	-	-
Issued, during the period (note 13(a)(i))	176,923	3.90
<b>Balance, June 30, 2021</b>	176,923	3.90

**14. COMMITMENTS**

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, 2022 and 2023 in U.S. dollar amount of \$160,000 and \$200,000 respectively. 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, 2023.

**15. 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 exposures during the three and nine months ended June 30, 2022 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2021.