



iFABRIC CORP.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

JUNE 30, 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	June 30, 2021	September 30, 2020
ASSETS		
Current assets		
Cash	9,283,718	1,160,428
Accounts receivable (note 4)	4,405,877	4,442,787
Inventories (note 5)	3,591,824	3,138,128
Income taxes recoverable	178,807	265,982
Prepaid expenses and deposits (note 6)	4,387,197	4,106,986
Foreign exchange forward contracts (note 7)	-	126,994
Total current assets	21,847,423	13,241,305
Non-current assets		
Due from related parties (note 8)	104,748	112,248
Property, plant and equipment	2,712,664	2,744,875
Right-of-use assets	62,721	61,735
Deferred development costs	238,363	258,478
Deferred income taxes	648,000	1,040,400
Goodwill	55,050	55,050
Total non-current assets	3,821,546	4,272,786
Total assets	25,668,969	17,514,091
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,741,796	1,771,983
Customer deposits	147,193	3,909,093
Income taxes payable	218,959	324,775
Deferred revenue	33,676	57,770
Current portion of contract liability	86,695	165,611
Current portion of lease liability	30,613	30,037
Current portion due to related parties	319	38
Current portion of bank loan payable (note 11)	1,237,507	1,259,783
Total current liabilities	3,496,758	7,519,090
Non-current liabilities		
Non-current portion of contract liability	-	122,560
Non-current portion of lease liability	28,508	25,398
Due to related parties	502,172	502,172
Total non-current liabilities	530,680	650,130
Total liabilities	4,027,438	8,169,220
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 14)	11,935,488	3,282,276
Reserves	4,612,434	2,768,217
Retained earnings	5,409,760	3,243,227
Accumulated other comprehensive earnings	(339,899)	46,146
Total equity attributable to iFabric Corp. shareholders	21,617,783	9,339,866
Non-controlling interest	23,748	5,005
Total equity	21,641,531	9,344,871
Total liabilities and equity	25,668,969	17,514,091

Approved on behalf of the Board of Directors on August 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 (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) EARNINGS
(Unaudited, Expressed in Canadian Dollars)**

For the period ended June 30,	2021	2020	2021	2020
REVENUE	4,155,829	3,214,465	14,559,390	8,063,396
COST OF SALES	2,142,121	2,259,767	8,466,644	5,174,856
GROSS PROFIT	2,013,708	954,698	6,092,746	2,888,540
EXPENSES				
Selling, general and administrative costs	1,208,268	1,016,768	3,604,679	3,493,015
Interest on short-term debt	3,193	-	12,556	-
Interest on long-term debt	9,030	10,728	30,704	34,827
Amortization of property, plant and equipment	21,584	21,966	63,565	65,899
Amortization of deferred development costs	6,705	6,705	20,115	20,115
Share-based compensation	5,653	502,255	18,996	525,605
	1,254,433	1,558,422	3,750,615	4,139,461
EARNINGS (LOSS) FROM OPERATIONS	759,275	(603,724)	2,342,131	(1,250,921)
OTHER EXPENSES (INCOME)				
(Gain) loss on foreign exchange	(9,775)	31,135	(110,391)	(153,337)
Government Grants	(85,506)	-	(281,656)	-
	(95,281)	31,135	(392,047)	(153,337)
EARNINGS (LOSS) BEFORE INCOME TAXES	854,556	(634,859)	2,734,178	(1,097,584)
(RECOVERY OF) PROVISION FOR INCOME TAXES				
Current	182,016	(79,265)	156,502	(136,397)
Deferred	(39,700)	(11,200)	392,400	6,419
	142,316	(90,465)	548,902	(129,978)
NET EARNINGS (LOSS)	712,240	(544,394)	2,185,276	(967,606)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	705,406	(546,926)	2,166,533	(974,861)
Non-controlling interest	6,834	2,532	18,743	7,255
	712,240	(544,394)	2,185,276	(967,606)
OTHER COMPREHENSIVE (LOSS) EARNINGS				
Unrealized (loss) gain on translation of foreign operations	(68,795)	(177,399)	(386,045)	(2,322)
TOTAL COMPREHENSIVE EARNINGS (LOSS)	643,445	(721,793)	1,799,231	(969,928)
EARNINGS (LOSS) PER SHARE (note 13)				
Basic	0.024	(0.021)	0.078	(0.037)
Diluted	0.023	(0.021)	0.075	(0.037)

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

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)	-	-	-	-	2,166,533	(386,045)	1,780,488	18,743	1,799,231
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	-	-	-	18,996	-	-	18,996	-	18,996
Balance at June 30, 2021	11,935,488	852,679	1,563,410	2,196,345	5,409,760	(339,899)	21,617,783	23,748	21,641,531

	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)	-	-	-	-	(974,861)	(2,322)	(977,183)	7,255	(969,928)
Exercise of options	318,452	-	-	(106,952)	-	-	211,500	-	211,500
Share-based compensation	-	-	-	525,605	-	-	525,605	-	525,605
Balance at June 30, 2020	3,282,276	852,679	-	1,859,593	2,886,136	135,877	9,016,561	19,201	9,035,762

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

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

For the nine months ended June 30,	2021	2020
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings (loss)	2,185,276	(967,606)
Items not affecting cash		
Interest on lease liability	2,207	2,206
Amortization of property, plant and equipment and right-of-use assets	63,565	65,899
Amortization of deferred development costs	20,115	20,115
Fair value adjustment on foreign exchange forward contracts	-	-
Share-based compensation	18,996	525,605
Deferred income tax provision	392,400	6,419
IFRS 16 transition adjustment	-	(9,900)
	2,682,559	(357,262)
Changes in operations assets and liabilities		
Accounts receivable	36,910	545,320
Inventories	(453,696)	271,798
Income taxes recoverable	87,175	48,779
Prepaid expenses and deposits	(280,211)	(4,047,243)
Foreign exchange forward contracts	126,994	(69,897)
Due from related parties	7,500	-
Accounts payable and accrued liabilities	(30,187)	3,600,145
Customer deposits	(3,761,900)	-
Deferred revenue	(24,094)	-
Contract liability	(201,476)	(151,818)
Income taxes payable	(105,816)	101,350
	(4,598,801)	298,434
	(1,916,242)	(58,828)
FINANCING ACTIVITIES		
Due to related parties	281	11,095
Share and warrant issuances (note 14)	11,749,996	211,500
Share and warrant issuances costs (note 14)	(1,271,563)	-
Increase in bank loan	60,000	-
Repayment of bank loan	(82,276)	25,242
Interest paid	(2,207)	(2,206)
Repayment of lease liability	(22,672)	(22,528)
	10,431,559	223,103
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,982)	-
Investment in intangible assets	-	(136,219)
	(5,982)	(136,219)
CHANGE IN CASH POSITION	8,509,335	28,056
CASH, beginning of period	1,160,428	2,287,548
Effect of foreign currency translation	(386,045)	(2,322)
CASH, end of period	9,283,718	2,313,282

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, 2020. 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, 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.

4. ACCOUNTS RECEIVABLE

	June 30, 2021	September 30, 2020
Trade receivables	4,576,331	4,572,763
Expected credit loss	(208,000)	(208,000)
Allowance for discounts and rebates	(27,709)	(11,680)
Deferred rent asset	48,730	63,406
Grant receivable	14,159	23,894
Other	2,366	2,404
	4,405,877	4,442,787

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 nine months ended June 30, 2021, the amount of inventories charged to net earnings was \$7,991,124 (2020 - \$4,553,997) 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

	June 30, 2021	September 30, 2020
Prepaid expenses and other assets	173,842	74,610
Deposits paid to suppliers (i)	4,213,355	4,032,376
	4,387,197	4,106,986

(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 June 30, 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:

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

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

For the nine months ended June 30, 2021 and 2020, there is no unrealized gain or loss on foreign exchange recognized in net earnings (loss), 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 June 30, 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

	June 30, 2021	September 30, 2020
Trade payables	1,545,581	1,244,692
Government remittances	(36,942)	149,341
Accrued liabilities	213,243	358,036
Tenants deposits	19,914	19,914
	1,741,796	1,771,983

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

11. BANK LOAN PAYABLE

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.

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

Nine months ended June 30, 2020	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	2,428,827	5,511,307	123,262	-	8,063,396
Inter-segment	30,000	1,121,022	94,236	(1,245,258)	-
Total Revenue	4,062,988	3,616,729	183,254	(602,790)	8,063,396
Loss before income taxes	(882,440)	348,889	35,436	(599,469)	(1,097,584)

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

Nine months ended June 30,	2021	2020
External sales revenue		
Canada	3,278,289	1,678,649
United States	6,417,976	3,838,087
United Kingdom	35,229	67,842
Southeast Asia and other	4,827,896	2,478,818
Total	14,559,390	8,063,396

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

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 nine months ended June 30, 2021 of \$705,406 and \$2,166,533, respectively (loss of \$546,926 and \$974,861 for the three and nine months ended June 30, 2020, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended June 30,	Three months		Nine months	
	2021	2020	2021	2020
Weighted average number of shares outstanding - basic	29,549,467	26,292,220	27,636,635	26,237,073
Dilutive effect of options	1,087,061	1,276,868	1,078,809	808,548
Weighted average number of shares outstanding - diluted	30,636,528	27,569,088	28,715,445	27,045,622

For the three and nine months ended June 30, 2021, 85,000 and 10,000 options respectively, were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2020 – 75,000 and 725,000 options respectively). For the three and nine months ended June 30, 2021, 2,948,717 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive (2020 – 0 warrants).

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 (ii)	-	(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 (ii)	-	(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	11,935,488

	Number of common shares	Common share capital
Balance at September 30, 2019	26,209,500	2,963,824
Shares issued pursuant to exercise of stock options	266,250	211,500
Ascribed value credited to share capital on exercise of options	-	106,952
Balance at June 30, 2020	26,475,750	3,282,276

(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.

(ii) 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.

14. CAPITAL STOCK, *continued*

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
Balance at June 30, 2021	1,704,000	1.53

	Number of stock options	Weighted average exercise price
Balance at September 30, 2019	1,885,250	1.31
Granted, during the period	200,000	2.70
Exercised, during the period	(266,250)	0.79
Balance at June 30, 2020	1,819,000	1.54

As of June 30, 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	1.55	0.40	869,000	0.40
April 1, 2024	75,000	2.75	4.15	75,000	4.15
May 6, 2025	100,000	3.85	2.70	100,000	2.70
June 5, 2027	450,000	5.93	2.40	350,000	2.40
April 7, 2030	200,000	8.77	2.70	200,000	2.70
June 30, 2025	10,000	4.00	6.05	10,000	6.05
	1,704,000	3.73	1.53	1,604,000	1.48

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

14. CAPITAL STOCK, *continued*

(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	-	-
Issued, during the period (note 14(a)(ii))	2,948,717	4.60
Balance, June 30, 2021	2,948,717	4.60

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

(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
Balance, September 30, 2020	-	-
Issued, during the period (note 14(a)(ii))	176,923	3.90
Balance, June 30, 2021	176,923	3.90

	Number of compensation options	Weighted average exercise price
Balance, September 30, 2019 and June 30, 2020	-	-

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 exposures during the three and nine months ended June 30, 2021 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2020.