



**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**



**CONTENTS**

Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Earnings (Loss)	2
Condensed Consolidated Interim Statements of Changes in Equity	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to Condensed Consolidated Interim Financial Statements	5

**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, 2020	September 30, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	2,086,451	2,287,548
Accounts receivable (note 4)	2,325,985	2,358,120
Inventories (note 5)	2,285,720	2,752,089
Income taxes recoverable	126,637	299,640
Prepaid expenses and deposits (note 6)	3,152,058	256,976
Foreign exchange forward contracts (note 7)	193,137	58,830
<b>Total current assets</b>	<b>10,169,988</b>	<b>8,013,203</b>
<b>Non-current assets</b>		
Due from related parties (note 8)	112,248	112,248
Property, plant and equipment	2,771,990	2,799,103
Right-of-use assets	78,554	-
Deferred development costs	230,088	107,279
Deferred income taxes	879,300	896,919
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>4,127,230</b>	<b>3,970,599</b>
<b>Total assets</b>	<b>14,297,218</b>	<b>11,983,802</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	3,331,874	797,947
Income taxes payable	69,505	13,114
Current portion of contract liability	69,624	168,795
Current portion of lease liability	30,037	-
Current portion due to related parties	4,971	263
Current portion of bank loan payable	1,224,593	1,258,351
<b>Total current liabilities</b>	<b>4,730,604</b>	<b>2,238,470</b>
<b>Non-current liabilities</b>		
Due to related parties	482,397	476,747
Lease liability	40,417	-
<b>Total non-current liabilities</b>	<b>522,814</b>	<b>476,747</b>
<b>Total liabilities</b>	<b>5,253,418</b>	<b>2,715,217</b>
<b>Commitments (note 16)</b>		
<b>EQUITY</b>		
<b>Equity attributable to iFabric Corp. shareholders</b>		
Capital stock (note 14)	2,963,824	2,963,824
Reserves	2,316,969	2,293,619
Retained earnings	3,433,062	3,860,997
Accumulated other comprehensive earnings (loss)	313,276	138,199
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>9,027,131</b>	<b>9,256,639</b>
<b>Non-controlling interest</b>	<b>16,669</b>	<b>11,946</b>
<b>Total equity</b>	<b>9,043,800</b>	<b>9,268,585</b>
<b>Total liabilities and equity</b>	<b>14,297,218</b>	<b>11,983,802</b>

Approved on behalf of the Board of Directors on June 9, 2020:

"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	
	2020	2019	2020	2019
<b>REVENUE</b>	<b>2,252,090</b>	2,503,793	<b>4,848,931</b>	4,975,674
<b>COST OF SALES</b>	<b>1,410,467</b>	1,568,982	<b>2,915,089</b>	3,159,255
<b>GROSS PROFIT</b>	<b>841,623</b>	934,811	<b>1,933,842</b>	1,816,419
<b>EXPENSES</b>				
Selling, general and administrative costs	1,275,560	1,395,077	2,476,247	2,725,310
Interest on long-term debt	11,881	11,615	24,099	23,974
Amortization of property, plant and equipment	21,967	17,251	43,933	34,462
Amortization of deferred development costs	6,705	10,970	13,410	21,941
Share-based compensation	11,611	18,820	23,350	92,198
	<b>1,327,724</b>	1,453,733	<b>2,581,039</b>	2,897,885
<b>LOSS FROM OPERATIONS</b>	<b>(486,101)</b>	(518,922)	<b>(647,197)</b>	(1,081,466)
<b>OTHER EXPENSES (INCOME)</b>				
Loss (gain) on foreign exchange	48,416	(4,190)	(184,472)	60,420
	<b>48,416</b>	(4,190)	<b>(184,472)</b>	60,420
<b>LOSS BEFORE INCOME TAXES</b>	<b>(534,517)</b>	(514,732)	<b>(462,725)</b>	(1,141,886)
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>				
Current	(24,581)	(87,288)	(57,132)	(140,679)
Deferred	(30,500)	(40,500)	17,619	(57,400)
	<b>(55,081)</b>	(127,788)	<b>(39,513)</b>	(198,079)
<b>NET LOSS</b>	<b>(479,436)</b>	(386,944)	<b>(423,212)</b>	(943,807)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>				
iFabric Corp. shareholders	(481,746)	(386,487)	(427,935)	(943,609)
Non-controlling interest	2,310	(457)	4,723	(198)
	<b>(479,436)</b>	(386,944)	<b>(423,212)</b>	(943,807)
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>				
Unrealized gain (loss) on translation of foreign operations	401,858	(8,649)	175,077	116,436
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(77,578)</b>	(395,593)	<b>(248,135)</b>	(827,371)
<b>LOSS PER SHARE (note 13)</b>				
Basic	(0.018)	(0.015)	(0.016)	(0.036)
Diluted	(0.018)	(0.015)	(0.016)	(0.036)

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, 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>

	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, 2018	2,963,824	608,628	579,293	1,379,512	5,315,707	182,403	11,029,367	14,021	11,043,388
Total comprehensive earnings (loss)	-	-	-	-	(943,609)	116,436	(827,173)	(198)	(827,371)
Expiry of options	-	59,500	-	(59,500)	-	-	-	-	-
Expiry of warrants	-	579,293	(579,293)	-	-	-	-	-	-
Transactions with non-controlling interest (note 15)	-	(394,742)	-	-	-	-	(394,742)	(5,258)	(400,000)
Share-based compensation	-	-	-	92,198	-	-	92,198	-	92,198
<b>Balance at March 31, 2019</b>	<b>2,963,824</b>	<b>852,679</b>	<b>-</b>	<b>1,412,210</b>	<b>4,372,098</b>	<b>298,839</b>	<b>9,899,650</b>	<b>8,565</b>	<b>9,908,215</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,	2020	2019
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	(423,212)	(943,807)
Items not affecting cash		
Finance expense	1,471	-
Amortization of property, plant and equipment	43,933	34,462
Amortization of deferred development costs	13,410	21,941
Fair value adjustment on foreign exchange forward contracts	128,647	(173,935)
Share-based compensation	23,350	92,198
Deferred income tax provision (recovery)	17,619	(57,400)
IFRS 16 transition adjustment (note 3)	(9,900)	-
	<b>(204,682)</b>	<b>(1,026,541)</b>
Changes in operations assets and liabilities		
Accounts receivable	32,135	(404,438)
Inventories	466,369	1,037,691
Income taxes recoverable	173,003	-
Prepaid expenses and deposits	(2,895,082)	8,694
Foreign exchange forward contracts	(262,954)	228,231
Due from related parties	-	10,752
Accounts payable and accrued liabilities	2,533,927	5,894
Contract liability	(99,171)	(19,650)
Income taxes payable	56,391	(343,477)
	<b>4,618</b>	<b>523,697</b>
	<b>(200,064)</b>	<b>(502,844)</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	10,358	(8,060)
Increase in investment in subsidiary (note 15)	-	(400,000)
Repayment of bank loan	(33,758)	(39,157)
Interest paid	(1,471)	-
Repayment of lease liability	(15,020)	-
	<b>(39,891)</b>	<b>(447,217)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(60,000)
Investment in intangible assets	(136,219)	-
	<b>(136,219)</b>	<b>(60,000)</b>
<b>CHANGE IN CASH POSITION</b>	<b>(376,174)</b>	<b>(1,010,061)</b>
<b>CASH, beginning of period</b>	<b>2,287,548</b>	<b>3,542,899</b>
Effect of foreign currency translation	175,077	116,436
<b>CASH, end of period</b>	<b>2,086,451</b>	<b>2,649,274</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, 2019.

### (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, 2019.

## 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, 2019 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements, except as detailed below.

### (a) Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of iFabric Corp., and its wholly-owned subsidiaries:

- (i) Coconut Grove Textiles Inc., which includes the consolidated accounts of:
  - a. Coconut Grove Pads Inc., a wholly-owned subsidiary;
  - b. CG Intimates Inc., a U.S. company and wholly-owned subsidiary;
  - c. 2074160 Ontario Inc., a 75%-owned subsidiary;
  - d. Intelligent Fabric Technologies (North America) Inc. a wholly-owned subsidiary, which includes the consolidated accounts of:
    - i. Intelligent Fabric Technologies Inc., a U.S. company and wholly-owned subsidiary;
    - ii. Intelligent Fabric Technologies (Taiwan), a Taiwanese branch office
- (ii) Protx (Shanghai) Trading Co., Ltd., a company incorporated in China.

All inter-corporate balances and transactions have been eliminated on consolidation.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued****(b) Functional and presentation currency**

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars.

The functional currency of the Company's subsidiaries - Coconut Grove Pads Inc., Protx (Shanghai) Trading Co., Ltd., and Intelligent Fabric Technologies (North America) Inc., is the United States Dollar ("USD") given the prevalence of USD denominated transactions in their operations. The functional currency of the remaining subsidiaries is Canadian dollars.

The results and financial position of the subsidiaries with USD functional currency are translated into Canadian dollars as follows:

- i. Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- ii. Income and expenses are translated at average exchange rates.
- iii. All resulting exchange differences are recognized in other comprehensive income.

**(c) Judgments and Estimates**

On March 11, 2020, the World Health Organization declared the outbreak of Coronavirus ("COVID-19") a pandemic. There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on Company's operations. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements. During the quarter, COVID-19, which was considered an indication of impairment, impacted assumptions related to the estimate of expected credit losses on accounts receivable as described in Note 4.

**(d) Adoption of new or amended accounting standards****IFRS 16 – Leases**

Effective October 1, 2019 the Company adopted IFRS 16, 'Leases', issued in January 2016, which replaces IAS 17 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company has adopted IFRS 16 using a modified retrospective approach. Upon initial application, right-of-use assets and lease liabilities were recorded, with no impact to the opening retained earnings of comparative periods. The following table summarizes the impact on the consolidated statement of financial position:

	Balance at September 30, 2019	IFRS 16 Initial Application	Balance at October 1, 2019
<b>ASSETS</b>			
Right-of-use assets	-	95,372	95,372
Prepaid expense and deposits	256,976	(9,900)	247,076
<b>LIABILITIES</b>			
Lease liability	-	85,472	85,472

In applying IFRS 16 for adoption, the Company has used the following practical expedients permitted by the Standard:

- i. Leases with a remaining term six months or less from the date of application have been accounted for as short-term leases;
- ii. Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial applications;
- iii. Leases with low value have been excluded

When measuring lease liabilities, the Company discounted lease payments using the implicit lease rates where indicated, or the weighted average incremental borrowing rate of 3.95% if not indicated in the lease terms.

The following table reconciles the Company's operating lease commitments at September 30, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at October 1, 2019.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**(c) Adoption of new or amended accounting standards, *continued***

Operating lease commitments at September 30, 2019	119,450
Discounted using incremental borrowing rates	(10,891)
Recognition exemption for short-term leases	(23,087)
Lease liabilities recognized at October 1, 2019	85,472

The Company has revised the description of its accounting policy for the Company as a lessee to reflect the new standard as follows:

At the commencement date of the lease, the Company recognizes a lease liability comprising of fixed payments less incentive receivables, variable payments, residual value guarantees, exercise price of purchase options and termination penalties, which is discounted at the implicit lease rate or, if the rate cannot be determined, the Company's incremental borrowing rate. At the same time, the right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the amount of lease liability, initial direct costs, costs of removal and restoring, payments made prior to commencement less any incentives received, is recognized. Subsequently, the lease liability is reduced by lease payments less finance charges, which are expensed as part of financing cost while the right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term.

The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis, and thus not recognize a lease liability and a right-of-use asset at the date of initial application. Short-term leases are leases with a lease term of 12 months or less.

**IFRIC 23 – Uncertainty over Income Tax Treatments**

Effective October 1, 2019, the Company adopted IFRIC 23 'Uncertainty over Income Tax Treatments' issued in June 2017, which clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The Company has adopted IFRIC 23 using the retrospective approach with no impact to the net earnings or opening retained earnings of comparative periods.

The Company has added the following description to its accounting policy for income taxes to reflect the new standard:

When there is uncertainty over income tax treatments, the Company considers the treatments either separately or as a group based on which provides better predictions of the resolution. The Company also considers if it is probable that the tax authorities will accept the uncertain tax treatment. If it is not probable, the Company measures the tax uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty.

**4. ACCOUNTS RECEIVABLE**

	March 31, 2020	September 30, 2019
Trade receivables	2,527,416	2,352,984
Expected credit loss	(208,000)	-
Allowance for discounts and rebates	(19,212)	(20,592)
Rent Receivable	23,771	23,660
Other	2,010	2,068
	<b>2,325,985</b>	<b>2,358,120</b>

The Company's expected credit loss increased \$208,000 due to the economic uncertainty as a result of COVID-19. The increase accounts for increased probability of customer default as major retailers are closed with potential for bankruptcy.



**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the six months ended March 31, 2020, the amount of inventories charged to net earnings was \$2,425,697 (2019 - \$2,640,543) and the amount of inventory write-downs were \$82,320 (2019 - \$0). There were no reversals of prior period write-downs of inventory.

**6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2020	September 30, 2019
Prepaid expenses and other assets	129,353	122,116
Deposits paid to suppliers	3,022,705	134,860
	<b>3,152,058</b>	256,976

**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, 2020	September 30, 2019
Margin balance – cash deposit	125,079	119,418
Mark to market variance – gain (loss) on foreign exchange	68,058	(60,588)
	<b>193,137</b>	58,830

As at March 31, 2020, the Company had contracted to buy 2,500,000 U.S Dollars and sell 995,000 U.S Dollars.

For the six months ended March 31, 2020, there is an unrealized gain on foreign exchange of \$128,647 (2019 - \$173,935 loss) 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 March 31, 2020 (September 30, 2019 - \$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, 2020	September 30, 2019
Trade payables	579,797	543,142
Government remittances	44,793	54,350
Accrued liabilities	113,281	180,541
Tenants deposits	19,914	19,914
Customer deposits	2,574,089	-
	<b>3,331,874</b>	797,947

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

**11. BANK LOAN**

One of the Company's subsidiaries has fixed rate term loan, payable in monthly payments of \$10,331 comprising principal and interest at a fixed rate of 3.20% per annum, amortized over a fifteen-year period ending February 28, 2032, maturing March 5, 2021 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.

**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.

<b>Six months ended March 31, 2020</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	2,113,008	2,671,758	64,165	-	<b>4,848,931</b>
Inter-segment	15,000	1,015,679	82,270	(1,112,949)	-
<b>Total Revenue</b>	<b>2,128,008</b>	<b>3,687,437</b>	<b>146,435</b>	<b>(1,112,949)</b>	<b>4,848,931</b>
Earnings (loss) before income taxes	(655,824)	289,807	26,330	(123,038)	<b>(462,725)</b>

<b>Six months ended March 31, 2019</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	2,644,118	2,242,742	88,814	-	<b>4,975,674</b>
Inter-segment	6,600	235,622	42,875	(285,097)	-
<b>Total Revenue</b>	<b>2,650,718</b>	<b>2,478,364</b>	<b>131,689</b>	<b>(285,097)</b>	<b>4,975,674</b>
Earnings (loss) before income taxes	(700,201)	(333,780)	1,902	(109,807)	<b>(1,141,886)</b>

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

Six months ended March 31,	2020	2019
External sales revenue		
Canada	<b>1,147,765</b>	1,213,621
United States	<b>1,910,265</b>	2,114,442
United Kingdom	<b>45,795</b>	283,256
Southeast Asia and other	<b>1,745,106</b>	1,364,355
<b>Total</b>	<b>4,848,931</b>	4,975,674

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



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

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

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

As of March 31, 2020, 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
October 1, 2021	75,000	1.50	1.80	75,000	1.80
January 16, 2023	1,085,250	2.79	0.40	1,125,250	0.40
April 1, 2024	75,000	4.00	4.15	150,000	4.15
May 6, 2025	100,000	5.10	2.70	100,000	2.70
June 5, 2027	550,000	7.18	2.40	350,000	2.40
	<b>1,885,250</b>	<b>4.19</b>	<b>1.31</b>	<b>1,800,250</b>	<b>1.29</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, 2019 and March 31, 2020</b>	-	0
	Number of warrants	Weighted average exercise price
Balance, September 30, 2018	203,625	5.25
Expired	(203,625)	5.25
<b>Balance, March 31, 2019</b>	-	5.25

**15. INVESTMENT IN SUBSIDIARY**

On November 13, 2018, the Company purchased an additional 15% of the common shares in 2074160 Ontario Inc. from the non-controlling shareholders for cash consideration of \$400,000, resulting in the Company's shareholding in 2074160 Ontario Inc. increasing to 75% and the non-controlling interest decreasing to 25%. 2074160 Ontario Inc. owns the land and buildings occupied by the Company as offices and a warehouse.

**16. COMMITMENTS**

- (a) The Company enters into foreign exchange forward contracts 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 4-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2020 in U.S. dollar amounts of \$187,000. 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, 2020.

## 17. 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 has been increased risk of customer default due to the COVID-19 pandemic during the three months and six ended March 31, 2020 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2019.

## 18. OTHER

On March 11, 2020, the World Health Organization declared that the outbreak of COVID-19 was a global pandemic, which has resulted in the Federal and Provincial governments enacting a series of public health and emergency measures to combat the spread, which has impacted business operations globally.

The duration and impact of COVID-19 is currently unknown and the Canadian governments have enacted certain subsidies in an attempt to stabilize the current economic condition. To help control the spread and protect the health and safety of the public, the Company's major retailers in the U.S and U.K as well as factories in Asia have temporary closed or modified operating models and hours, which could have an effect on the Company's revenues and supply chains.

As it is in the early stages of the COVID-19 pandemic, the full potential impact on the Company is not known.