



**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**(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	December 31, 2019	September 30, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	2,943,348	2,287,548
Accounts receivable (note 4)	1,916,218	2,358,120
Inventories (note 5)	2,801,973	2,752,089
Income taxes recoverable	62,974	299,640
Prepaid expenses and deposits (note 6)	271,238	256,976
Foreign exchange forward contracts (note 7)	114,252	58,830
<b>Total current assets</b>	<b>8,110,003</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	2,785,546	2,799,103
Right-of-use assets	86,963	-
Deferred development costs	236,793	107,279
Deferred income taxes	848,800	896,919
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>4,125,400</b>	<b>3,970,599</b>
<b>Total assets</b>	<b>12,235,403</b>	<b>11,983,802</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	1,142,249	797,947
Income taxes payable	43,563	13,114
Current portion of contract liability	133,904	168,795
Current portion of lease liability	30,037	-
Current portion due to related parties	10,117	263
Current portion of bank loan payable (note 11)	1,238,268	1,258,351
<b>Total current liabilities</b>	<b>2,598,138</b>	<b>2,238,470</b>
<b>Non-current liabilities</b>		
Due to related parties	479,572	476,747
Lease liability	47,926	-
<b>Total non-current liabilities</b>	<b>527,498</b>	<b>476,747</b>
<b>Total liabilities</b>	<b>3,125,636</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	2,305,358	2,293,619
Retained earnings	3,914,807	3,860,997
Accumulated other comprehensive (loss) earnings	(88,582)	138,199
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>9,095,407</b>	<b>9,256,639</b>
<b>Non-controlling interest</b>	<b>14,360</b>	<b>11,946</b>
<b>Total equity</b>	<b>9,109,767</b>	<b>9,268,585</b>
<b>Total liabilities and equity</b>	<b>12,235,403</b>	<b>11,983,802</b>

Approved on behalf of the Board of Directors on February 12, 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 three months ended December 31,	2019	2018
<b>REVENUE</b>	<b>2,596,841</b>	<b>2,471,881</b>
<b>COST OF SALES</b>	<b>1,504,622</b>	<b>1,590,273</b>
<b>GROSS PROFIT</b>	<b>1,092,219</b>	<b>881,608</b>
<b>EXPENSES</b>		
Selling, general and administrative costs	1,200,687	1,330,233
Interest expense	12,218	12,359
Amortization of property, plant and equipment and right-of-use assets	21,966	17,211
Amortization of deferred development costs	6,705	10,971
Share-based compensation	11,739	73,378
	<b>1,253,315</b>	<b>1,444,152</b>
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>(161,096)</b>	<b>(562,544)</b>
<b>OTHER EXPENSES (INCOME)</b>		
(Gain) loss on foreign exchange	(232,888)	64,610
	<b>(232,888)</b>	<b>64,610</b>
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>71,792</b>	<b>(627,154)</b>
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>		
Current	(32,551)	(53,391)
Deferred	48,119	(16,900)
	<b>15,568</b>	<b>(70,291)</b>
<b>NET EARNINGS (LOSS)</b>	<b>56,224</b>	<b>(556,863)</b>
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>		
iFabric Corp. shareholders	53,810	(557,122)
Non-controlling interest	2,414	259
	<b>56,224</b>	<b>(556,863)</b>
<b>OTHER COMPREHENSIVE EARNINGS</b>		
Unrealized (loss) gain on translation of foreign operations	(226,781)	125,085
	<b>(226,781)</b>	<b>125,085</b>
<b>TOTAL COMPREHENSIVE EARNINGS (LOSS)</b>	<b>(170,557)</b>	<b>(431,778)</b>
<b>EARNINGS (LOSS) PER SHARE (note 13)</b>		
Basic	0.002	(0.021)
Diluted	0.002	(0.021)

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	<b>9,268,585</b>
Total comprehensive earnings (loss)	-	-	-	-	53,810	(226,781)	(172,971)	2,414	<b>(170,557)</b>
Share-based compensation	-	-	-	11,739	-	-	11,739	-	<b>11,739</b>
<b>Balance at December 31, 2019</b>	<b>2,963,824</b>	<b>852,679</b>	<b>-</b>	<b>1,452,679</b>	<b>3,914,807</b>	<b>(88,582)</b>	<b>9,095,407</b>	<b>14,360</b>	<b>9,109,767</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	<b>11,043,388</b>
Total comprehensive earnings (loss)	-	-	-	-	(557,122)	125,085	(432,037)	259	<b>(431,778)</b>
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)	<b>(400,000)</b>
Share-based compensation	-	-	-	73,378	-	-	73,378	-	<b>73,378</b>
<b>Balance at December 31, 2018</b>	<b>2,963,824</b>	<b>852,679</b>	<b>-</b>	<b>1,393,390</b>	<b>4,758,585</b>	<b>307,488</b>	<b>10,275,966</b>	<b>9,022</b>	<b>10,284,988</b>

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 three months ended December 31,	2019	2018
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	56,224	(556,863)
Items not affecting cash		
Finance expense	735	-
Amortization of property, plant and equipment right-of-use assets	21,966	17,211
Amortization of deferred development costs	6,705	10,971
Fair value adjustment on foreign exchange forward contracts	56,951	(245,689)
Share-based compensation	11,739	73,378
Deferred income tax provision (recovery)	48,119	(16,900)
IFRS 16 transition adjustment (note 3)	(9,900)	-
	<b>192,539</b>	<b>(717,892)</b>
Changes in operations assets and liabilities		
Accounts receivable	441,902	111,320
Inventories	(49,884)	332,714
Income taxes recoverable	236,666	-
Prepaid expenses and deposits	(14,262)	(16,075)
Foreign exchange forward contracts	(112,373)	361,417
Accounts payable and accrued liabilities	344,302	213,461
Contract liability	(34,891)	(9,825)
Income taxes payable	30,449	(53,391)
	<b>841,909</b>	<b>939,621</b>
	<b>1,034,448</b>	<b>221,729</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	12,679	2,712
Increase in investment in subsidiary (note 15)	-	(400,000)
Repayment of bank loan	(20,083)	(19,206)
Interest paid	(735)	-
Repayment of lease liability	(7,509)	-
	<b>(15,648)</b>	<b>(416,494)</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>882,581</b>	<b>(254,765)</b>
<b>CASH, beginning of period</b>	<b>2,287,548</b>	<b>3,542,899</b>
Effect of foreign currency translation	(226,781)	125,085
<b>CASH, end of period</b>	<b>2,943,348</b>	<b>3,413,219</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) 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 Applicaton	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.

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:

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*****(c) Adoption of new or amended accounting standards, *continued***

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**

	<b>December 31, 2019</b>	September 30, 2019
Trade receivables	<b>1,899,907</b>	2,352,984
Allowance for doubtful accounts	-	-
Allowance for discounts and rebates	<b>(9,854)</b>	(20,592)
Rent Receivable	<b>23,769</b>	23,660
Other	<b>2,396</b>	2,068
	<b>1,916,218</b>	2,358,120

**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the three months ended December 31, 2019, the amount of inventories charged to net earnings was \$1,271,241 (2018 - \$1,354,119) and the amount of inventory write-downs were \$14,597 (2018 - \$2,779). There were no reversals of prior period write-downs of inventory.



**6. PREPAID EXPENSES AND DEPOSITS**

	December 31, 2019	September 30, 2019
Prepaid expenses and other assets	144,511	122,116
Deposits paid to suppliers	135,727	134,860
	<b>280,238</b>	<b>256,976</b>

**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:

	December 31, 2019	September 30, 2019
Margin balance – cash deposit	117,889	119,418
Mark to market variance – gain (loss) on foreign exchange	(3,637)	(60,588)
	<b>114,252</b>	<b>58,830</b>

As at December 31, 2019, the Company had contracted to buy 1,000,000 U.S Dollars, and sell 1,215,000 U.S Dollars.

For the three months ended December 31, 2019, there is an unrealized gain on foreign exchange of \$56,951 (2018 - \$245,689 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 December 31, 2019 (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**

	December 31, 2019	September 30, 2019
Trade payables	968,672	543,142
Government remittances	46,222	54,350
Accrued liabilities	107,441	180,541
Tenants deposits	19,914	19,914
	<b>1,142,249</b>	<b>797,947</b>

## 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 \$10,522 comprising principal and interest at a fixed rate of 3.64% per annum, amortized over a fifteen-year period ending February 28, 2032, maturing March 5, 2020 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.

Management expects to repay the balance totaling \$1,238,268 over the next twelve 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.

Three months ended December 31, 2019	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	1,129,707	1,435,051	32,083	-	2,596,841
Inter-segment	7,500	462,205	40,585	(510,290)	-
<b>Total Revenue</b>	<b>1,137,207</b>	<b>1,897,256</b>	<b>72,668</b>	<b>(510,290)</b>	<b>2,596,841</b>
Earnings (loss) before income taxes	113,621	15,165	13,805	(70,799)	71,792

Three months ended December 31, 2018	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	1,304,322	1,141,959	25,600	-	2,471,881
Inter-segment	3,600	61,200	40,205	(105,005)	-
<b>Total Revenue</b>	<b>1,307,922</b>	<b>1,203,159</b>	<b>65,805</b>	<b>(105,005)</b>	<b>2,471,881</b>
Earnings (loss) before income taxes	(405,655)	(169,334)	2,753	(54,918)	(627,154)

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

Three months ended December 31,	2019	2018
External sales revenue		
Canada	538,199	693,141
United States	1,011,891	1,031,787
United Kingdom	27,010	170,150
Southeast Asia and other	1,019,741	576,803
<b>Total</b>	<b>2,596,841</b>	2,471,881

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 attributable to iFabric Corp.'s shareholders for the three months ended December 31, 2019 of \$53,810 (loss of \$557,122 for the three months ended December 31, 2018). The number of shares used in the loss per share calculation is as follows:

Three months ended December 31,	2019	2018
Weighted average number of shares outstanding - basic	26,209,500	26,209,500
Dilutive effect of options	490,592	838,602
<b>Weighted average number of shares outstanding - diluted</b>	<b>26,700,092</b>	<b>27,048,102</b>

For the three months ended December 31, 2019, 800,000 options were excluded from the calculation of diluted loss per share as these instruments were deemed to be anti-dilutive. For the three months ended December 31, 2018, 800,000 options were excluded from the calculation of diluted loss per share as these instruments were deemed to be anti-dilutive.

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

Authorized: Unlimited number of common shares

	Number of common shares	Common share capital
<b>Balance at September 30, 2019 and December 31, 2019</b>	<b>26,209,500</b>	<b>2,963,824</b>

	Number of common shares	Common share capital
<b>Balance at September 30, 2018 and December 31, 2018</b>	<b>26,209,500</b>	<b>2,963,824</b>

**(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
<b>Balance at September 30, 2019 and December 31, 2019</b>	<b>1,885,250</b>	<b>1.31</b>

	Number of stock options	Weighted average exercise price
Balance at September 30, 2018	1,860,250	1.32
Granted, during the period	75,000	1.80
Expired, during the period	(50,000)	2.40
<b>Balance at December 31, 2018</b>	<b>1,885,250</b>	<b>1.31</b>

**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 December 31, 2019, 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	1.75	1.80	75,000	1.80
January 16, 2023	1,085,250	3.04	0.40	1,085,250	0.40
April 1, 2024	75,000	4.25	4.15	75,000	4.15
May 6, 2025	100,000	5.35	2.70	100,000	2.70
June 5, 2027	550,000	7.43	2.40	400,000	2.40
	<b>1,885,250</b>	<b>4.44</b>	<b>1.31</b>	<b>1,735,250</b>	<b>1.22</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 December 31, 2019</b>	-	5.25

	Number of warrants	Weighted average exercise price
Balance, September 30, 2018	(203,625)	5.25
Expired	203,625	5.25
<b>Balance, December 31, 2018</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 have been no significant changes in the Company's risk exposures during the three months ended December 31, 2019 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2019.