



**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**



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**NOTICE TO READER**

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

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

As at	March 31, 2018	September 30, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	4,352,233	668,425
Accounts receivable (note 4)	2,976,432	5,695,362
Inventories (note 5)	3,298,613	3,909,807
Prepaid expenses and deposits (note 6)	355,478	254,078
Foreign exchange forward contracts (note 7)	20,902	112,533
<b>Total current assets</b>	<b>11,003,658</b>	<b>10,640,205</b>
<b>Non-current assets</b>		
Due from related parties (note 8)	123,000	123,000
Property, plant and equipment	2,844,364	2,873,632
Deferred development costs	194,510	275,241
Deferred income taxes	609,600	757,400
Goodwill	55,050	55,050
<b>Total non-current assets</b>	<b>3,826,524</b>	<b>4,084,323</b>
<b>Total assets</b>	<b>14,830,182</b>	<b>14,724,528</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 9)	-	774,908
Accounts payable and accrued liabilities (note 10)	960,985	1,112,078
Income taxes payable	496,369	675,645
Current portion of deferred revenue	39,300	39,300
Current portion due to related parties	25,209	91,620
Bank loan payable (note 11)	1,375,570	1,681,944
<b>Total current liabilities</b>	<b>2,897,433</b>	<b>4,375,495</b>
<b>Non-current liabilities</b>		
Deferred revenue	111,350	131,000
Due to related parties	465,956	455,544
<b>Total non-current liabilities</b>	<b>577,306</b>	<b>586,544</b>
<b>Total liabilities</b>	<b>3,474,739</b>	<b>4,962,039</b>
<b>Commitments (note 15)</b>		
<b>EQUITY</b>		
<b>Equity attributable to iFabric Corp. shareholders</b>		
Capital stock (note 14)	2,935,376	2,929,331
Reserves	2,518,019	2,430,687
Retained earnings	5,712,521	4,390,964
Accumulated other comprehensive earnings (loss)	178,561	-
<b>Total equity attributable to iFabric Corp. shareholders</b>	<b>11,344,477</b>	<b>9,750,982</b>
<b>Non-controlling interest</b>	<b>10,966</b>	<b>11,507</b>
<b>Total equity</b>	<b>11,355,443</b>	<b>9,762,489</b>
<b>Total liabilities and equity</b>	<b>14,830,182</b>	<b>14,724,528</b>

Approved on behalf of the Board of Directors on May 14, 2018:

"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	
	2018	2017	2018	2017
<b>REVENUE</b>	<b>4,201,249</b>	4,255,192	<b>9,338,021</b>	7,357,311
<b>COST OF SALES</b>	<b>2,104,336</b>	2,172,277	<b>4,653,913</b>	4,127,310
<b>GROSS PROFIT</b>	<b>2,096,914</b>	2,082,915	<b>4,684,107</b>	3,230,001
<b>EXPENSES</b>				
Selling, general and administrative costs	<b>1,364,103</b>	1,336,191	<b>2,641,014</b>	2,546,237
Interest on operating line	-	8,172	<b>9,395</b>	18,050
Interest on long-term debt	<b>15,534</b>	27,673	<b>32,178</b>	41,851
Amortization of property, plant and equipment	<b>16,548</b>	15,558	<b>33,097</b>	28,061
Amortization of deferred development costs	<b>40,366</b>	40,366	<b>80,732</b>	80,732
	<b>1,436,552</b>	1,427,960	<b>2,796,415</b>	2,714,931
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>660,362</b>	654,955	<b>1,887,693</b>	515,070
<b>OTHER EXPENSES (INCOME)</b>				
Share-based compensation	<b>44,494</b>	16,101	<b>89,977</b>	32,560
Loss (gain) on foreign exchange	<b>25,282</b>	(8,545)	<b>(91,762)</b>	(12,950)
	<b>69,776</b>	7,556	<b>(1,785)</b>	19,610
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>590,585</b>	647,399	<b>1,889,478</b>	495,460
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>				
Current	<b>194,828</b>	81,440	<b>420,662</b>	95,788
Deferred	<b>25,697</b>	82,000	<b>147,800</b>	39,000
	<b>220,525</b>	163,440	<b>568,462</b>	134,788
<b>NET EARNINGS (LOSS)</b>	<b>370,060</b>	483,959	<b>1,321,016</b>	360,672
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>				
iFabric Corp. shareholders	<b>371,076</b>	488,321	<b>1,321,556</b>	362,946
Non-controlling interest	<b>(1,016)</b>	(4,362)	<b>(541)</b>	(2,274)
	<b>370,060</b>	483,959	<b>1,321,016</b>	360,672
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>				
Unrealized gain on translation of foreign operations	<b>165,254</b>	-	<b>178,561</b>	-
<b>TOTAL COMPREHENSIVE EARNINGS (LOSS)</b>	<b>535,314</b>	<b>483,959</b>	<b>1,499,577</b>	<b>360,672</b>
<b>EARNINGS (LOSS) PER SHARE (note 13)</b>				
Basic	<b>0.014</b>	0.019	<b>0.051</b>	0.014
Diluted	<b>0.014</b>	0.018	<b>0.048</b>	0.013

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**iFABRIC CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

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

	Attributable to iFabric Corp. shareholders							Non-controlling interest	Total equity
	Reserves				Retained earnings	Accumulated Other Comprehensive Earnings (Loss)	Total		
	Capital stock	Contributed surplus	Warrants	Options					
Balance at September 30, 2017	2,929,331	125,568	579,293	1,725,826	4,390,964	-	9,750,982	11,507	<b>9,762,489</b>
Total comprehensive earnings (loss)	-	-	-	-	1,321,556	178,561	1,500,117	(541)	<b>1,499,577</b>
Exercise of options	6,045	-	-	(2,645)	-	-	3,400	-	<b>3,400</b>
Share-based compensation	-	-	-	89,977	-	-	89,977	-	<b>89,977</b>
<b>Balance at March 31, 2018</b>	<b>2,935,376</b>	<b>125,568</b>	<b>579,293</b>	<b>1,813,158</b>	<b>5,712,521</b>	<b>178,561</b>	<b>11,344,477</b>	<b>10,966</b>	<b>11,355,443</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, 2016	2,807,538	-	704,861	1,331,717	2,793,894	-	7,638,010	18,655	<b>7,656,665</b>
Total comprehensive earnings (loss)	-	-	-	-	362,946	-	362,946	(2,274)	<b>360,672</b>
Expiry of warrants	-	125,568	(125,568)	-	-	-	-	-	-
Exercise of options	4,445	-	(1,945)	-	-	-	2,500	-	<b>2,500</b>
Share-based compensation	-	-	-	32,560	-	-	32,560	-	<b>32,560</b>
<b>Balance at March 31, 2017</b>	<b>2,811,983</b>	<b>125,568</b>	<b>577,348</b>	<b>1,364,277</b>	<b>3,156,840</b>	<b>-</b>	<b>8,036,016</b>	<b>16,381</b>	<b>8,052,397</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,	2018	2017
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Total comprehensive earnings (loss)	1,499,577	360,672
Items not affecting cash		
Amortization of property, plant and equipment	33,097	28,061
Amortization of deferred development costs	80,732	80,732
Fair value adjustment on foreign exchange forward contracts	(76,515)	43,700
Share-based compensation	89,977	32,560
Deferred income tax provision (recovery)	147,800	39,000
	<b>1,774,666</b>	<b>584,725</b>
Changes in operating assets and liabilities		
Accounts receivable	2,718,930	(104,508)
Inventories	611,194	127,398
Prepaid expenses and deposits	(101,400)	(181,501)
Foreign exchange forward contracts	168,146	(1,092)
Accounts payable and accrued liabilities	(151,093)	(518,686)
Deferred revenue	(19,650)	189,950
Income taxes payable	(179,276)	88,865
	<b>3,046,850</b>	<b>(399,574)</b>
	<b>4,821,517</b>	<b>185,151</b>
<b>FINANCING ACTIVITIES</b>		
Bank operating line	(774,908)	(289,462)
Due to related parties	(55,999)	(237,722)
Proceeds from bank loan	-	350,000
Repayment of bank loan	(306,374)	(59,723)
Share issuances	3,400	2,500
	<b>(1,133,881)</b>	<b>(234,407)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,827)	(8,784)
	<b>(3,827)</b>	<b>(8,784)</b>
<b>CHANGE IN CASH POSITION</b>	<b>3,683,808</b>	<b>(58,041)</b>
<b>CASH, beginning of period</b>	<b>668,425</b>	<b>1,260,213</b>
<b>CASH, end of period</b>	<b>4,352,233</b>	<b>1,202,172</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 and sleepwear, as well as a range of complimenting accessories. The Company is also in the business developing and distributing a range of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces. 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, 2017. Certain comparative figures have been reclassified to conform to the current year's presentation.

**(b) 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 60%-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.

**(c) 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.

**(d) 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, 2017.

**(e) Functional and presentation currency**

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

Effective October 1, 2017, the Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., changed their functional currency to United States Dollars given the increasing prevalence of United States Dollar denominated transactions in their operations. The change in functional currency from Canadian dollars to US dollars is accounted for prospectively from October 1, 2017.

The results and financial position of the abovementioned Companies 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.

**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, 2017 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

**(a) Future changes to accounting standards**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on January 1, 2018 or later periods. The standards implemented or impacted that are applicable to the company are as follows:

- i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The IASB amended IFRS 9 in November 2013 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The standard is not expected to have a significant impact on the Company's accounting for financial instruments.
- ii) IFRS 15, 'Revenue From Contracts With Customers' was issued in May 2014. The standard provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers except for those that fall within the scope of IAS 17, 'Leases' or other applicable IFRS. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of IFRS 15 is not expected to have a significant impact on the Company's accounting for revenue and the Company is currently assessing when to adopt IFRS 15.
- iii) IFRS 16, 'Leases', was published in January 2016, replacing IAS 17, 'Leases', and related interpretations. 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. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

**4. ACCOUNTS RECEIVABLE**

	March 31, 2018	September 30, 2017
Trade receivables	2,992,708	5,707,294
Allowance for doubtful accounts	(4,285)	(4,285)
Allowance for discounts and rebates	(17,592)	(25,092)
Other	5,601	17,445
	<b>2,976,432</b>	<b>5,695,362</b>

**5. INVENTORIES**

Inventories represent the carrying amount of merchandise for resale. During the six months ended March 31, 2018, the amount of inventories charged to net earnings was \$4,045,750 (2017 - \$3,815,711) and the amount of inventory write-downs were \$0 (2017 - \$81,344). There were no reversals of prior period write-downs of inventory.

**6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2018	September 30, 2017
Prepaid expenses and other assets	118,089	112,818
Deposits paid to suppliers	237,389	141,260
	<b>355,478</b>	<b>254,078</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:

	March 31, 2018	September 30, 2017
Margin balance – cash deposit	76,627	74,917
Mark to market variance – gain (loss) on foreign exchange	(55,725)	37,616
	<b>20,902</b>	<b>112,533</b>

As at March 31, 2018, the Company had contracted to sell 100,000 British Pounds Sterling and sell 1,850,000 U.S. Dollars.

For the six months ended March 31, 2018, there is an unrealized loss on foreign exchange of \$76,515 (2017 - \$43,700 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 of 1% per annum and is repayable in full by May 5, 2024.



**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 (September 30, 2017 - \$3,500,000), against which \$0 was outstanding as at March 31, 2018 (September 30, 2017 - \$774,908). 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, 2018	September 30, 2017
Trade payables	780,456	894,261
Government remittances	27,374	49,040
Accrued liabilities	144,308	159,930
Tenants deposits	8,847	8,847
	<b>960,985</b>	<b>1,112,078</b>

**11. BANK LOAN**

One of the Company's subsidiaries has a non-revolving demand 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.

Notwithstanding the fact that this is a demand loan, and classified as a current liability, management expects to pay solely the minimum monthly payments, totaling \$126,264 over the next twelve months.

Estimated principal repayments are as follows:

2018	38,386
2019	78,896
2020	1,258,289
	<b>1,375,570</b>

**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, sleepwear 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. 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, 2018</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	6,845,316	2,441,505	51,200	-	<b>9,338,021</b>
Inter-segment	3,600	78,616	83,152	(165,368)	-
<b>Total Revenue</b>	<b>6,848,916</b>	<b>2,520,121</b>	<b>134,352</b>	<b>(165,368)</b>	<b>9,338,021</b>
Earnings (loss) before income taxes	1,273,822	649,314	(8)	(33,650)	<b>1,889,478</b>

<b>Six months ended March 31, 2017</b>	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	<b>Consolidated</b>
Revenue					
Third party	4,808,434	2,497,677	51,200	-	<b>7,357,311</b>
Inter-segment	-	121,261	84,718	(205,979)	-
<b>Total Revenue</b>	<b>4,808,434</b>	<b>2,618,938</b>	<b>135,918</b>	<b>(205,979)</b>	<b>7,357,311</b>
Earnings (loss) before income taxes	486,470	47,365	(8,984)	(29,391)	<b>495,460</b>

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

<b>Six months ended March 31,</b>	<b>2018</b>	2017
External sales revenue		
Canada	<b>391,705</b>	453,254
United States	<b>6,028,484</b>	4,055,577
United Kingdom	<b>485,145</b>	526,429
Southeast Asia and other	<b>2,432,687</b>	2,322,051
<b>Total</b>	<b>9,338,021</b>	7,357,311

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 and six months ended March 31, 2018 of \$371,076 and \$1,321,556, respectively (earnings of \$488,321 and \$362,946 for the three and six months ended March 31, 2017, respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended March 31,	Three months		Six months	
	2018	2017	2018	2017
Weighted average number of shares outstanding - basic	26,166,667	25,982,417	26,163,802	25,990,128
Dilutive effect of options	1,164,198	1,087,167	1,166,707	1,098,319
Weighted average number of shares outstanding - diluted	27,330,865	27,069,584	27,330,509	27,088,447

For the three and six months ended March 31, 2018, 150,000 options and 203,625 warrants were excluded from the calculation of diluted earnings per share as these instruments were deemed to be anti-dilutive. For the three and six months ended March 31, 2017, 325,000 options and 203,625 warrants were excluded from the calculation of diluted earnings 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
Balance at September 30, 2017	26,161,000	2,929,331
Shares issued pursuant to exercise of stock options	8,500	3,400
Ascribed value credited to share capital on exercise of options	-	2,645
Balance at March 31, 2018	26,169,500	2,935,376

	Number of common shares	Common share capital
Balance at September 30, 2016	25,989,750	2,807,538
Shares issued pursuant to exercise of stock options	6,250	2,500
Ascribed value credited to share capital on exercise of options	-	1,945
Balance at March 31, 2017	25,996,000	2,811,983

**14. CAPITAL STOCK, continued****(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, 2017	2,058,750	1.46
Exercised	(8,500)	0.40
Balance at March 31, 2018	2,050,250	1.46

  

	Number of stock options	Weighted average exercise price
Balance at September 30, 2016	1,630,000	1.00
Exercised	(6,250)	0.40
Balance at March 31, 2017	1,623,750	1.00

As of March 31, 2018, 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
September 17, 2018	75,000	0.46	2.90	75,000	2.90
January 16, 2023	1,125,250	4.79	0.40	1,125,250	0.40
April 1, 2024	150,000	6.00	4.15	150,000	4.15
May 6, 2025	100,000	7.10	2.70	100,000	2.70
June 5, 2027	600,000	9.18	2.40	300,000	2.40
	<b>2,050,250</b>	<b>6.12</b>	<b>1.46</b>	<b>1,750,250</b>	<b>1.30</b>

**(c) Warrants**

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

	Number of warrants	Weighted average exercise price
Balance, September 30, 2017 and March 31, 2018	203,625	5.25

  

	Number of warrants	Weighted average exercise price
Balance, September 30, 2016	232,133	5.10
Expired	(28,508)	4.00
Balance, March 31, 2017	203,625	5.25

**14. CAPITAL STOCK, continued****(c) Warrants, continued**

The following table summarizes warrants outstanding as of March 31, 2018:

Expiry date	Number of warrants	Weighted average exercise price
December 13, 2018 (i)	203,625	5.25

(i) On November 10, 2017, the Company announced that the TSX had consented to the extension of the time to exercise shareholder warrants previously issued on December 13, 2013. A total of 203,625 shareholder warrants issued as part of a brokered private placement on December 13, 2013, were due to expire on December 13, 2017, and had been extended to expire on December 13, 2018. The amendment to the expiry date of these warrants became effective 10 business days following the date of the news release, being November 24, 2017. Each shareholder warrant entitles the holder to acquire one common share of the Company at an exercise price of \$5.25 per share. All warrant holders are arm's length to the Company.

**15. 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 periods ending December 31, 2018, 2019 and 2020 in U.S. dollar amounts of \$168,000, \$175,000 and \$187,000, 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, 2020.

**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 six months ended March 31, 2018 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2017.