



iFABRIC CORP.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

JUNE 30, 2016

(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	June 30, 2016	September 30, 2015
ASSETS		
Current assets		
Cash	768,001	852,016
Accounts receivable (note 4)	1,796,931	2,143,066
Inventories (note 5)	3,893,952	4,706,426
Prepaid expenses and deposits (note 6)	348,775	327,781
Foreign exchange forward contracts (note 7)	100,477	37,686
Total current assets	6,908,136	8,066,975
Non-current assets		
Property, plant and equipment (note 8)	2,756,910	2,487,880
Deferred development costs	477,074	598,171
Deferred income taxes	846,300	720,283
Goodwill	55,050	55,050
Total non-current assets	4,135,334	3,861,384
Total assets	11,043,470	11,928,359
LIABILITIES		
Current liabilities		
Bank indebtedness (note 9)	503,925	-
Accounts payable and accrued liabilities (note 10)	832,201	1,846,835
Income taxes payable	189,443	429,367
Current portion due to related parties	167,580	250,839
Current portion of loan payable	120,000	120,000
Total current liabilities	1,813,149	2,647,041
Non-current liabilities		
Due to related parties	563,809	548,893
Loan payable (note 11)	1,080,578	860,000
Total non-current liabilities	1,644,387	1,408,893
Total liabilities	3,457,536	4,055,934
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 14)	2,771,978	2,743,530
Warrants (note 14)	704,861	704,861
Options (note 14)	1,330,818	1,241,323
Retained earnings	2,761,148	3,167,871
Total equity attributable to iFabric Corp. shareholders	7,568,805	7,857,585
Non-controlling interest	17,129	14,840
Total equity	7,585,934	7,872,425
Total liabilities and equity	11,043,470	11,928,359

Approved on behalf of the Board of Directors on August 10, 2016:

"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 June 30,	Three months		Nine months	
	2016	2015	2016	2015
REVENUE	2,999,317	3,700,502	9,400,354	9,994,384
COST OF SALES	1,580,985	1,532,773	4,695,361	4,751,495
GROSS PROFIT	1,418,332	2,167,728	4,704,993	5,242,889
EXPENSES				
Selling, general and administrative costs	1,429,914	1,478,359	4,744,653	4,391,162
Interest on operating line	7,532	4,009	18,754	16,187
Interest on long-term debt	6,586	10,529	25,476	33,049
Amortization of property, plant and equipment	21,182	9,783	38,597	29,349
Amortization of deferred development costs	40,365	40,366	121,097	121,097
	1,505,579	1,543,046	4,948,577	4,590,844
EARNINGS (LOSS) FROM OPERATIONS	(87,247)	624,683	(243,584)	652,045
OTHER EXPENSES (INCOME)				
Share-based compensation	16,280	232,754	101,943	442,130
Loss (gain) on foreign exchange	52,277	7,156	176,619	(244,396)
	68,557	239,910	278,562	197,734
EARNINGS (LOSS) BEFORE INCOME TAXES	(155,804)	384,773	(522,146)	454,311
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	2,818	219,212	8,304	429,457
Deferred	(36,660)	(43,200)	(126,017)	(151,400)
	(33,842)	176,012	(117,713)	278,057
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)	(121,962)	208,761	(404,433)	176,254
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	(121,653)	206,806	(406,723)	172,234
Non-controlling interest	(309)	1,955	2,290	4,020
	(121,962)	208,761	(404,433)	176,254
EARNINGS (LOSS) PER SHARE (note 13)				
Basic	(0.005)	0.008	(0.016)	0.007
Diluted	(0.005)	0.008	(0.016)	0.006

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
	Capital stock	Warrants	Options	Retained earnings	Accumulated other comprehensive income	Total		
Balance at September 30, 2015	2,743,530	704,861	1,241,323	3,167,871	-	7,857,585	14,840	7,872,425
Total comprehensive earnings	-	-	-	(406,723)	-	(406,723)	2,289	(404,434)
Exercise of options	28,448	-	(12,448)	-	-	16,000	-	16,000
Share-based compensation	-	-	101,943	-	-	101,943	-	101,943
Balance at June 30, 2016	2,771,978	704,861	1,330,818	2,761,148	-	7,568,805	17,129	7,585,934

	Attributable to iFabric Corp. shareholders						Non-controlling interest	Total equity
	Capital stock	Warrants	Options	Retained earnings	Accumulated other comprehensive income	Total		
Balance at September 30, 2014	2,722,194	704,861	757,308	3,277,708	-	7,462,071	12,210	7,474,281
Total comprehensive earnings (loss)	-	-	-	172,234	-	172,234	4,020	176,254
Exercise of options	21,336	-	(9,336)	-	-	12,000	-	12,000
Share-based compensation	-	-	442,130	-	-	442,130	-	442,130
Balance at June 30, 2015	2,743,530	704,861	1,190,102	3,449,942	-	8,088,435	16,230	8,104,665

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 period ended June 30,	Nine months	
	2016	2015
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Total comprehensive earnings (loss)	(404,433)	176,254
Items not affecting cash		
Amortization of property, plant and equipment	38,597	29,349
Amortization of deferred development costs	121,097	121,097
Fair value adjustment on foreign exchange forward contracts	(65,359)	10,168
Share-based compensation	101,943	442,130
Deferred income tax recovery	(126,017)	(151,400)
	(334,172)	627,598
Change in non-cash operating working capital items		
Accounts receivable	346,135	(611,682)
Inventories	812,474	681,749
Prepaid expenses and deposits	(20,994)	(61,684)
Foreign exchange forward contracts	2,568	40,000
Accounts payable and accrued liabilities	(1,014,634)	(820,300)
Income taxes payable	(239,925)	357,661
	(114,376)	(414,256)
	(448,548)	213,342
FINANCING ACTIVITIES		
Bank operating line	503,925	(93,600)
Due to related parties	(68,343)	(177,101)
Proceeds from bank loan (note 11)	280,578	-
Repayment of bank loan (note 11)	(60,000)	(90,000)
Share issuances (note 14)	16,000	12,000
	672,160	(348,701)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(315,567)	-
Proceeds from disposal of property, plant and equipment	7,940	-
	(307,627)	-
CHANGE IN CASH POSITION	(84,015)	(135,359)
CASH, beginning of period	852,016	1,006,385
CASH, end of period	768,001	871,026

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 of 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, 2015. 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 its wholly-owned subsidiaries Coconut Grove Pads Inc., Intelligent Fabric Technologies (North America) Inc., which includes the consolidated accounts of its wholly-owned subsidiary Intelligent Fabric Technologies Inc., a U.S. company, and CG Intimates Inc., a U.S. company. It also includes the accounts of 2074160 Ontario Inc., which is a 60% owned subsidiary.

(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, 2015.

(e) Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

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, 2015 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, 2016 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 starting 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 an impact on the Company's accounting for financial instruments and the Company has not yet decided when to adopt IFRS 9.
- 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 an impact on the Company's accounting for revenue and the Company is currently assessing when to adopt IFRS 15.
- iii) 'Annual Improvements to IFRSs 2012-2014 Cycle' was approved by the IASB in September 2014. These improvements included amendments to a number of IFRSs as a result of the annual improvements project. The revised rules are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company expects there to be no impact or adjustments necessary as a result of applying the revised rules.

4. ACCOUNTS RECEIVABLE

	June 30, 2016	September 30, 2015
Trade receivables	1,973,590	2,220,276
Allowance for doubtful accounts	(14,057)	(9,791)
Allowance for discounts and rebates	(166,660)	(92,000)
Other	4,058	24,581
	1,796,931	2,143,066

5. INVENTORIES

Inventories represent the carrying amount of merchandise for resale. During the nine months ended June 30, 2016, the amount of inventories charged to net earnings was \$3,794,798 (2015 - \$3,666,149) and the amount of inventory write-downs were \$130,958 (2015 - \$78,154). There were no reversals of prior period write-downs of inventory.

6. PREPAID EXPENSES AND DEPOSITS

	June 30, 2016	September 30, 2015
Prepaid expenses and other assets	108,743	52,245
Deposits paid to suppliers	240,032	275,536
	348,775	327,781

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, 2016	September 30, 2015
Margin balance – cash deposit	77,502	80,070
Mark to market variance – gain (loss) on foreign exchange	22,975	(42,384)
	100,477	37,686

As at June 30, 2016, the Company had contracted to sell \$700,000 U.S Dollars (“USD”) and had contracted to sell £200,000 British Pound Sterling (“GBP”).

For the nine months ended June 30, 2016, there is a gain on foreign exchange of \$65,359 (2015 - \$10,168 loss) recognized in net earnings (loss), with respect to changes in fair value of the Company’s foreign exchange forward contracts.

8. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2016		
	Cost	Accumulated amortization	Net
Land and buildings	2,876,195	268,301	2,607,894
Computer and office equipment	308,125	164,708	143,417
Factory machinery	553,572	547,973	5,599
	3,737,892	980,982	2,756,910

	September 30, 2015		
	Cost	Accumulated amortization	Net
Land and buildings	2,700,813	246,027	2,454,786
Computer and office equipment	167,940	150,074	17,866
Factory machinery	561,512	546,284	15,228
	3,430,265	942,385	2,487,880

9. CREDIT FACILITIES

One of the Company's subsidiaries has a demand operating loan with a tier one Canadian bank available to a maximum of \$2,000,000, against which \$503,925 was outstanding as at June 30, 2016 (September 30, 2015 - nil). The loan facility bears interest at the bank's prime lending rate plus 1.75%. 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 General Security Agreements covering all the assets of two subsidiary companies, their accounts receivable insurance, an assignment of their fire insurance, and a guarantee in the amount of \$1,000,000 from a third subsidiary of the Company. In addition, the Company has credit card facilities amounting to \$50,000 Canadian dollars and \$25,000 U.S. dollars, which are subject to the same security arrangements.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2016	September 30, 2015
Trade payables	561,051	1,604,001
Government remittances	89,541	76,643
Accrued liabilities	172,762	157,344
Tenants deposits	8,847	8,847
	832,201	1,846,835

11. LOAN PAYABLE

	June 30, 2016	September 30, 2015
Bank loan (i)	1,200,578	980,000
Less current portion	120,000	120,000
Due beyond one year	1,080,578	860,000

(i) Bank loan, payable in monthly principal payments of \$10,000 plus interest, bearing interest at the bank's variable interest rate (3.95% as of June 30, 2016), due on September 1, 2028 and secured by a first readvanceable mortgage on the land and building described in note 8, a general security agreement over all assets of Coconut Grove Pads Inc., subject to priority on inventories and accounts receivable to the lender described in note 9, a general assignment of rents, as well as a guarantee from Intelligent Fabric Technologies (North America) Inc.

On May 6, 2016, the Company's subsidiary companies, Coconut Grove Pads Inc., Coconut Grove Textiles Inc., and 2074160 Ontario Inc., collectively entered into an agreement with the lender above, in terms of which the existing secured loan with the lender would increase by an amount of up to \$560,000. Proceeds from the readvancement are to be utilized to renovate and refit the Company's premises located in Markham, Ontario. As of June 30, 2016, there was an undisbursed balance of \$289,422 to be utilized for renovations in process.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

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.

Nine months ended June 30, 2016	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	8,385,119	924,361	90,874	-	9,400,354
Inter-segment	19,800	64,478	124,788	(209,066)	-
Total Revenue	8,404,919	988,839	215,662	(209,066)	9,400,354
Earnings (loss) before income taxes	28,893	(622,224)	10,737	60,448	(522,146)

Nine months ended June 30, 2015	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	9,332,081	589,743	72,560	-	9,994,384
Inter-segment	27,000	-	123,296	(150,296)	-
Total Revenue	9,359,081	589,743	195,856	(150,296)	9,994,384
Earnings (loss) before income taxes	1,579,113	(871,375)	16,693	(270,120)	454,311

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

Nine months Ended June 30,	2016	2015
External sales revenue		
Canada	527,286	766,374
United States	7,467,187	7,862,488
United Kingdom	1,034,666	957,468
Other	371,215	408,054
Total	9,400,354	9,994,384

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 loss attributable to iFabric Corp.'s shareholders for the three and nine months ended June 30, 2016 of \$121,653 and \$406,723, respectively (2015 - earnings of \$206,806 and \$172,234 respectively). The number of shares used in the earnings (loss) per share calculation is as follows:

Period ended June 30,	Three months		Nine months	
	2016	2015	2016	2015
Weighted average number of shares outstanding - basic	25,930,739	25,899,750	25,917,925	25,895,025
Dilutive effect of options	-	1,182,175	-	1,225,532
Weighted average number of shares outstanding - diluted	25,930,739	27,081,925	25,917,925	27,120,557

For the three months ended June 30, 2016, 1,680,000 options and 232,133 warrants were excluded from the calculation of diluted earnings (loss) per share as these instruments were deemed to be anti-dilutive (2015 – 325,000 options and 232,133 warrants were excluded). For the nine months ended June 30, 2016, 1,680,000 options and 232,133 warrants were excluded from the calculation of diluted earnings (loss) per share as these instruments were deemed to be anti-dilutive (2015 – 250,000 options and 232,133 warrants were excluded).

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, 2015	25,899,750	2,743,530
Shares issued pursuant to exercise of stock options	40,000	16,000
Ascribed value credited to share capital on exercise of options	-	12,448
Balance at June 30, 2016	25,939,750	2,771,978

	Number of common shares	Common share capital
Balance at September 30, 2014	25,869,750	2,722,194
Shares issued pursuant to exercise of stock options	30,000	12,000
Ascribed value credited to share capital on exercise of options	-	9,336
Balance at June 30, 2015	25,899,750	2,743,530

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, 2015	1,720,000	0.97
Exercised	(40,000)	0.40
Balance at June 30, 2016	1,680,000	0.98

	Number of stock options	Weighted average exercise price
Balance at September 30, 2014	1,650,000	0.85
Granted (i)	100,000	2.70
Exercised	(30,000)	0.40
Balance at June 30, 2015	1,720,000	0.97

- (i) On May 6, 2015, 100,000 stock options were issued to a Director of the Company. Each option entitles the holder to acquire one common share of the Company at a price of \$2.70 and is exercisable for a period of 10 years from the grant date. The options vest immediately. Share-based compensation expense based on the fair value of the options had been estimated at \$180,980 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0.00%
Expected volatility	58%
Risk-free interest rate	1.73%
Expected maturity	10 years

As of June 30, 2016, 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	2.21	2.90	75,000	2.90
January 16, 2023	1,355,000	6.54	0.40	1,355,000	0.40
April 1, 2024	150,000	7.75	4.15	100,000	4.15
May 6, 2025	100,000	8.85	2.70	100,000	2.70
	1,680,000	6.59	0.98	1,630,000	0.89

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

The following table summarizes warrants outstanding as of June 30, 2016:

Expiry date	Number of warrants	Weighted average exercise price
December 13, 2016	203,625	5.25
December 13, 2016	28,508	4.00
	232,133	5.10

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) Effective January 1, 2015, the Company entered into a worldwide license agreement for 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 contract periods ending December 31, 2015, 2016, 2017, and 2018 in U.S. dollar amounts of \$131,000, \$190,000, \$288,000, and \$368,000, 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, 2018.

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, 2016 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2015.