iFabric Corp.

IFABRIC CORP.

CONSOLIDATED
FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

CONTENTS

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Independent Auditor's Report

To the Shareholders of iFabric Corp.

Opinion

We have audited the consolidated financial statements of iFabric Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Crolla.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
December 23, 2020

IFABRIC CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at	September 30, 2020	September 30, 2019
ASSETS		
Current assets		
Cash	1,160,428	2,287,548
Accounts receivable (note 4)	4,442,787	2,358,120
Inventories (note 5)	3,138,128	2,752,089
Income taxes recoverable	265,982	299,640
Prepaid expenses and deposits (note 6)	4,106,986	256,976
Foreign exchange forward contracts (note 7)	126,994	58,830
Total current assets	13,241,305	8,013,203
Non-current assets		
Due from related parties (note 8)	112,248	112,248
Property, plant and equipment (note 9)	2,744,875	2,799,103
Right-of-use assets (note 10)	61,735	-
Deferred development costs (note 11)	258,478	107,279
Deferred income taxes (note 12)	1,040,400	896,919
Goodwill	55,050	55,050
Total non-current assets	4,272,786	3,970,599
Total assets	17,514,091	11,983,802
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	1,771,983	797,947
Customer deposits	3,909,093	-
Income taxes payable	324,775	13,114
Deferred revenue	57,770	-
Current portion of contract liability	165,611	168,795
Current portion of lease liability	30,037	-
Current portion due to related parties (note 15)	38	263
Current portion of bank loan payable (note 16)	1,259,783	1,258,351
Total current liabilities	7,519,090	2,238,470
Non-current liabilties		
Non-current portion of contract liability	122,560	-
Non-current portion of lease liability	25,398	-
Due to related parties (note 15)	502,172	476,747
Total non-current liabilities	650,130	476,747
Total liabilities	8,169,220	2,715,217
Commitments (note 24)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 22)	3,282,276	2,963,824
Reserves	2,768,217	2,293,619
Retained earnings	3,243,227	3,860,997
Accumulated other comprehensive earnings	46,146	138,199
Total equity attributable to iFabric Corp. shareholders	9,339,866	9,256,639
Non-controlling interest	5,005	11,946
Total equity	9,344,871	9,268,585
Total liabilities and equity	17,514,091	11,983,802

Approved on behalf of the Board of Directors on December 23, 2020:

"Hylton Karon"
Director

"Hilton Price"
Director

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

IFABRIC CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the year ended September 30,	2020	2019
REVENUE	11,521,676	10,435,348
COST OF SALES	7,220,724	6,687,652
GROSS PROFIT	4,300,952	3,747,696
EXPENSES		
Selling, general and administrative costs (note 18)	4,797,835	5,118,744
Interest on bank loan	42,746	47,361
Amortization of property, plant and equipment and right-of-use assets	87,865	66,808
Amortization of deferred development costs	26,820	43,884
Share-based compensation	581,550	120,928
	5,536,816	5,397,725
LOSS FROM OPERATIONS	(1,235,864)	(1,650,029)
OTHER EXPENSES (INCOME)		
Gain on foreign exchange	(229,495)	(46,400)
Government grants (note 3r)	(296,970)	-
Loss on disposal of capital assets	-	14,579
	(526,465)	(31,821)
LOSS BEFORE INCOME TAXES	(709,399)	(1,618,208)
PROVISION (RECOVERY) OF INCOME TAXES (note 20)		
Current	58,793	(245,761)
Deferred	(143,481)	(75,767)
	(84,688)	(321,528)
NET LOSS	(624,711)	(1,296,680)
NET (LOSS) INCOME ATTRIBUTABLE TO:		
iFabric Corp. shareholders	(617,770)	(1,299,863)
Non-controlling interest	(6,941)	3,183
	(624,711)	(1,296,680)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on translation of foreign operations	(92,053)	(44,204)
TOTAL COMPREHENSIVE LOSS	(716,764)	(1,340,884)
LOSS PER SHARE (note 21)		
Basic	(0.023)	(0.050)
Diluted	(0.023)	(0.050)

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

IFABRIC CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Attributable to iFabric Corp. shareholders								
		Reserves							
	Capital stock	Contributed surplus	Warrants	Options	Retained earnings	Accumulated Other Comprehensive Earnings	Total	Non-controlling interest	Total equity
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 (loss) earnings	-	-	-	-	(617,770)	(92,053)	(709,823)	(6,941)	(716,764)
Exercise of options	318,452	-	-	(106,952)	-	-	211,500	-	211,500
Share-based compensation	-	-	-	581,550	-	-	581,550	-	581,550
Balance at September 30, 2020	3,282,276	852,679	-	1,915,538	3,243,227	46,146	9,339,866	5,005	9,344,871

	Attributable to iFabric Corp. shareholders								
		Reserves							
	Capital stock	Contributed surplus	Warrants	Options	Retained earnings	Accumulated Other Comprehensive Earnings	Total	Non-controlling interest	Total equity
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
IFRS 15 transition adjustment (note 3)	-	-	-	-	(154,847)	-	(154,847)	-	(154,847)
Total comprehensive (loss) earnings	-	-	-	-	(1,299,863)	(44,204)	(1,344,067)	3,183	(1,340,884)
Expiry of options	-	638,793	-	(59,500)	-	-	579,293	-	579,293
Expiry of warrants	-	-	(579,293)	-	-	-	(579,293)	-	(579,293)
Transactions with non-controlling interest (note 22)	-	(394,742)	-	-	-	-	(394,742)	(5,258)	(400,000)
Share-based compensation	-	-	-	120,928	-	-	120,928	-	120,928
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

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

IFABRIC CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

For the year ended September 30,	2020	2019
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	(624,711)	(1,296,680)
Items not affecting cash		
Interest on lease liability	2,941	-
Amortization of property, plant and equipment and right-of-use assets	87,865	66,808
Amortization of deferred development costs	26,820	43,884
Loss on disposal of capital assets	-	14,579
Fair value adjustment on foreign exchange forward contracts	-	(20,708)
Share-based compensation	581,550	120,928
Deferred income tax provision	(143,481)	(75,767)
IFRS transition adjustment (note 3)	(9,900)	(209,299)
	(78,916)	(1,356,255)
Changes in operatings assets and liabilities		
Accounts receivable	(2,084,667)	(157,451)
Inventories	(386,039)	1,541,347
Income taxes recoverable	33,658	(299,640)
Prepaid expenses and deposits	(3,850,010)	(91,680)
Foreign exchange forward contracts	(68,164)	(1,067)
Due from related parties	-	10,752
Accounts payable and accrued liabilities	974,036	27,157
Customer deposits	3,909,093	-
Deferred revenue	57,770	-
Contract liability	119,376	37,795
Income taxes payable	311,661	(400,125)
	(983,286)	667,088
	(1,062,202)	(689,167)
FINANCING ACTIVITIES		
Due to related parties	25,200	(6,681)
Increase in bank loan (note 16)	80,000	
Repayment of bank loan (note 16)	(78,568)	(78,900)
Interest paid	(2,941)	-
Increase in investment in subsidiary (note 23)	-	(400,000)
Repayment of lease liability	(30,037)	-
Share issuances (note 22)	211,500	-
	205,154	(485,581)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(75,070)
Proceeds on disposal of property, plant and equipment	-	38,671
Investment in intangible assets	(178,019)	-
	(178,019)	(36,399)
CHANGE IN CASH POSITION	(1,035,067)	(1,211,147)
CASH, beginning of year	2,287,548	3,542,899
Effect of foreign currency translation	(92,053)	(44,204)
CASH, end of year	1,160,428	2,287,548

The accompanying notes are an integral part of these consolidated 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 in terms of protection and performance enhancements.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

These consolidated 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 subsequent notes, using the significant accounting policies and measurement basis summarized below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated 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.

(b) Functional and presentation currency

These consolidated 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.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(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
ASSETS			
Right-of-use assets	-	95,372	95,372
Prepaid expense and deposits	256,976	(9,900)	247,076
LIABILITIES			
Lease liability	-	85,472	85,472

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

- Leases with a remaining term twelve months or less from the date of application have been accounted for as operating leases;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial applications; and
- 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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Revenue recognition

The Company recognizes revenue when a contract specifying the number of units ordered, price and timing of delivery exists with a customer and control of the goods has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. Variable consideration received in excess of the performance obligation is recorded as a contract liability.

Net revenue reflects the Company's sale of merchandise, less returns, and after making allowance for anticipated discounts and rebates in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

(e) Cash

Cash consists of cash on hand and bank balances held at various major financial institutions.

(f) Inventories

Inventories are comprised of merchandise for resale and are valued at the lower of cost (determined on a first-in, first-out basis) and net realizable value.

Cost includes the cost of purchase, duty, brokerage and transportation costs that are directly incurred to bring inventories to their present location and condition.

The Company estimates net realizable value as the amount at which inventories are expected to be sold less any costs to complete the sale. Inventories are written down to net realizable value when it is determined that the cost of inventories is not recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Company provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Buildings	4%	Declining balance
Computer and office equipment	30%	Declining balance
Factory machinery	20%	Declining balance

Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(h) Goodwill

Goodwill is measured at cost less accumulated impairment loss.

(i) Finite-life intangible assets

Research and development costs

Costs related to research are expensed as incurred.

Development costs of new products for sale, net of government assistance, are capitalized as deferred development costs if they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the product. Otherwise, development costs are expensed as incurred.

Deferred development costs are amortized, commencing when the product in question is commercially available for sale, over the estimated product life of five years using the straight-line method.

Subsequent to initial measurement, deferred development costs are stated at cost less accumulated amortization and accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Impairment of non-financial assets

The Company reviews the carrying value of its non-financial assets, which include property, plant and equipment, and deferred development costs at each reporting date to determine whether events or changed circumstances indicate that the carrying value may not be recoverable. For goodwill, the recoverability is estimated annually, on September 30 or more often when there are indicators of impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying value of a non-financial asset exceeds the recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(k) Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are recognized in net earnings (loss).

(l) Leases

The Company as the lessee

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 with terms less than 12 months 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Company as the lessor

Where lease contracts contain rent escalation clauses or provide for tenant occupancy during periods for which no rent is due, the Company records the total income on a straight-line basis over the term of the relevant lease contract. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually owing. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense on a straight-line basis over the lease term.

Rent expected to be collected over the term of the agreement is as follows:

2021	85,012
2022-2024	208,988
	294,000

(m) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of earnings (loss) and comprehensive earnings (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Tax for current and prior periods is, to the extent unpaid, recognized as a tax payable in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as a tax recoverable in the statement of financial position.

Deferred tax

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable earnings will be available against which the difference can be utilized.

(n) Share-based payments

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, key employees and consultants. Terms and conditions of options granted under the Plan are determined by the Board of Directors.

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded over the vesting period as share-based compensation expense in the consolidated financial statements. The fair value determined by using the Black-Scholes option pricing model at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche separately based on the Company's estimate of shares that will eventually vest factoring in any forfeitures. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital.

Compensation expense on stock options or shares granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, the value is measured by reference to the fair value of the equity instruments granted by use of a Black-Scholes option pricing model.

In order to determine the fair value using the Black-Scholes option pricing model, the expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(o) Financial instruments

Classification and measurement

Financial instruments are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

On initial recognition, all financial instruments are measured at fair value, adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value through profit or loss, the amount of transaction costs directly attributable to the instrument.

After initial recognition, the measurement of financial instruments depends on their classification described below:

Amortized cost: Financial assets under this classification primarily arise from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contract cash flows are solely the payments of principal and interest. Financial liabilities, other than those held for trading or elected to measure at fair value through profit or loss, are measured at amortized cost. Financial instruments of the Company that are classified as amortized cost include cash, accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities, due to related parties, and loan payable.

Fair value through profit or loss: Financial instruments under this classification include foreign exchange forward contracts. Transaction costs associated with these financial instruments are expensed as incurred.

Fair value through other comprehensive income: The Company has no financial instruments under this classification.

Financial Instrument	Category	Measurement
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Bank loan payable	Other financial liabilities	Amortized cost
Foreign exchange forward contracts	Financial assets (liabilities) at FVTPL	FVTPL

Financial instruments measured at amortized cost are done so using the effective interest method.

Impairment of financial assets

The Company applies the simplified approach of the expected credit loss model when assessing impairment of accounts receivable and long term receivables. Under this approach, lifetime expected credit losses are recognized and are calculated using a provision matrix based on historical impairment rates, which is adjusted based on current conditions and future expectations.

Fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy is as follows:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

Forward foreign exchange contracts are measured at the fair value based on the mark-to-market variance calculated between the forward and spot rate. These derivative instruments are categorized as Level 2 in the fair value hierarchy. The Company has no financial instruments classified as Level 3 on the fair value hierarchy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(p) Earnings (loss) per share

Basic and diluted earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method of calculating diluted per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

(q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company also reports on the external revenues received from different geographical regions.

(r) Government Grants

The Company applied for assistance from multiple government programs, including the Canadian Emergency Wage Subsidy ("CEWS"), as a result of the impact of the COVID-19 pandemic on the Company's operations. The subsidy has been recognized as a separate line item as a recovery in expenses under "Government grants". During the year, the Company received $256,942 relating to CEWS, with $23,894 receivable as at September 30, 2020.

As the lessor, the Company applied for the Canada Emergency Commercial Rent Assistance ("CECRA"). The program is designed to assist businesses in meeting rent obligations through forgivable loans to property owners. Under the program, property owners will reduce rent by at least 75% for the months of April through September 2020, for qualified small business tenants. CECRA will provide for 50% of the rent, with the tenant paying up to 25% and the property owner forgiving 25%. During the year, the Company received $69,893 relating to CECRA. The amount received is being amortized over the remaining lease term. Any unamortized amount is included in deferred rent asset in Accounts receivable.

(s) Management judgments and use of 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 continues to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in the consolidated financial statements.

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Significant judgments include the following:

Recoverability of deferred development costs

Recoverability of deferred development costs are tested when indicators of impairment exist. When an indicator of impairment exists, the deferred development costs are tested to determine if the carrying amount exceeds its recoverable amount, which is the highest of its fair value less costs to sell and its value in use. The fair value less costs to sell is based on data from binding sales transactions with an arm's length party of similar assets or other observable market prices less costs to sell. Value in use is based on a discounted cash flow model which reviews discounted cash flows. There are judgments and estimates associated with determining whether indicators of impairment exist as well as the subsequent testing. Recoverable amounts can be sensitive to the discount rate as well as the estimated future cash flows.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(s) Management judgments and use of estimates

Benefits of deferred income tax assets

The recognition of deferred income tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which the deferred income tax assets can be utilized is based on management's best estimate of future taxable income that the Company expects to achieve based on its internal projections. The estimate is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. Deferred income tax assets are recognized to the extent it is probable that estimated taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

Revenue recognition

Revenue recognized from contracts with variable consideration is based on estimates and judgments on achieving future milestones and project unit sales.

Expected credit loss

Provisions for expected credit losses are prepared by management based on historical rates of impairment, which is adjusted based on current conditions and future expectations.

Valuation of inventories

Provisions for non-saleable inventories are prepared by management based on estimates and judgments that include current market prices, current economic trends and past experience in the measurement of net realizable value.

Estimated useful life of property, plant and equipment

Management makes this estimate based on past experience with similar assets and future business plans.

Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Actual results could differ from these estimates and may require a material adjustment to the carrying amount of affected assets and liabilities.

4. ACCOUNTS RECEIVABLE

	September 30, 2020	September 30, 2019
Trade receivables	4,572,763	2,352,984
Expected credit loss	(208,000)	-
Allowance for discounts and rebates	(11,680)	(20,592)
Deferred rent asset	63,406	23,660
Grant receivable	23,894	-
Other	2,404	2,068
	4,442,787	2,358,120

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

5. INVENTORIES

Inventories represent the carrying amount of merchandise for resale. During the year, the amount of inventories charged to net earnings (loss) was $6,491,357 (2019 - $5,438,554) and the amount of inventory write-downs were $82,320 (2019 - $42,779). There were no reversals of prior years write-downs of inventory.

(Expressed in Canadian Dollars)

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2020	September 30, 2019
Prepaid expenses and other assets	74,610	122,116
Deposits paid to suppliers (i)	4,032,376	134,860
	4,106,986	256,976

(i) The Company entered into an agreement to purchase 1,000,000 N95 masks. The contract required full delivery by June 2020 but was partially fulfilled, with the supplier defaulting on the timing of the delivery. The Company sourced product from a different supplier to fulfill the order to its customer, with the majority of the order complete subsequent to year-end. The Company is in process of seeking to recover its remaining deposit of approximately USD $3,000,000 plus as-yet unspecified damages instead of receiving the remaining product. No amount has been accrued for any additional damages as at September 30, 2020.

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:

	September 30, 2020	September 30, 2019
Margin balance – cash deposit	126,994	119,418
Mark to market variance – gain (loss) on foreign exchange	-	(60,588)
	126,994	58,830

As at September 30, 2020, the Company closed all forward contracts (2019 - sell 1,310,000 U.S. Dollars).

For the year ended September 30, 2020, there is no unrealized loss or gain on foreign exchange (2019 - $20,708 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. PROPERTY, PLANT AND EQUIPMENT

September 30, 2020

	Cost	Accumulated amortization	Net carrying amount
Land and buildings (i)	3,112,006	431,635	2,680,371
Computer and office equipment	243,189	180,911	62,278
Factory machinery	8,753	6,527	2,226
	3,363,948	619,073	2,744,875

September 30, 2019

	Cost	Accumulated amortization	Net carrying amount
Land and buildings (i)	3,112,006	394,953	2,717,053
Computer and office equipment	243,189	163,922	79,267
Factory machinery	8,753	5,970	2,783
	3,363,948	564,845	2,799,103

(i) Land and buildings are owned by a subsidiary of the Company with a 25% non-controlling interest.

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT, continued

The tables below summarize the changes in the net carrying amounts of property, plant and equipment during the years presented:

	September 30, 2019				September 30, 2020
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Land and buildings	2,717,053	-	(36,682)	-	2,680,371
Computer and office equipment	79,267	-	(16,989)	-	62,278
Factory machinery	2,783	-	(557)	-	2,226
	2,799,103	-	(54,228)	-	2,744,875

	September 30, 2018				September 30, 2019
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Land and buildings	2,739,880	15,070	(37,897)	-	2,717,053
Computer and office equipment	100,732	-	(21,465)	-	79,267
Factory machinery	3,479	-	(696)	-	2,783
Automobile	-	60,000	(6,750)	(53,250)	-
	2,844,091	75,070	(66,808)	(53,250)	2,799,103

10. RIGHT-OF-USE ASSETS

	September 30, 2019				September 30, 2020
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Right-of-use assets	-	95,372	(33,637)	-	61,735
	-	95,372	(33,637)	-	61,735

11. DEFERRED DEVELOPMENT COSTS

			September 30, 2020
	Cost	Accumulated amortization	Net carrying amount
Product development costs	1,119,446	860,968	258,478

			September 30, 2019
	Cost	Accumulated amortization	Net carrying amount
Product development costs	941,427	834,148	107,279

The tables below summarize the changes in the net carrying amounts of deferred development costs during the years presented:

(Expressed in Canadian Dollars)

11. DEFERRED DEVELOPMENT COSTS, continued

	September 30, 2019				September 30, 2020
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Product development costs	107,279	178,019	(26,820)	-	258,478
	107,279	178,019	(26,820)	-	258,478

	September 30, 2018				September 30, 2019
	Net carrying amount	Additions	Amortization	Disposals	Net carrying amount
Product development costs	151,163	-	(43,884)	-	107,279
	151,163	-	(43,884)	-	107,279

12. DEFERRED INCOME TAXES

Temporary differences between accounting and taxable income which result in deferred income tax assets (liabilities) are as follows:

	September 30, 2020	September 30, 2019
Unutilized loss carry forward	1,117,600	934,019
Capital cost allowance claimed in excess of amortization	(8,700)	(8,700)
Deferred development costs	(68,500)	(28,400)
	1,040,400	896,919

13. 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 September 30, 2020 (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.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	September 30, 2019
Trade payables	1,244,692	543,142
Government remittances	149,341	54,350
Accrued liabilities	358,036	180,541
Tenants deposits	19,914	19,914
	1,771,983	797,947

(Expressed in Canadian Dollars)

15. DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, non-interest bearing and due on demand.

	September 30, 2020	September 30, 2019
Due to director	38	263
Due to director of subsidiary co. (i)	502,172	476,747
	502,210	477,010
Less current portion	38	263
Due beyond one year	502,172	476,747

(i) This creditor has waived their right to call for payment over the next year, this loan has been classified as non-current.

16. BANK LOAN PAYABLE

	September 30, 2020	September 30, 2019
Bank loan	1,259,783	1,258,351
Less current portion	(1,259,783)	(1,258,351)
Due beyond one year	-	-

One of the Company's subsidiaries has a 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. The bank loan payable is owed by a subsidiary of the Company with a 25% non-controlling interest. During the year, the fixed-rate term loan was converted to a variable rate loan bearing interest at prime interest rate plus 0.75%. Management expects to pay the minimum monthly payments of $123,792 within the next 12 months and renew its existing facility.

The Company received $80,000, which was funded by the Canada Emergency Business Account ("CEBA"). CEBA is interest free until December 31, 2020 with 25% of the balance forgiven if repaid by December 31, 2022. Management expects to pay the 75% balance of $60,000 of CEBA within the next 12 months.

Refer to note 27 regarding the Company's capital management strategy as well as compliance with covenants associated with the bank loan.

17. 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.

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION, continued

Operating Segments 2020	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenues					
Third party	3,324,125	8,077,444	120,107	-	11,521,676
Inter-segment	67,500	1,465,493	104,632	(1,637,625)	-
Total Revenues	3,391,625	9,542,937	224,739	(1,637,625)	11,521,676
Earnings (loss) before income taxes	(848,573)	796,599	(30,630)	(626,795)	(709,399)
Provision for (recovery of) income taxes	(251,213)	181,294	(2,865)	(11,904)	(84,688)
Amortization of deferred development costs	-	26,820	-	-	26,820
Amortization of property, plant and equipment and right-of-use asset	36,046	683	51,136	-	87,865
Interest on lease liability and bank loan	2,941	-	39,805	-	42,746
Segment assets	4,372,124	10,160,695	2,847,962	133,310	17,514,091
Expenditures on deferred development costs	-	178,019	-	-	178,019

Operating Segments 2019	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenues					
Third party	5,926,805	4,393,723	114,820	-	10,435,348
Inter-segment	17,850	310,136	163,752	(491,738)	-
Total Revenues	5,944,655	4,703,859	278,572	(491,738)	10,435,348
Earnings (loss) before income taxes	(1,075,111)	(484,603)	12,842	(71,336)	(1,618,208)
Provision for (recovery of) income taxes	(259,194)	(75,667)	111	13,222	(321,528)
Amortization of deferred development costs	-	43,884	-	-	43,884
Amortization of property, plant and equipment	9,634	1,209	55,965	-	66,808
Interest on operating line	-	-	-	-	-
Interest on long-term debt	-	-	47,361	-	47,361
Segment assets	5,620,075	3,296,430	2,823,099	244,198	11,983,802
Expenditures on property, plant, and equipment	60,000	-	15,070	-	75,070

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

	2020	2019
External sales revenue		
Canada	2,619,729	2,295,497
United States	4,047,553	4,742,109
United Kingdom	94,633	501,454
Southeast Asia and other	4,759,761	2,896,288
Total	11,521,676	10,435,348

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

18. SELLING, GENERAL AND ADMINISTRATIVE COSTS

	2020	2019
General and administrative costs	4,010,168	3,656,459
Selling costs	787,667	1,462,285
	4,797,835	5,118,744

General and administrative costs are primarily comprised of employee wages and short-term benefits, regulatory costs, professional fees, and management and executive functions.

Selling costs are primarily comprised of commissions, royalties, advertising and promotional costs, distribution costs, and travel costs.

(Expressed in Canadian Dollars)

19. PERSONNEL EXPENSES

	2020	2019
Wages, salaries and short-term benefits	1,302,880	1,415,198
Management, professional, and directors' fees	595,350	507,100
Share-based compensation	581,550	120,928
	2,479,780	2,043,226
Included in cost of sales	163,136	166,584
Included in selling, general and administrative costs	1,735,094	1,755,714
Included in share-based compensation	581,550	120,928
	2,479,780	2,043,226

20. INCOME TAXES

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 26.5% (2019 - 26.5%) to the earnings for the year as follows:

	2020	2019
Loss for the year before income taxes	(709,399)	(1,618,208)
Tax (recovery) on accounting earnings	(188,000)	(428,800)
Tax effect of the following:		
Non-deductible share-based compensation	154,100	32,000
Items not deductible for tax purposes	7,000	13,200
Other	(57,788)	62,072
Provision (recovery) for income taxes	(84,688)	(321,528)

21. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. There is no dilutive effect of options due to the loss in both years. The calculation of basic loss per share is based on net loss attributable to iFabric Corp.'s shareholders for the year ended September 30, 2020 of $617,770 (loss of $1,299,863 for the year ended September 30, 2019). The number of shares used in the loss per share calculation is as follows:

	2020	2019
Weighted average number of shares outstanding - basic	26,297,233	26,209,500

For the year ended September 30, 2020, 85,000 options were deemed to be anti-dilutive. For the year ended September 30, 2019, 800,000 options were deemed to be anti-dilutive.

(Expressed in Canadian Dollars)

22. CAPITAL STOCK

(a) Authorized, Issued and Outstanding

Authorized: Unlimited number of common shares

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

	Number of common shares	Common share capital
Balance at September 30, 2018 and September 30, 2019	26,209,500	2,963,824

(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	Weighted average
Balance at September 30, 2019	1,885,250	1.31
Granted, during the year (i)	210,000	2.86
Exercised, during the year	(266,250)	0.79
Balance at September 30, 2020	1,829,000	1.56

	Number of stock options	Weighted average exercise price
Balance at September 30, 2018	1,860,250	1.32
Granted, during the year (ii)	75,000	1.80
Expired, during the year	(50,000)	2.40
Balance at September 30, 2019	1,885,250	1.31

(i) On April 7, 2020, the Company issued a total of 200,000 stock options to two members of the Board of Directors. 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. All 200,000 options vested immediately. Share-based compensation expense, based on the fair value of the options, had been estimated by management at $492,000 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield %	0
Expected volatility	106.91%
Risk-free interest rate	0.82%
Expected maturity	10 years

(ii) On October 1, 2018, the Company issued 75,000 stock options to a consultant. Each option entitles the holder to acquire one common share of the Company at a price of $1.80, and is exercisable for a period of 3 years from the grant date. All 75,000 options vested immediately. Share-based compensation expense, based on the fair value of the options, had been estimated by management at $52,103 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	0
Expected volatility	54.70%
Risk-free interest rate	2.24%
Expected maturity	3 years

(Expressed in Canadian Dollars)

22. CAPITAL STOCK, continued

(b) Stock option plan, continued

On July 2, 2020, the Company issued 10,000 stock options to a consultant. Each option entitles the holder to acquire one common share of the Company at a price of $6.05, and is exercisable for a period of 5 years from the grant date. All 10,000 options vested immediately. Share-based compensation expense, based on the fair value of the options had been estimated by management at $49,200 as of the date of the grant using the Black-Scholes pricing model with the following assumptions:

Dividend yield %	0
Expected volatility	117.77%
Risk-free interest rate	0.38%
Expected maturity	5 years

As of September 30, 2020, the following options were outstanding and exercisable:

	Options Outsanding			Options Exercisable	
Expiry date	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
January 16, 2023	894,000	2.29	0.40	894,000	0.40
April 1, 2024	75,000	5.50	4.15	75,000	4.15
May 6, 2025	100,000	6.60	2.70	100,000	2.70
June 5, 2027	550,000	8.68	2.40	450,000	2.40
April 7, 2030	200,000	9.52	2.70	200,000	2.70
June 30, 2025	10,000	4.75	6.05	10,000	6.05
	1,829,000	5.38	1.56	1,729,000	1.51

(c) Warrants

The following table summarizes warrants that have been issued, exercised, or expired during the years presented:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2019 and September 30, 2020	-	0.00

	Number of warrants	Weighted average exercise price
Balance, September 30, 2018	203,625	5.25
Expired	(203,625)	5.25
Balance, September 30, 2019	-	-

23. 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% from 60% in fiscal 2018, and the non-controlling interest decreasing to 25% from 40% in fiscal 2018. 2074160 Ontario Inc. owns the land and buildings occupied by the Company as offices and a warehouse.

24. COMMITMENTS

(a) The Company's total commitments, under various operating leases and a property lease agreement exclusive of occupancy costs are as follows:

2021	105,738
2022	33,908
2023	2,225
	141,871

(b) The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 for more information.

(c) 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 amount of $187,000. If minimum amount is not met, an accrual for the difference is included in accrued liabilities. 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. Management expects to renew this agreement for a further term.

25. RELATED PARTY TRANSACTIONS

(a) Key management personnel of the Company are those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the Company's Board of Directors, which includes three executive officers of the Company.

Remuneration of key management personnel of the Company was as follows:

	2020	2019
Salaries, management and professional fees, directors' fees, and short-term benefits	829,193	730,763
Share-based compensation	40,349	66,787
	869,542	797,550

(b) Included in selling, general and administrative costs are management fees in the amount of $22,500 (2019 - $7,150) paid to a company controlled by a director of one of the Company's subsidiaries.

(c) Included in revenue is rental income earned in the amount of $21,375 (2019 - $38,895) from a company controlled by a director of one of the Company's subsidiaries.

(d) Included in accounts payable and accrued liabilities is an amount of $13,000 (2019 - $6,000) due to directors and key management personnel of the Company in respect of unpaid fees.

(e) Included in selling, general and administrative costs is an amount of $58,957 (2019 - $39,560) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.

(Expressed in Canadian Dollars)

26. FINANCIAL RISK MANAGEMENT

Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts presented in the balance sheets, are as follows:

	Fair Value Hierarchy	Carrying Amount	Fair Value
Bank loan payable	Level 2	1,259,783	1,259,783

The carrying values of cash, accounts receivables, balances with related party and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. These financial instruments have been classified as level 2 within the fair value hierarchy.

The fair value of bank loan payable bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank's prime rate.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk. Management of the Company monitors the credit worthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market and relationships with customers and other vendors. Further, the Company reviews forward looking information such as indications of customers going through financial difficulties that may create doubt over the receipt of funds.

The Company's maximum exposure to credit risk is $4,442,397 (2019 - $2,358,120). Included in selling, general and administrative costs are bad debts of $208,000 (2019 - $28,870) expensed during the year.

The following table provides further details on trade receivables not impaired:

	September 30, 2020	September 30, 2019
Trade receivables not past due	3,340,562	1,330,815
Trade receivables past due and not impaired		
Under 31 days	630,421	633,086
31 - 60 days	31,831	164,305
61 - 90 days	8,400	32,890
Over 90 days	353,549	191,888
Trade receivables, net of expected credit loss allowance	4,364,763	2,352,984

Economic Dependence

Approximately 58% of the Company's total sales were to three customers (2019 - 37% of sales were to two customers). These customers relate to the Intelligent Fabrics segment. At September 30, 2020, three customers accounted for 77% (September 30, 2019 - two customers accounted for 44%) of the Company's accounts receivable. Approximately 63% of the Company's total purchases were to four vendors (2019 – 39% of purchases were to two vendors), one of which is related to a distributor of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities. The Company is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, income taxes payable, related party loans, bank loan payable, and commitments. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains an adequate line of credit to pay trade creditors and repays long term debt interest and principal as it becomes due using cash generated from operations.

26. FINANCIAL RISK MANAGEMENT, continued

	Carrying amount	Contractual cash flow	2021	2022	2023	2024	2025
Minimum guaranteed royalties	-	62,360	62,360	-	-	-	-
Lease obligations	-	36,133	33,908	2,225	-	-	-
Bank loan payable	1,259,783	1,259,783	1,259,783	-	-	-	-
Trade and other payables	1,771,983	1,771,983	1,771,983	-	-	-	-
Related party loans	502,210	502,210	38	502,172	-	-	-
	3,533,976	3,632,469	3,128,072	504,397	-	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), British Pounds Sterling ("GBP"), New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The Company manages its currency risk with foreign exchange forward contracts (see note 7). The following balances were included in the consolidated financial statements:

USD	September 30, 2020	September 30, 2019
Cash	453,248	1,378,292
Accounts receivable	810,632	1,061,886
Accounts payable and accrued liabilities	(344,331)	(350,645)
Foreign exchange forward contract margin deposit	59,970	59,970
	979,519	2,149,503

GBP	September 30, 2020	September 30, 2019
Cash	4,875	56,867
Accounts receivable	18,555	11,417
Accounts payable and accrued liabilities	-	-
	23,430	68,284

TWD	September 30, 2020	September 30, 2019
Cash	1,323,541	2,285,339
Accounts receivable	10,385,001	8,225,112
Accounts payable and accrued liabilities	(188,832)	(182,121)
	11,519,710	10,328,330

RMB	September 30, 2020	September 30, 2019
Cash	1,521,130	5,403
Accounts receivable	10,623,615	407,873
Accounts payable and accrued liabilities	(4,112,811)	(411,693)
	8,031,934	1,583

26. FINANCIAL RISK MANAGEMENT, continued

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD against the Canadian Dollar as at September 30, 2020, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately $48,000 to net loss for 2020, all other variables held constant. The effect of a 5% strengthening (weakening) of the GBP against the Canadian Dollar as at September 30, 2020, in relation to the net amount of GBP-denominated currency balances, would have resulted in an increase (decrease) of approximately $1,500 to net loss for 2020, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at September 30, 2020, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately $20,000 to net loss for 2020, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at September 30, 2020, in relation to the net amount of RMB-denominated currency balances, would have resulted in an increase (decrease) of approximately $58,000 to net loss for 2020, all other variables held constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its secured bank loan and its bank operating line, which bear interest at variable rates, since changes in market rates can cause fluctuations in cash flows

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately $9,000 to net loss for 2020, all other variables held constant.

27. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while providing a return to its stakeholders.

The capital structure of the Company is composed of bank loan payable, and equity attributable to iFabric Corp.'s shareholders.

The Company's primary uses of capital are to finance working capital and capital expenditures.

The Company is subject to capital requirements on debt described in notes 13 and 16. As at September 30, 2020, the Company did not meet a fixed term loan covenant requirement which could result in the bank demanding repayment of the bank loan.