

iFabric Corp. #

**iFABRIC CORP.**

**ANNUAL INFORMATION FORM  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

**December 21, 2016**

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## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

This Annual Information Form ("Annual Information Form" or "AIF") contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of iFabric Corp. ("iFabric" or the "Company"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results that "may", "could", "would", "might" or "will" be taken, to occur or to be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of this Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

## **BUSINESS OF iFABRIC**

Except as otherwise stated, the information contained in this Annual Information Form is given as of December 19, 2016. All dollar amounts are expressed in Canadian dollars.

### **Summary**

iFabric has two key strategic divisions, which offer different products and services, and are managed separately because they require different marketing strategies. The following summarizes the business of each division:

#### *Intimate Apparel Division*

The Intimate Apparel Division commenced operations in 1992 and currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the Division's patented backless, strapless underwire bra. The Division also distributes a range of apparel accessories as well as sleepwear.

The Division utilizes contract warehouse facilities located in Los Angeles, California and Manchester, England in order to service its key US and European markets and, Company-owned premises located in Markham, Ontario house the bulk of the Division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution centre for the Canadian market.

All product design is handled by the Markham design team and, currently over 95% of the Division's inventory production is outsourced to factories in China.

In the past several years, the Company has positioned the Division's product strategy by way of leveraging a key license agreement in order to sell products under various Maidenform® brands. The Maidenform® brand was founded in 1922 and during its 94-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the Division develops and supplies products for

sale under the private label brands of certain major retailers as well as the Company's own brand.

Products are sold internationally to the Division's customer base which includes a number of major retailers as well as specialty boutiques. Major retail customers include Wal-Mart (Canada), Sears (Canada), Debenhams, Kohl's, Hanes Brands, Bloomingdales, Marks & Spencer, Nordstrom, Maidenform, La Vie En Rose, House of Fraser, Boux Avenue and Amazon.

### *Intelligent Fabrics Division*

A second strategic division commenced operations in 2010 when the Company obtained exclusive North American distribution rights for new generations of intelligent textile technologies which can kill bacteria, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. North American distribution rights were subsequently expanded to worldwide distribution rights. Management anticipates that the Intelligent Fabrics Division will be the main driving force of the Company's future growth and expansion. The Intelligent Fabrics Division operates under the name Intelligent Fabric Technologies (North America) Inc. ("IFTNA").

The business of the Intelligent Fabrics Division includes the development, testing and distribution of specialty textiles as well as chemicals suitable for application to textiles. The current focus is on technologies that improve the safety and well-being of the wearer. The Division has a pipeline of products including Protx2® (anti-microbial and anti-viral formulations) Enguard® (insect repellent technology), Dreamskin® (skin polymer), UVtx™ (ultraviolet light blocker), FreshTx™ (odour-absorbing technology), RepelTX™ (durable water repellent) and DryTx™ (moisture-wicking technology). The Company anticipates that several additional products will be added to its pipeline in the future. The Company has two key supply centers in Asia (namely China and Taiwan) which service the Asian market. This market represents the main production region for manufactured textiles supplied to North America and is the Company's main market area for the distribution of intelligent textile technologies. Technical support specialists in Asia provide guidance and support to customers regarding the integration of the Company's chemical formulations in their products.

Development, testing and regulatory activities are primarily funded with income earned from both the Intelligent Fabrics Division and the Intimate Apparel Division. Additional funding, when required, is sourced from additional equity and/or debt.

### Products

#### *Enguard® Insect Repellent Fabric*

Laboratory testing conducted by the Company confirm Enguard® to be a highly effective, child safe and durable insect repellent.

Application for regulatory approval by the US Environmental Protection Agency (the "EPA") is in process. Whilst the timelines for final approval by the EPA is uncertain, a key customer for Enguard® will commence product development and testing of Enguard® apparel in January 2017 with the strategy of initially launching Enguard® products in international markets where regulatory approvals are far less stringent than that of the US and Canada.

Application will also be made to the Pest Management Regulatory Agency ("PMRA") division of Health Canada for approval of Enguard for the Canadian market utilizing EPA data once the US EPA application has been completed. The Health Canada regulatory approval process is generally less streamlined than that of the US and the Company anticipates a lengthier process for obtaining Health Canada approval for Enguard.

The cost of final submission for approvals for both the EPA and PMRA are estimated at around \$50,000.

## *Dreamskin®*

Fabrics treated with the Dreamskin® polymer are designed to encourage a healthy skin environment because of its ability to control both moisture and friction. Dreamskin® is effective during both summer and winter months as both high and low moisture environments are known causes of discomfort and irritation.

By providing a surface that is free from skin irritants such as laundry detergent residue and dust, Dreamskin® treated fabrics provide for a luxurious wearing experience without irritation or dryness.

In particular, athletic apparel has two key areas that can cause skin irritation, namely friction and excessive moisture. Dreamskin® targets both to help prevent irritation during sporting activities.

The potential also exists for Dreamskin® to be marketed as a medical device for integration in clothing in order to aid sufferers of eczema, psoriasis and other types of irritating skin disorders. The friction caused by clothing is currently a major source of irritation for sufferers of such disorders and the ability of Dreamskin® to substantially reduce the amount of friction could serve as a useful tool to alleviate irritation.

In order to be marketed as a medical device Dreamskin® will need to be registered with the United States Food and Drug Administration (“FDA”) as a medical device. Such registration may necessitate a clinical trial and the Company is currently consulting with its regulatory and industry experts regarding the best approach for conducting such a trial. Based on the information received by the Company to date, the cost of a clinical trial is estimated to be in the order of \$100,000 and the estimated completion period could be in the range of 18 to 36 months. The commencement date of the Company’s FDA application for Dreamskin® as a medical device is not yet certain.

The roll-out of Dreamskin® to the market as a retail product has commenced via finished bedding and bathroom products treated with a combination of Dreamskin® and Protx2®, which has been supplied to a customer under a strategic production, sales and marketing agreement between IFTNA and the customer. The target market for these products is international hotel groups.

Dreamskin® is also currently being integrated into certain product offerings of the Company’s Intimate Apparel Division and in particular intimate apparel and sleepwear. The market launch for initial product offerings containing Dreamskin® will be in respect of the spring 2017 season, with sales commencing in January of 2017.

## *Protx2®*

Protx2® is specially formulated to combat harmful bacteria and viruses at the source utilizing a unique triple attack as follows:

### *1) Disruption of the cell wall coupling enzyme*

By blocking development of the cell wall there is no mechanism by which the cell is able to repair or replace weak wall components, so over time the cell wall will disintegrate.

### *2) Disruption of the cell’s respiratory cycle*

Protx2® binds to the nutrients that the cell requires for growth, thereby preventing access to such nutrients. If the cell cannot bind to nutrients, for all intents and purposes the cell starves to death for lack of nutrition.

### *3) Inhibition of ATP synthesis*

Every cell requires energy in order to survive, grow and multiply. Cells gain energy through the conversion of molecules into adenosine triphosphate (“ATP”), a process which requires hydrogen ions. ATP is the most commonly used “energy currency” of cells from most organisms. Protx2® prevents the uptake of Hydrogen ions thereby depriving the cell of its energy source.

A substantial body of comparative testing conducted by the Company at third party EPA approved laboratories over a period of approximately five years, have shown Protx2® to be consistently more effective at combating bacteria and viruses than competing technologies. In addition, Protx2® has also shown itself to be consistently more durable to washing during normal laundry cycles, with certain fabric blends yielding no loss in efficacy even after 100 washes.

The following table highlights the attributes of Protx2® compared to competing technologies when applied to textiles, based on third party laboratory testing and analysis:

	<u>Effectiveness<sup>(1)</sup></u>	<u>Durability to Laundering<sup>(2)</sup></u>	<u>Discolouration Issues</u>	<u>Environmental Impact</u>
Protx2®	High	High	No	Dilutes in Water
Silver	Medium	Medium	Yes	Depletes into Effluent
Triclosan	Medium	Medium	No	Can Degrade to Toxins
Silane Quat	Low	Low	No	Bound Silane

- (1) Efficacy rating of high = bacterial kill rate of greater than 90% within 1 hour, with a sustained kill rate of greater than 90% at the end of 24 hours.  
 Efficacy rating of medium = bacterial kill rate of between 30% and 70% within 1 hour, with a sustained kill rate within the same range at the end of 24 hours.  
 Efficacy rating of low = bacterial kill rate of less than 30% within 1 hour with a sustained kill rate of an equivalent percentage at the end of 24 hours.
- (2) Durability to laundering high = greater than 50 washes without loss of efficacy  
 Durability to laundering medium = 25 to 49 washes without loss of efficacy  
 Durability to laundering low = less than 25 washes without loss of efficacy

The Company is currently targeting two key markets with regard to the distribution of Protx2®:

1) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear manufactures to offer technologically-enhanced products. With the ability of Protx2® to combat odour causing bacteria, the Company is able to provide manufacturers with the ability to produce apparel and footwear that stays fresher longer without the need for repeated washing or cleaning. Innovative application methodology developed by the Company over a number of years allows for Protx2® to be integrated into almost any fabric as well as all the components of footwear including foam, rubber, and plastics. With its current EPA registrations, the Company can distribute Protx2® for use in all sportswear and footwear for distribution in the US market. Verification programs for major customers were completed during the middle of 2016 and the Division commenced shipping Protx2® for major programs in July 2016.

2) Medical

A 2009 report issued by the Centers for Disease Control and Prevention ("CDC") provides a range of estimates for the annual direct hospital cost of treating healthcare-associated infections ("HAI"s) in the United States. According to the report, the overall annual direct medical costs of HAIs in 2007 (after adjusting for inflation using the CPI for inpatient hospital services) is estimated to be between \$35.7 billion to \$45 billion. The report further estimates the financial benefits of prevention arising from possible infection control interventions at a low of \$5.7 billion and a high of \$31.5 billion.<sup>1</sup>

The U.S. Department of Health and Human Services ("DHHS") estimates that one in 20 patients who enter a

<sup>1</sup> "The Direct Medical Costs of Healthcare-associated Infections in U.S. Hospitals and the Benefits of Prevention" March 2009, Centers for Disease Control and Prevention

hospital will contract a potentially deadly virus during their visit. One type of deadly bacterium alone reportedly has been linked to around 14,000 US deaths each year with as many as 100,000 annual deaths attributable to all form of bacteria.

In addition, the CDC reports that there are around 20,000,000 cases of Norovirus infections in the US each year leading to over 70,000 hospitalizations.<sup>2</sup>

The Protx2® range of products is dedicated to combating hospital and community acquired bacterial infections, including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia, and by their application may greatly assist in reducing such infections. In addition, Protx2® is also a strong antiviral agent effective against Norovirus and H1N1.

Protx2® formulations impart anti-microbial and/or anti-viral powers to fibers, plastic, paint and paper treated with these formulations and is suitable for application to many areas of a hospital (or home) environment, including, scrubs, bedding, curtaining, carpeting, walls, air filters and numerous plastic components amongst others.

In order to fully enter the medical market for Protx2®, the Company is in process of securing a second and higher level of EPA registrations, termed public health claims, that will allow it to make applicable claims in connection with the efficacy of Protx2® (“kill claims”) for medical use. A testing protocol for this purpose has been negotiated and agreed to by the EPA and the requisite testing in conformity with Good Laboratory Practice (“GLP”) Recognition Standards had commenced as at the date of this AIF. Although the timeline for final regulatory approval of public health claims is not certain, the Company is optimistic that this can be achieved in the first half of calendar 2017. The final cost of laboratory efficacy and wash durability testing in respect of medical level claims is estimated to be in the order of \$400,000, which will be funded from current cash flow.

Entry into the medical market in the form of scrubs treated with Protx2® has already commenced at the date of this AIF via programs for two key customers, covering both the retail scrubs market as well as the direct to hospital market.

#### *UVtx™*

Textiles infused with UVtx™ provide apparel with a built in ultraviolet (“UV”) light blocker. The UVtx™ formulation contains both UV reflecting and UV absorption elements, giving apparel treated with UVtx™ the ultraviolet protection factor (“UPF”) strength of up to UPF 60. This allows the wearer of UVtx™ treated apparel to enjoy permanent sun protection without the need to apply sprays or lotions to the area covered by the garment. Testing has shown that UVtx™ treated textiles do not lose efficacy over time. Commercialization of UVtx™ commenced during the latter part of 2016 and the first products integrating UVtx™ will be in the market during the second quarter of 2017.

#### *FreshTx™*

FreshTx™ is a state of the art odour-absorbing technology, which is easily infused into textile products. FreshTx™ offers permanent protection against odours without the need to use sprays or perfumes. FreshTx™ uses naturally-occurring elements for effective results that are non-toxic and safe. Extremely durable, once applied, the properties of FreshTx™ are renewed with each wash, and is effective even when wet. Commercialization of FreshTx™ commenced during the latter part of 2016 and the first products integrating FreshTx™ will be in the market during the second quarter of 2017.

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<sup>2</sup> U.S. Trends and Outbreaks – Centers for Disease Control and Prevention

## *DryTx™*

DryTx™ moisture wicking technology provides treated apparel with the ability to quickly draw moisture away from the skin and disperse perspiration across the fabric surface for faster evaporation.

The main attributes of DryTx™ are its abilities to:

- Wick moisture away from the skin;
- Provide for garments that will not feel heavy or damp even during periods of high exertion by the wearer;
- Provide for garments that create less skin chafe compared to wet fabrics;
- Provide for garments that dry quicker, thereby assisting the wearer in maintaining a more even body temperature;
- Allow for fabrics to retain their natural softness.

An additional significant attribute of DryTx™ is its ability to be integrated into apparel in combination with the Division's other product offerings, resulting in unique garments that provide superior performance characteristics for athletic apparel.

The first products integrating DryTx™ will be in the market during the second quarter of 2017.

## *RepelTX™*

RepelTX™ is an environmentally friendly coating that is resistant to moisture. The RepelTX™ coating can be used on various surfaces including electronics and fabrics, which are then protected against water and moisture by simply treating them in a fluorinated solvent. The coating dries in just over one minute at room temperature, and it starts working immediately once set.

RepelTX™ offers the next generation in water repellency performance. RepelTX™ modifies fabric at the molecular level by permanently attaching hydrophobic 'hairs' to individual fibers that lift liquids, causing them to bead and roll right off the fabric surface. It features a hydrocarbon polymer which is both more ecologically friendly and economically smart compared to competing technologies. The result is a market leading performance, liquid repellency that is breathable, durable and fast drying.

A substantial body of testing carried out by the Company have shown the RepelTX™ and Protx2® work extremely well in conjunction with each other. Particularly in health care environments, the combination of water repellency and an antimicrobial allows for garments that repel liquids (for example, blood) and at the same time can kill bacteria. These combined attributes are optimal for the healthcare industry. The additional benefit to iFabric will be increased revenue from every sale involving a multiple of chemicals.

RepelTX™ was added to the Division's product portfolio in 2016 and initial sales of RepelTX™ for major customer programs are anticipated during the third quarter of 2017.

## Suppliers

The bulk of the Company's apparel, textile and chemical purchases are from suppliers in Asia.

The Company enjoys strong relationships with its Asian suppliers, some of which have supplied the Company for several years.

The Company's arrangements with its suppliers are subject to the normal risks involved in sourcing products from abroad, including changing import duties, custom clearances and port of entry strikes or inefficiencies, late deliveries from suppliers, and fluctuations in exchange rates. The Company endeavors to minimize its potential exposure to these risks by continually monitoring duty and tariff developments, placing orders well in advance of anticipated delivery dates to its customers, and by entering into forward exchange contracts.



The majority of the Company's non-Canadian sourced products are priced and paid in U.S. Dollars. By the nature of its business, lead times for purchasing are often lengthy and as much as 50% of the value of such purchases is paid at the time of placing orders with suppliers. The Company utilizes a number of strategies designed to fix the cost of its purchases in U.S. dollars, such as maintaining U.S. Dollar bank accounts and by allowing itself the opportunity to take advantage of positive or negative swings in currencies by purchasing or selling forward.

## Marketing

### *Intimate Apparel Division*

Coconut Grove Intimates' website [www.cgintimates.com](http://www.cgintimates.com) contains pictures and details regarding its product offerings as well as details about where to purchase these products. The Division utilizes a state of the art web portal in order to provide retail customers with catalogues and the ability to order goods. The same portal also serves as a tool to provide sales staff and sales agents with analysis of customer past ordering trends as well as details of inventories of available for sale products. The Division also utilizes popular social and business networking sites such as Facebook, Twitter and LinkedIn to provide product information to consumers.

The apparel Division also utilizes a number of direct selling initiatives. The buyers of major retailers are targeted for the purpose of presenting current sample ranges and future product design concepts. In addition, the company rents booths at major apparel shows throughout the year. A showroom in Manhattan, New York, serves as the venue to host retail buyers and display product offerings during market weeks for the apparel industry at various intervals throughout the year.

### *Intelligent Fabrics Division*

Intelligent Fabric Technologies (North America) Inc.'s website [www.iftna.com](http://www.iftna.com) contains details and technical information regarding its product offerings.

A direct selling approach is normally favoured by the Intelligent Fabrics Division, whereby market leaders in the sportswear, outerwear, footwear, plastics and medical supply markets are targeted for the purpose of presenting to them the benefits of utilizing IFTNA's technologies in their various product offerings. In addition, sales staff attend major trade shows in respect of its target markets for the purpose of adding to its database of potential customers. The Division also utilizes popular social and business networking sites as a conduit to deliver information to potential customers as well as consumers.

## Employees

As at the date of the date of this AIF the Company had 24 employees in North America, across all areas of its business, including management, product design, product sourcing, logistics, information technology, analysis, sales and marketing, technical services and administration.

In addition, the Company has appointed several independent sales representatives and consultants in its key U.S., Canadian, and European markets.

During the year the Company's branch in Taiwan became fully operational and now provides logistical and sales support for customer production at various Taiwanese textile mills.

A technical team in Asia provides technical assistance to major mills throughout Asia in the application or integration of intelligent fabric technologies at the point of production.

## Environmental Protection

The Company believes that it is in compliance with all environmental, health and safety laws.

In particular, the chemical formulations marketed by the Company require strict labeling instructions in accordance with EPA standards concerning the safe handling of such products. In addition, customers are provided with detailed instructions for disposing of chemicals or chemical waste. These instructions are designed to meet all appropriate local environmental standards for the permitted levels of such chemicals in effluent.

Extensive wearer trials are conducted by the Company in order to ensure that wearers will suffer no harmful effects from the use of treated fabrics.

### Intangible Properties

The Company believes that its trademarks and regulatory registrations are important to its competitive position. A substantial element of the Company's marketing strategy involves the creation of brand awareness in respect of its trademarks.

Where possible, trademarks are registered in all major market jurisdictions and, at least in the U.S. and Canada. Where required, regulatory registrations have been made or will be pursued in all markets that the Company sells chemical formulations. All registrations are renewable and procedures are in place to ensure timely renewal so that these registrations remain in effect.

### Competitive Conditions

With regard to its intimate apparel segment, the Company faces direct competition from other wholesale distribution companies who offer intimate apparel, complementary accessories, and sleepwear products. The retail apparel industry is highly sensitive to economic conditions and the Company aims to differentiate its products in an effort to mitigate competitive pressures. Specifically, it has positioned itself to leverage multiple key licensor arrangements, with brand leaders in the industry, and engages in cooperative marketing and advertising campaigns that support sales of branded products.

Within its Intelligent Fabrics Division, the Company defines its competition broadly, depending on the relevant technology, to other manufacturers and distributors of products that seek to improve the well-being of the end user. While there are other distributors offering similar technologies and products, the Company distinguishes itself from competitors by distributing products that offer superior efficacy and durability as well as being the most environmentally friendly. Moreover, the Division targets market leaders that claim premium performance as a core marketing tactic.

### New Products

On April 23, 2015 the Company announced the renewal of its Maidenform® Brands license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of HanesBrands Inc. ("Hanes"). Hanes acquired Maidenform in October 2013. In addition to the product categories that were included in the previous Maidenform agreement, a new sleepwear category was added to the license. The official launch of Maidenform sleepwear ranges will take place in respect of the Spring 2017 season with sales commencing in January 2017. The Company will also be releasing several new product additions to its core bra and accessories ranges.

In the Intelligent Fabrics Division RepelTX™, a durable water resistant repellent finish for textiles, was added to the product portfolio of the Division during 2016, with initial sales of RepelTX™ for major customer programs anticipated during the third quarter of 2017.

### Seasonality

The Intimate Apparel Division's core bra and accessory ranges are generally not impacted by seasonal variances. However, the fashion component of intimate apparel and sleepwear are impacted by general seasonal trends that are characteristic of the apparel industry.

## Economic Dependence

With regard to its Intimate Apparel Division, revenues are heavily dependent on a key license agreement, with approximately 90% of the Division's annual revenues being derived from the sale of licensed products. The Company continually strives to maintain strong relationships with its licensor and systems are in place to ensure that there is compliance with the terms of all license agreement.

In the Intelligent Fabrics Division, the Company is substantially dependent on an exclusive supply and distribution arrangement that it maintains with the manufacturer of its key technologies. The bulk of current revenue in the Intelligent Fabrics Division is derived from products that are supplied by the manufacturer of the chemical formulations and the Company is heavily dependent on retaining its exclusivity for the distribution of these products.

## Foreign Operations

The Intimate Apparel Division is heavily reliant on export sales, with 94% of revenue being derived from customers in its major foreign market regions, being the United States and the United Kingdom. In order to facilitate delivery of products to customers in these markets, goods are imported directly into the United States and United Kingdom and housed in contract warehouse facilities located in Los Angeles, California and Manchester, England. Approximately 85% of the intimate apparel Division's inventory is located in these foreign warehouses.

The Intelligent Fabrics Division is also reliant on export sales for the bulk of its revenue. Major foreign markets regions comprise the United States and Southeast Asia with the later currently accounting for over 90% of revenue. Chemical formulations are imported directly into its major foreign market regions and are housed in contract warehouses located in the United States, China, Taiwan and Japan.

## **Risk Factors**

A number of risk factors known and unknown may affect the operations of iFabric Corp. One should consider the following and all of the other information included in this document and in other documents incorporated by reference herein or otherwise filed on SEDAR when considering investing in the securities of the Company. The risks included in the following discussion are not exhaustive.

### Business Operation Risks

#### *Competition*

The Company faces significant competition in both the Intimate Apparel and Intelligent Fabrics Divisions. In the Intimate Apparel Division, the Company is in direct competition with companies that design, manufacture, or distribute intimate apparel and accessories.

In the Intelligent Fabrics Division, the Company competes with other companies that manufacture or distribute sprays, topical liquids, creams, medications, or chemicals that:

- a) repel insect bites when applied to skin or textiles; or
- b) kill bacteria when applied to textiles; or
- c) assist with the healing of skin and the control of skin irritations.

#### *Economic Conditions and Consumer Spending*

In the Intimate Apparel Division, the Company's customer base consists of national and international retailers, independent stores, and boutiques. The success of this Division is dependent on customers perpetually replenishing their distribution channels with the Company's year-round merchandise, as well as ongoing commitments and purchase orders for seasonal fashion goods. The Company's ability to achieve the expected volume and price points of sales indirectly depends on the retailer's continuous ability to sell the Company's

merchandise to their end use consumers. The retail apparel industry is highly sensitive to adverse economic factors, such as consumer debt levels, interest rates, and unemployment rates. Any adverse effects of economic conditions on the retail industry can have a negative impact on the level of sales and gross margins that the Company expects to achieve.

Within its Intelligent Fabrics Division, the Company's primary customer base are mills and manufacturing centers that produce textiles embedded with the Company's chemical technologies. The demand for such technologies can be negatively impacted if retailers and distributors of textiles experience adverse consumer spending patterns due to weak economic conditions. This indirectly affects the Company's ability to execute sales volumes and price levels that are anticipated by management.

#### *Licensing Arrangements*

The Company is reliant on a number of key licensing and distribution agreements and its future performance could be materially affected by a termination of one or more of such agreements. Termination could arise as a result of any of the following, among others:

- Failure to pay royalties or advertising contributions;
- Failure to meet minimum purchase obligations;
- Failure to achieve minimum sales targets;
- The breach of a material covenant;
- Failure to ship licensed products to authorized customers;
- Failure to give notice of intention to renew within the stipulated time period

#### *Economic Dependence on Key Clients*

The Company sales are heavily concentrated in a limited number of key customers during the last several years. For the year ended September 30, 2016, approximately 33% of the Company's total sales were to two customers (2015 - 36% of sales were to two customers). As well, as at September 30, 2016, two customers accounted for 56% (September 30, 2015 - four customers accounted for 49%) of the Company's accounts receivable. The loss of any one of these key clients can have a material impact on revenues, earnings, cash flows, and the financial position of the Company.

#### *Key Personnel*

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. As the Company's business activities grow, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

#### *Technological Advancements*

With regard to the Company's Intelligent Fabrics Division, the chemical industry is subject to significant technological advancements, changing industry standards, market trends, customer preferences and competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Company will depend on its ability to secure technological superiority in its products and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of the Company will not be required in order to meet demands or to remain competitive.

#### *Intellectual Property*

The success of the Company will depend, in part, on its ability to maintain proprietary protection over its intellectual property and operate without infringing the proprietary rights of third parties. Despite precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's technologies without

authorization. There can be no assurance that any steps taken by the Company will prevent misappropriation of its technologies.

#### *Government Regulation and Regulatory Approvals*

Future changes in government regulation could adversely affect the industries in jurisdictions in which the Company operates or intends to operate.

With regard to its Intelligent Fabrics Division's technologies, the Company is dependent on regulatory approvals or registrations and the legal systems in the markets in which it operates, such as the U.S. Environmental Protection Agency ("EPA") and Health Canada. The Company currently has certain EPA registrations and is in process of securing additional approvals from both the EPA and Health Canada. There is no certainty that such approvals will be granted and regulators could, even after granting such approvals, be stringent on non-compliance with regulatory requirements or change such requirements, which could have a material adverse effect on the Company's business and result in adverse publicity.

#### *Customer Adoption*

The Company's revenues in its Intelligent Fabrics Division are highly dependent on the willingness of consumers to purchase products based upon their awareness the benefits that such products provide. Different markets will require differing marketing strategies and the adoption of the Company's products may be slower than anticipated.

#### Financial Risks

The Company has risk management policies in place to identify and analyze financial risks, set appropriate limits and controls, and to monitor the risks on an ongoing basis. The risk management policies are reviewed regularly and amended as needed. The Company's financial risks include, but are not limited, to the following:

#### *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 related party loans, bank indebtedness, loans payable and accounts payable and accrued liabilities. 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 and available credit facilities. It is likely that the Company will require additional financing to fund future expansions. There can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of development of certain of iFabric's business, and therefore affect its future cash flows, earnings, results of operations and financial condition. The Company believes that it has sufficient debt and equity financing opportunities available, and together with its projected future cash flows and existing unutilized credit facilities, feels that it will be able to satisfy its obligations to meet financial liabilities in the future.

#### *Credit Risk*

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company routinely assesses the financial strength of its customers. In order to mitigate its credit risk, the Company insures its trade accounts receivable with third party insurance providers based on specific or discretionary credit limits, dependent on the level of amounts outstanding from individual customers at that time. At the financial year end and the date of this AIF, no claims were pending in this regard.

### *Foreign Currency Risk*

In both the Intimate Apparel and Intelligent Fabrics Divisions, the Company purchases a significant amount of its inventory in US Dollars. Fluctuations in the exchange rate between the US Dollar and Canadian Dollar may have adverse effects on the Company's gross margin. While some of these effects are mitigated by the fact that most of the Company's sales are also denominated in US Dollars, the different timing of purchasing merchandise, delivering goods to customers, and ultimate collection of receivables may negatively affect the Company's gross margins, earnings, cash flows, and financial position. The Company mitigates certain of its foreign currency risk by entering into foreign exchange forward contracts from time to time.

### *Interest Rate Risk*

The Company is exposed to interest rate risk on its secured bank loan and its bank operating line, which bear interest at floating rates, since changes in market rates can cause fluctuations in cash flows. Fluctuations in interest rates over the last several years have not had a material impact on the Company's financial results.

## **Three Year History**

### Intimate Apparel Division

On April 23, 2015, the Company announced the renewal of its Maidenform® Brands license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of HanesBrands Inc. ("Hanes"). The new agreement is in effect for a period of 4 years with effect from January 1, 2015. In addition to the product categories that were included in the previous Maidenform agreement, a new sleepwear category has been added to the license. The new sleepwear category is expected to be a significant contributor to growth in apparel sales in 2017 and beyond.

The Intimate Apparel Division commenced showing the initial Maidenform® sleepwear ranges to customers in November 2015 with very good response. The official market launch of Maidenform® sleepwear is has been set for the Spring 2017 season with initial shipments commencing in January 2017.

At the date of this AIF, Maidenform®-branded products continue to be the primary source of revenue for the Intimate Apparel Division.

On August 11 2016 the Company announced that it would not be renewing its license agreement in respect of Splendid® and Ella Moss brands. Sales of Splendid® and Ella Moss® branded products across all market segments, including the Company's market segment, had been underperforming in recent months and on June 30, 2016, VF Corporation announced that it had signed a definitive agreement to sell its Contemporary Brands businesses (including its Splendid® and Ella Moss® brands) to Delta Galil Industries, Ltd. Faced with the probability that Delta Galil will itself take on the manufacture and distribution of Splendid® and Ella Moss® branded products at some point in the future, the Company felt that continued investment in a short-term license was not in the Company's best interests. Instead, the Company will focus its full design and marketing efforts solely on Maidenform® branded sleepwear. The long-established Maidenform® brand currently has exceptional market appeal and the product price points for Maidenform® sleepwear allows for the targeting of a far wider market than was possible with the more limited Splendid® and Ella Moss® brands.

During 2016 the US market continued to be the Intimate Apparel Division's major market, with approximately 83% of sales being made to US customers,

In October 2016, premises in New York that were being utilized as a showroom were sub-let and the New York showroom was moved to the premises of the Company's largest independent sales representative in the US. Management believes that this move will provide for the most effective marketing arrangement in respect of Maidenform sleepwear in the future.

## Intelligent Fabrics Division

On December 10, 2013, iFabric announced the execution of an agreement that secures global distribution and marketing rights in respect of antimicrobial, antiviral formulations and, and will potentially include a pipeline of other textile technologies to be added to the Company's product portfolio in the future.

The execution of the agreement provided several significant benefits to the Company:

- Expansion of distribution and marketing rights from North American rights to Worldwide rights;
- A direct, and more secure relationship with the manufacturer of the technologies, including access to future product advancements and developments;
- Increased product margins as a result of the direct relationship with the manufacturer; and
- The elimination of a previous profit share arrangement.

In April 2014, the Intelligent Fabrics Division established two key supply centers in Asia, namely China & Taiwan, in order to support the anticipated growth in this key market region. The ability to maintain a supply of products close to the large manufacturing hubs of current and future potential customers provides for a number of logistical and cost benefits. In addition to the supply facilities, the Division also has logistical, technical support specialists in Asia able to provide guidance and support in the application of its products.

On December 8, 2014, the Company announced the execution of a strategic production, sales and marketing agreement with Delos Merchandising LLC ("Delos"). The agreement provides Delos with the exclusive use of unique combinations of iFabric's intelligent textile products and technologies for products distributed by Delos in the hospitality and retail spaces as well as the non-exclusive use of all other intelligent textile products and technologies distributed by the Company. As the pioneer of Wellness Real Estate™, Delos® is seeking to transform homes, offices, schools, and other indoor environments by placing health and wellness at the center of design and construction decisions. Delos aims to achieve this by creating spaces that actively contribute to human health, performance and wellbeing by marrying the best innovations in technology, health, science, and real estate. The Delos platform includes programming, consulting, research, and an array of innovative, built-in amenities that research suggests may improve occupant well-being. Their main immediate target market is international hotel groups.

On April 16, 2015 the Company announced the execution of strategic distribution and marketing agreement with Seal Shield, LLC ("Seal Shield"). The agreement provides Seal Shield with the exclusive use of antimicrobial formulations supplied by IFTNA, for integration into their numerous polymer and elastomer product offerings. Seal Shield and IFTNA have the common goal of providing products that eliminate bacterial cross contamination across all sectors of the community.

In May 2015, the Company established a new wholly-owned subsidiary company in China. Protix (Shanghai) Trading Co., Ltd. commenced operations in October 2015 and will serve as the vehicle for the importation and distribution of the Company's chemical formulations in mainland China.

On August 24, 2015, the Company announced the execution of an agreement with The North Face, a brand of the VF Corporation. In terms of this agreement, The North Face will exclusively use Protix2® in all its product offerings that integrate an antimicrobial technology.

In June 2016, the Division completed the majority of mini and bulk trials in respect of Protix2 integration for several major customers.

In July 2016 the Division commenced the shipping of Protix2 for integration into full production programs for several customers.

In August 2016, IFTNA received confirmation of the registration of its branch in Taiwan which, will operate under the name "Intelligent Fabric Technologies, Taiwan Branch". Textile mills in Taiwan are expected to be a major market for the Intelligent Fabrics Division.

On October 3, 2016, the Company announced the execution of an agreement with Eagle Creek, a brand of the VF Corporation. Founded in 1975, Eagle Creek is a leading travel outfitter, providing smart, innovative and durable luggage, travel bags and accessories. In terms of the agreement, Eagle Creek will exclusively use Protix2® in all its product offerings that integrate an antimicrobial technology.

### Corporate Activity

On December 13, 2013, the Company closed an offering of equity comprising 407,250 units at a price per unit of \$4.00 for gross proceeds of \$1,629,000. Each unit consists of one common share and one half of one common share shareholder warrant. Each whole shareholder warrant entitles the holder to acquire one common share of iFabric, at an exercise price of \$5.25, and is exercisable for a period of 3 years from December 13, 2013.

As compensation for the issue, the agent received a cash fee of 7% of the gross proceeds, totaling \$114,030, as well as 28,508 agent warrants. Each agent warrant entitles the agent to acquire one unit at an exercise price per unit of \$4.00. Each unit consists of one common share, and one half of one common share secondary agent warrant. Each whole secondary agent warrant entitles the holder to acquire one common share of iFabric, at an exercise price of \$5.25, and is exercisable for a period of 3 years from December 13, 2013.

The Company incurred \$84,682 in legal costs and disbursements in connection with the issue.

The fair value of the shareholder warrants was estimated by management at \$579,293 and the fair value of the agent warrants was estimated by management at \$125,568 as of the date of the grant using the Black-Scholes pricing model. These amounts were charged to capital stock.

On November 18, 2016 the Company announced the extension of the shareholder warrants for a period of one year at an exercise price of \$5.25. Accordingly, 203,625 warrants will now expire on December 13, 2017 unless exercised prior to this date.

### ***Years Ended September 30, 2015 and 2016***

Total revenue for the year ended September 30, 2016 amounted to \$13,570,365 compared to \$13,074,848 in 2015 representing an increase of \$495,517 or 4%.

For the year ended September 30, 2016 Intimate Apparel Division revenue accounted for 83% of revenue and Intelligent Fabric Division revenue accounted for 16% of revenue. For the year ended September 30, 2015 Intimate Apparel Division revenue accounted for 94% of revenue the Intelligent Fabrics Division revenue accounted for 5% of revenue. Other revenue accounted for 1% of revenue for both years.

Apparel Division revenue decreased from \$12,298,361 in 2015 to \$11,272,334 in 2016, representing a decrease of \$1,026,027 or 8%. By contrast, Intelligent Fabric Division revenue increased from \$679,298 in 2015 to \$2,181,527 in 2016, representing an increase of \$1,502,229 or 221%.

The loss from operations in 2016 amounted to \$80,891 compared to income from operations of \$168,351 in 2015. The main reasons for this decrease is a decrease in gross margin contribution of approximately \$165,000 resultant from the clearance of end of season merchandise at lower margins and the product mix for the year, as well as increased expenses of \$84,000 in 2016 compared to 2015. Income from operations for this purpose is comprised of net earnings before income taxes, adjusted for share based compensation, foreign exchange gains or losses and sundry income.

For the year ended September 30, 2016 the company incurred an after-tax loss of \$373,977 attributable to shareholders or \$0.014 per share basic and diluted, compared to after tax loss of \$109,837 attributable to shareholders, or \$0.004 basic and diluted per share for the year ended September 30, 2015. This decrease was mainly attributable to the factors discussed above.



### ***Quarter Ended September 30, 2016***

For the quarter ended September 30, 2016, revenue amounted to \$4,170,011 compared to \$3,080,464 for the fourth quarter of 2015 representing an increase of \$1,089,547 or 35%.

Apparel Division revenue amounted to \$2,887,215 for the quarter ended September 30, 2016 compared to \$2,966,280 for the quarter ended September 30, 2015 representing a decrease of \$79,065 or 3%. For the Intelligent Fabrics Division, revenue amounted to \$1,257,166 for the quarter ended September 30, 2016 compared to \$89,555 for the comparable quarter in 2015, representing an increase of \$1,167,611.

The net income from operations for the fourth quarter of 2016 amounted to \$162,693 compared to a net loss of \$483,693 in the same period of 2015 representing an increase in income from operations of \$646,386. This increase mainly resulted from increased margin contribution of \$372,000 from increased sales in the quarter as well as a reduction in expenses of \$274,000.

Net earnings after tax for the quarter ended September 30, 2016 attributable to shareholders amounted to \$32,745 compared to an after tax loss of \$282,071 in 2015, representing an increase in earnings of \$314,816. This increase was mainly attributable to the factors discussed above.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

iFabric Corp., formerly Leezamax Capital Corp., a capital pool company, was incorporated under the *Business Corporations Act* (Alberta) on April 9, 2007. The Company's head office and principal place of business is located at 525 Denison Street, Unit 1, Markham, Ontario, L3R 1B8. The telephone number for the Company's principal place of business is 905-752-0566. The Company's web address is [www.ifabriccorp.com](http://www.ifabriccorp.com). The Company's registered office is, Suite 300, 14505 Bannister Road SE, Calgary, AB, T2X 3J3.

iFabric completed its Qualifying Transaction with Coconut Grove Textiles Inc. ("Coconut Grove") on June 4, 2012 and, on that date its shares began trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "IFA". iFabric acquired all of the issued and outstanding common shares of Coconut Grove from its shareholders in exchange for a total of 24,412,500 post-consolidation common shares at a deemed price of \$0.40 per share. Accordingly, the deemed value of the transaction was \$9,765,000.

Since the transaction resulted in the shareholders of Coconut Grove acquiring control of iFabric, Coconut Grove was deemed to be the acquirer for financial reporting purposes, and the share exchange constituted a reverse takeover of iFabric by the shareholders of Coconut Grove.

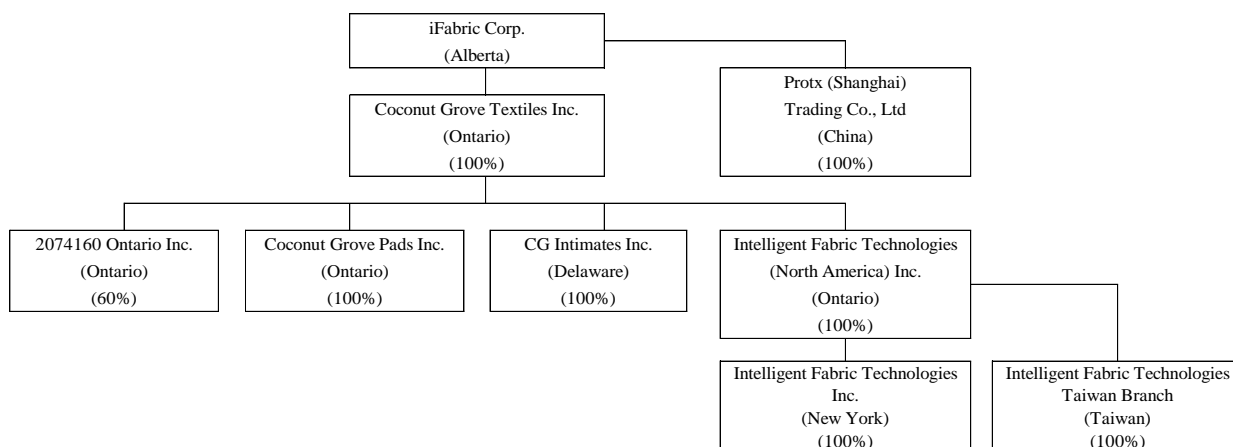
Further, since iFabric was a non-operating public enterprise immediately prior to the Qualifying Transaction, the closing of the Qualifying Transaction did not constitute a business for the purpose of applying business combination accounting. Therefore, the Qualifying Transaction was equivalent to the issuance of shares by Coconut Grove for the net liabilities of iFabric. As a result of the share exchange, Coconut Grove became a wholly-owned subsidiary of iFabric.

The effect of the reverse takeover is that the business and operations of iFabric are a continuation of the business and operations of Coconut Grove both before and after the takeover.

Following its migration to the Toronto Stock Exchange ("TSX") in September 2015, iFabric's shares commenced trading on the TSX under the trading symbol "IFA", on September 18, 2015 and, its shares were delisted from the TSX-V after close of business on September 17, 2015.

## Intercorporate Relationships

The following chart illustrates the structure of the Company and its subsidiaries, their jurisdiction of incorporation, and the percentage of voting securities beneficially owned, or over which control or direction is exercised, by the Company:



## GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares, without nominal or par value. The holders of the Company's common shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the common shares. All of the issued and outstanding common shares are fully paid and non-assessable.

## ESCROWED SECURITIES

There were no securities in escrow as at September 30, 2016 and as at the date of this AIF.

## DIVIDENDS

The Company has never declared dividends on its common shares and currently plans to reinvest all its future earnings to finance the growth of its business. As a result, the Company does not intend to pay dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, operating results and capital requirements as well as on any other factors that the board of directors may deem relevant. Other than the generally applicable corporate law provisions respecting the declaration and payment of dividends there are no constraints or restrictions that could prevent the Company from paying dividends.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

iFabric's board of directors currently consists of seven directors. The directors are elected annually. The following table states the names of the current directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date of this Annual Information Form. The present term of each director will expire immediately prior to the election of directors

at the next annual meeting of shareholders of the Company or upon such director's successor being elected or appointed.

Name and Municipality of Residence	Period Served as Director	Office Held	Principle Occupation	Number of Common Shares Held	Percentage of Common Shares Held
JEFFREY COYNE <sup>(1)(2)</sup> North Carolina United States	Since May 16, 2011	Chairman of the Board	Chief Executive Officer of Provect Technologies Inc.	87,500	0.34%
HYLTON KARON Ontario Canada	Since May 16, 2011	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Company	9,715,625	37.38%
HILTON PRICE Ontario Canada	Since May 16, 2011	Director, Chief Financial Officer and Secretary	Chief Financial Officer and Secretary of the Company	400,000	1.54%
MARK GREENSPAN <sup>(1)(2)</sup> Ontario Canada	Since May 16, 2011	Director	Corporate Director	125,000	0.48%
JASON GARAY Ontario Canada	Since May 16, 2011	Director	Vice President, Analytics and Informatics, Cancer Care Ontario	0	0.00%
GIANCARLO BEEVIS Ontario Canada	Since October 23, 2014	Director	President and Chief Executive Officer of Intelligent Fabric Technologies (North America) Inc. (wholly-owned subsidiary of the Company)	1,000	0.00%
MARK COCHRAN <sup>(1)(2)</sup> Maryland United States	Since May 4, 2015	Director	Managing Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare.	0	0.00%
<b>Total</b>				10,329,125	39.74%

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, except as set out below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of this section, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Mark Greenspan was President, Chief Executive Officer and a director of Greengreen Capital Corp., a reporting issuer, at the time cease trade orders were issued against the company for failure to file annual audited financial statements for the year ended August 31, 2010, and the associated MD&A and officers' certifications. The cease trade orders remain in effect as of the date of this AIF.

Greengreen Capital Corp. became a reporting issuer on October 16, 2008, following the filing of a final prospectus pursuant to which the company expected to qualify for listing on the Exchange as a capital pool company. Due to the economic conditions at that time, the company was unable to raise the necessary public funds to meet the listing requirements of the Exchange. The seed money raised by the founders of the company was used to maintain the company's continuous disclosure requirements as a reporting issuer, however, once the seed money was exhausted, the company was unable to raise any additional funds. No public funds were ever raised by Greengreen Capital Corp. Greengreen Capital Corp. was dissolved on September 2, 2011.

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, nor
- b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to materially affect its control, has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

#### **PROMOTERS**

Hylton Karon, CEO and a director, and Hilton Price, CFO and a director, have been promoters of the Company since its listing on June 4, 2012. The following table sets out the number and percentage of each class of securities of the Company beneficially owned, directly or indirectly, or over which control is exercised by the promoters of the Company.

<b>Name of Promoter and Position with the Company</b>	<b>Number and Percentage of Voting Securities Held</b>
Hylton Karon	9,715,625 (37.5%)
Hilton Price	400,000 (1.5%)

The following table sets out the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoters directly or indirectly from the Company or a subsidiary of the Company, and the nature and amount of any assets, services or other consideration received or to be received by the Company or a subsidiary of the Company in return.

<b>Name of Promoter and Position with the Company</b>	<b>Salary</b>	<b>Management Fees</b>	<b>Other Compensation</b>	<b>Value of Unexercised In-the-Money Options</b>
Hylton Karon	nil	\$222,500 <sup>(1)</sup>	nil	nil
Hilton Price	nil	\$156,000 <sup>(1)</sup>	nil	\$1,200,000 <sup>(2)</sup>
<b>TOTAL</b>	<b>nil</b>	<b>\$372,000</b>	<b>nil</b>	<b>\$1,200,000</b>

- (1) Hylton Karon and Hilton Price provide management services to the Company, as well as a wholly-owned subsidiary of the Company, through external management companies.
- (2) An option to acquire up to 500,000 common shares of the Company at an exercise price of \$0.40 per share was granted to Hilton Price on January 16, 2013. In-the-money-options are those where the market value of the underlying securities exceed the option exercise price at September 30, 2016. The closing market price of the Company's common shares on September 30, 2016, was \$2.40 per common share.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The Charter of the Audit Committee is attached to this AIF as Appendix A.

### **Composition of the Audit Committee**

The Audit Committee members are Mark Greenspan (Chairman), Mark Cochran, and Jeff Coyne. All members of the Audit Committee are financially literate (as determined by NI 52-110), and all members are independent.

### **Relevant Education and Experience**

- Mark Greenspan has had a broad exposure to review and interpretation of financial statements through his positions as Chief Financial Officer for The Medipattern Corporation, an Exchange listed medical diagnostics company, from 2002 to 2010, and 18 years at Scotiabank in various capacities, including Chief Operating Officer of Scotiabank's e-commerce subsidiary, Chief Administrative Officer, and Head of Integrated Support Services for Scotia Capital. Prior to being employed at Scotiabank, he spent eight years at KPMG specializing in business valuations and mergers and acquisitions.
- Mark Cochran has had experience in reading and understanding financial statements through his position as Managing Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare. His professional experience spans the spectrum of the global health care value chain, including drug discovery, development, research and management, and venture capital initiatives.
- Jeff Coyne has had experience in reading and understanding financial statements through his positions as Chief Executive Officer of Provect Technologies, Inc., a U.S. based, enterprise level, time and attendance software company and principal of CPR Turnaround LLC, a

company that manages and advises companies in financial difficulty. He has also been a Senior lecturing fellow at Duke University School of Law in Durham, North Carolina, since 1995.

### **Pre-approval Policies and Procedures**

The Company's Audit Committee pre-approves every engagement by Shimmerman Penn LLP, the Company's external auditors, to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

### **External Auditor Service Fees**

The following table summarizes the fees billed or projected to be billed to the Company for services provided by Shimmerman Penn LLP, during the fiscal years ended September 30, 2016 and 2015:

<b>Fiscal Year Ended</b>	<b>Audit Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
September 30, 2016	\$68,000	Nil	Nil
September 30, 2015	\$68,000	Nil	Nil

Audit fees are for professional services provided by Shimmerman Penn LLP for the audit of the Company's annual consolidated financial statements.

## MARKET FOR SECURITIES

The common shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "IFA".

The following chart sets out the reported high and low prices and the volume of trading of the Common Shares of iFabric on the TSX for the periods indicated:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(\$)	(\$)	
<u>2015</u>			
October.....	3.34	2.61	83,600
November.....	3.15	2.60	61,800
December.....	2.80	2.41	78,000
<u>2016</u>			
January.....	2.69	2.40	50,200
February.....	2.65	2.22	47,600
March.....	2.65	2.20	47,100
April.....	2.55	2.30	30,400
May.....	2.55	2.41	59,900
June.....	2.65	2.50	75,300
July.....	2.64	2.43	56,000
August.....	2.50	2.33	89,000
September.....	2.60	2.39	85,300

## TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada, Suite 600, 530-8th Avenue SW, Calgary, Alberta, T2P 3S8.

## INTEREST OF EXPERTS

The consolidated financial statements of the Company for the year ended September 30, 2016 have been audited by Shimmerman Penn LLP. As at September 30, 2016, Shimmerman Penn LLP has advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## ADDITIONAL INFORMATION

Additional information relating to iFabric may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the annual meeting held March 29, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information is provided in the Company's audited financial statements and Management Discussion and Analysis, both for the most recently completed financial year ended September 30, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPENDIX A**

### **iFabric Corp. Charter of the Audit Committee**

#### **Purposes**

The primary function of the Audit Committee (the "Committee") is to assist the board of directors (the "Board") in fulfilling its responsibilities by reviewing the financial reports and other financial information provided by iFabric Corp. ("iFabric" or the "Company") to any regulatory body or the public, the Company's systems of internal controls regarding preparation of those financial statements and related disclosures that management and the board of directors have established and the Company's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary objectives are to:

- assist directors in meeting their responsibilities in respect of the preparation and disclosure of the financial statements of the Company and related matters;
- provide for open communication between the board of directors and external auditors;
- enhance the external auditor's independence; and
- increase the credibility and objectivity of financial reports.

#### **Composition**

The Committee is comprised of three directors. The majority of the directors are "independent" (as such term is used in National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). All of the members of the Committee shall be "financially literate" (as defined in NI 52-110) unless the board of directors shall determine that an exemption under NI 52-110 from such requirement in respect of any particular member would be applicable and is to be adopted by the Company in accordance with the provisions of NI 52-110. The members of the Committee shall be elected by the board of directors at the annual organizational meeting of the Board and remain as members of the Audit Committee until their successors shall be duly elected and qualified. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by majority vote.

#### **Meetings**

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its mandate to foster open communication, the Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Chief Financial Officer is required to be present at the meetings of the Audit Committee. Minutes of all meetings of the Audit Committee shall be taken and the Committee shall report the results of its meetings and reviews undertaken and any associated recommendations or resolutions to the Board. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee shall be a valid resolution of the Committee. A quorum for meetings of the Committee shall be majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board. Members of the Committee may participate in a meeting of the Committee by means of telephone or other communication device or facilities that permit all persons participating in any such meeting to hear one another.



## **Responsibilities and Duties**

To fulfil its responsibilities and duties, the Committee shall:

### *A. Documents/Reports Review*

1. Review and update this Committee Charter, as conditions dictate.
2. Review the financial statements, MD&A and all public disclosures containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to the Board's approval where required.
3. Review the reports to management prepared by the external auditors and management responses.
4. Review of significant auditor findings during the year, including the status of previous audit recommendations.
5. Be satisfied with and periodically assess the adequacy of procedures for the review of corporate disclosure that is derived or extracted from the financial statements.

### *B. External Auditors*

1. Be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
2. Recommend to the Board the external auditors to be nominated for appointment by the shareholders.
3. Recommend to the board of directors the terms of engagement of the external auditor, including their compensation and a confirmation that the external auditors shall report directly to the Committee.
4. On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Company to determine the auditors' independence.
5. Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
6. Periodically consult with the external auditors about internal controls and the fullness and accuracy of the organization's financial statements.
7. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

### *C. Financial Reporting Processes*

1. In consultation with the external auditors and management, review the integrity of the organization's financial reporting processes both internal and external. Consider judgments concerning the appropriateness of the Company's accounting policies.
2. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the external auditors or management.

*D. Process Improvement*

1. Review with external auditors their assessment of internal controls, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit, and upon completion of the audit, their reports upon the financial statements.

*E. Ethical and Legal Compliance*

1. Ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to regulatory organizations and the public satisfy legal requirements.
2. Perform any other activities consistent with this Committee Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.