The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's unaudited condensed consolidated interim statements as at and for the period ended March 31, 2021 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2020 and the comparative year ended September 30, 2019. All financial information in this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes thereto were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A is dated May 12, 2021.

All references to dollars or "$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2021" refers to the annual fiscal period ended September 30, 2021, "2020" refers to the annual fiscal period ended September 30, 20120, "2019" refers to the annual fiscal period ended September 30, 2019, "Q1" refers to the period of October 1 to December 31, "Q2" refers to the period of January 1 to March 31, "Q3" refers to the period of April 1 to June 30, and "Q4" refers to the period of July 1 to September 30.

FORWARD-LOOKING INFORMATION

This MD&A 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. 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 "Risks and Uncertainties" and should be considered carefully by readers. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

Given the impacts of COVID-19 and resulting ongoing uncertainty, there can be no assurances regarding: (a) the COVID-19 related impacts on the Company's business, operations and performance, (b) the Company's ability to mitigate such impacts; (c) credit, market, currency, operational, and liquidity risks generally; and (d) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

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 MD&A. 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.

NON-GAAP FINANCIAL MEASURES

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are not considered generally accepted accounting principles ("GAAP") measures. Where non-GAAP measures or terms are used, definitions are provided. In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

This MD&A and certain of the Company's press releases include references to the Company's adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), adjusted EBITDA per share is a non-GAAP measure. These measure should not be considered an alternative to net earnings (loss) attributable to the owners of the Company or other measures of financial performance calculated in accordance with IFRS. Rather, this measure is provided to complement IFRS measures in the analysis of iFabric's results since the Company believes that the presentation of this measure will enhance an investor's understanding of iFabric's operating performance. For reconciliations of this non-GAAP measure to its nearest IFRS measure, refer to the Non-GAAP Performance Measure section below for a reconciliation of consolidated net earnings (loss) attributable to the owners of the Company reported under IFRS to reported adjusted EBITDA and adjusted EBITDA per share.

Adjusted EBITDA

The Company uses Adjusted EBITDA to assess its operating performance without the effects of (as applicable): current and deferred tax expense, finance costs, interest income, depreciation and amortization of plant assets, other gains and losses, impairment loss, share-based compensation and other non-recurring items. The Company adjusts for these factors as they may be non-cash, unusual in nature and do not reflect its operating performance. Adjusted EBITDA is not intended to be representative of net earnings from operations or an alternative measure to cash provided by operating activities determined in accordance with IFRS.

BUSINESS OVERVIEW

General

iFabric is a Canadian public company, incorporated under the Alberta Business Corporations Act and is domiciled in Canada. The Company 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 business activities are divided into three reportable operating segments, which offer different products and services, and are managed separately because they require different marketing strategies and resource allocations. The following summarizes the operations of each segment:

- 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.

NATURE OF OPERATIONS

Intimate Apparel

The Intimate Apparel division 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.

The division utilizes contract warehouse facilities located in Los Angeles, California which services its key U.S. market 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 center for the Canadian and European markets. 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 96-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.

Intelligent Fabrics

The Intelligent Fabrics Division currently enjoys exclusive worldwide distribution rights in respect of a number of proprietary chemical formulations that can be applied to textiles in order to kill bacteria and viruses, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. 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 chemicals suitable for application to textiles as well as finished performance apparel which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer. The current focus is on technologies that improve the safety and well-being of the wearer. The division's current product offerings include Protx2® (anti-microbial and anti-viral formulations) Enguard® (insect repellant technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellant) and DryTx (moisture-wicking technology). The Company anticipates that several new products will be added to its pipeline in the future.

The Division 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 internationally 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. The Division also leverages the Company's textile expertise in order to supply finished products or fabrics treated with one or more of the Division's market leading formulations. All chemical formulations, as well as performance apparel, is produced or manufactured at various facilities in Asia.

The following describes the functionality of the division's current product portfolio:

Protx2® Anti-Microbial and Anti-Viral Technologies

Protx2® represents IFTNA's flagship technology.

Protx2® formulations impart anti-microbial and/or anti-viral powers to fibers, plastic, paint and paper treated with these formulations. Numerous laboratory tests have shown that treated products inhibit the growth of a wide variety of infectious agents associated with healthcare and community infections, and by their application may assist in preventing the spread of such infections.

The Company is currently targeting three key markets with regard to the distribution of Protx2® chemicals or treated finished products:

1) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear manufacturers to offer technologically-enhanced products. With the ability of Protx2® to combat odor 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 Environmental Protection Agency ("EPA") and European regulatory registrations, the Company can distribute Protx2® for use in all sportswear and footwear for distribution in the U.S., European and Canadian markets as well as most other international markets.

2) Medical

Protx2® is suitable for application to many areas of a hospital environment, including, scrubs, bedding, curtaining, carpeting, walls (paint), air filters, and plastic components, amongst others.

The Protx2® range of products is dedicated to combating healthcare acquired bacterial infections ("HAI's"), including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia amongst others, and by their application may greatly assist in reducing such infections. In addition, Protx2® is also laboratory proven to be a strong antiviral agent effective against the SARS-CoV-2 virus (which causes the COVID-19 disease), the Human Corona Virus (229E), Norovirus and H1N1.

In order to enter the medical market in the United States in respect of Protx2® treated products, the Company is in the process of securing a second and higher level of EPA registrations, termed public health claims, that, if granted, will allow it to make applicable claims in connection with the efficacy of Protx2® treated fabrics, against both bacteria and viruses ("kill claims"). The final submissions to the EPA have been made as at the date of this MD&A and approvals are currently pending. IFTNA has also filed utility patent applications in both the United States and Canada in respect of the Company's antiviral treatment of textiles (ProTX2 AV) and its stand-alone laundry additive (AVguard).

3) Community protection

The current COVID-19 pandemic has underscored the need for individuals to protect themselves when entering closed environments such as aircraft, shopping malls, hotels, and even ones residence, as well as close proximity environments such as sports arenas, movie houses etc. With future pandemics being predicted by experts, management believes that the supply of equipment, apparel, washes and sanitizers, that can deactivate infectious bacteria and viruses, is set to become one of the fastest growing market segments. With its Protx2® technologies, iFabric is well positioned to capitalize on the opportunity to supply its chemical treatments, finished personal protection equipment and apparel and a laundry additive that can be utilized during a normal household laundry cycle.

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. DryTx™ does not require regulatory approvals and is commercially available for sale.

RepelTX™

RepelTX™ is 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 with high durability.

Benefits:

- Repels rains, sleet and snow
- Outperforms conventional fabric treatments
- Provides long-lasting protection
- Prevents fabric stains, saves time, dries quicker & saves energy
- Preserves the quality, hand & appearance of textiles

A substantial body of testing carried out by the Company has shown that RepelTX™ and Protx2® work extremely well in conjunction with each other. Particularly in health care environments, the combination of water repellency and antimicrobial properties allows for garments that repel liquids and at the same time are able to kill bacteria. These combined attributes are optimal for the healthcare industry. The enhanced commercial benefit is increased revenue from sales involving a multiple of chemicals. RepelTx™ does not require regulatory approvals and is commercially available for sale.

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. In particular, athletic apparel has two key areas that can cause skin irritation, namely friction and excessive moisture. Dreamskin® targets both of these to help prevent irritation during sporting activities. Dreamskin®does not require regulatory approvals and is commercially available for sale.

Enguard® Insect Repellent Fabric

Applying Enguard® to fabrics results in a highly effective and durable insect repellent. A major strength of Enguard® is that it is safe for children. Testing carried out by the London School of Hygiene and Tropical Medicine show Enguard® to have repelling power comparable to high-concentration DEET and significantly greater than any other natural insect repellents.

The Company requires regulatory approvals in order distribute Enguard® treated products in the United States and Canada. The Company intends to pursue regulatory approvals for Enguard® with the EPA after the receipt of the Protx2® approvals referenced above.

UVtx™

Textiles infused with UVtx™ provides 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 never lose efficacy. UVtx™ does not require regulatory approvals and is commercially available for sale.

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 FreshTx™ is effective even when wet. FreshTx™ does not require regulatory approvals and is commercially available for sale.

Apollo

Apollo is the ultimate treatment for combating odour. With the use of antimicrobial + neutralization combined it not only smells fresher but also combats odour causing bacteria in order to extend textile life. Apollo does not require regulatory approvals and is commercially available for sale.

TempTX

TempTX is offered in two variants:

Cool: TempTX COOL utilizes unique chemical composites in order to decrease skin surface temperature, allowing for maximum performance in the hottest conditions.

Thermo: TempTX THERMO uses an innovative thermo-conductive inner coating to absorb and retain body heat.

TempTX does not require regulatory approvals and is commercially available for sale.

(In Canadian dollars, except as otherwise noted)

RECENT DEVELOPMENTS

1. Impact of the COVID-19 Pandemic

During Q2 2021, the continued spread of the Coronavirus (COVID-19) had ongoing significant positive and negative impacts on the Company's operations.

The Intimate Apparel Division remained severely impacted by the pandemic, as a result of the continued closure or restrictions faced by many retail stores, as well as the nature of a number of the Division's products which, are geared towards weddings, proms and similar functions. As a consequence, revenues for the division decreased by approximately 68% in the quarter compared to the comparable quarter in the previous year. However, the loss in gross margin from lower revenues was to some extent offset by an improved gross margin %, the receipt of government assistance as well as cost savings on travel, royalties, commissions and other variable costs.

By contrast the Intelligent Fabrics Division continues to see major benefits to its operations as a result of the pandemic. Successful testing of the ability of Protx2® to deactivate the COVID-19 causing virus, completed in May 2020, has resulted in a substantial increase in demand for the division's chemical products. In addition, performance apparel programs for a major retailer, continue to grow. As a consequence, revenues for this division increased by approximately 105% in Q2 2021 compared to 2020.

For the Company as a whole, revenues increased by approximately 28% in Q2 2021 despite the pandemic. In response to these events, the Company has developed a number of comprehensive and evolving operational strategies to support the business for a future rebound in sales in its Intimate Apparel Division, and to sustain growth in its Intelligent Fabrics Division.

The management of iFabric is of the opinion that it has made adequate provision in the financial statements for the quarter ended March 31, 2021, for all potential impairment to the Company's assets as a result of the COVID-19 pandemic.

2. Closing of a Private Placement of Equity

On February 22, 2021, the Company closed an offering of equity comprising 2,948,717 subscription receipts at a price per unit of $3.90 each for gross proceeds of $11,499,996. The Escrow release conditions were satisfied on March 22, 2021 at which time, funds were released and each unit was automatically converted to one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $4.60 per share for a period of 2 years from March 22, 2021.

As compensation for the issue, the agent received a cash fee of 6% of the gross proceeds, totaling $690,000 as well as 176,923 compensation option receipts which were automatically converted into compensation options on March 23, 2021. Each compensation option entitles the agent to acquire one common share of the Company at a price of $3.90 for a period of 2 years from March 23, 2021. In addition, the Company incurred legal and other expenses amounting to $581,563 in connection with the offering.

The Company intends on utilizing the net proceeds from the offering for expansion of the Company's distribution network to new markets, ongoing research and development, new regulatory initiatives, clinical trial contributions, and for working capital and general corporate purposes.

SELECTED ANNUAL INFORMATION

The following table sets forth selected annual consolidated statement of earnings (loss) information and balance sheet data for each of the last five fiscal years.

For the year ended and as at September 30,	2020	2019	2018	2017	2016
Income Statement Data					
Revenue	11,521,676	10,435,348	15,121,370	18,856,477	13,570,365
Net earnings (loss) attributable to common shareholders	(617,770)	(1,299,863)	924,743	1,597,070	(373,977)
Net earnings (loss) per common share					
Basic	(0.023)	(0.050)	0.035	0.061	(0.014)
Diluted	(0.023)	(0.050)	0.034	0.059	(0.014)
Balance Sheet Data					
Total assets	17,514,091	11,983,802	14,179,359	14,724,528	12,296,093
Total non-current financial liabilities	650,130	476,747	1,818,657	586,544	1,893,809
Cash dividends declared	-	-	-	-	-

(In Canadian dollars, except as otherwise noted)

DISCUSSION OF THE RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED MARCH 31, 2021 AND 2020

The following table sets forth the Company's unaudited condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) for the three and six months ended March 31, 2021 and 2020:

	Three months		Six months	
For the period ended March 31,	**2021**	2020	**2021**	2020
REVENUE	**2,882,660**	2,252,090	**10,403,561**	4,848,931
COST OF SALES	**1,707,857**	1,410,467	**6,324,523**	2,915,089
GROSS PROFIT	**1,174,803**	841,623	**4,079,038**	1,933,842
EXPENSES				
Selling, general and administrative costs	**1,299,717**	1,275,560	**2,396,411**	2,476,247
Interest on operating line of credit	**9,363**	-	**9,363**	-
Interest on long-term debt	**7,429**	11,881	**21,674**	24,099
Amortization of property, plant and equipment and right-of-use assets	**20,991**	21,967	**41,981**	43,933
Amortization of deferred development costs	**6,705**	6,705	**13,410**	13,410
Share-based compensation	**6,598**	11,611	**13,343**	23,350
	1,350,803	1,327,724	**2,496,182**	2,581,039
EARNINGS (LOSS) FROM OPERATIONS	**(176,000)**	(486,101)	**1,582,856**	(647,197)
OTHER EXPENSES (INCOME)				
Loss (gain) on foreign exchange	**35,894**	48,416	**(100,616)**	(184,472)
Government grants	**(124,815)**	-	**(196,150)**	-
	(88,921)	48,416	**(296,766)**	(184,472)
EARNINGS (LOSS) BEFORE INCOME TAXES	**(87,079)**	(534,517)	**1,879,622**	(462,725)
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**14,948**	(24,581)	**(25,514)**	(57,132)
Deferred	**33,200**	(30,500)	**432,100**	17,619
	48,148	(55,081)	**406,586**	(39,513)
NET EARNINGS (LOSS)	**(135,227)**	(479,436)	**1,473,036**	(423,212)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	**(141,155)**	(481,746)	**1,461,127**	(427,935)
Non-controlling interest	**5,928**	2,310	**11,909**	4,723
	(135,227)	(479,436)	**1,473,036**	(423,212)
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of foreign operations	**(45,379)**	401,858	**(317,250)**	175,077
TOTAL COMPREHENSIVE EARNINGS (LOSS)	**(180,606)**	**(77,578)**	**1,155,786**	**(248,135)**
EARNINGS (LOSS) PER SHARE				
Basic	**(0.005)**	(0.018)	**0.055**	(0.016)
Diluted	**(0.005)**	(0.018)	**0.053**	(0.016)

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

Six months ended March 31, 2021	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
Revenue					
Third party	928,797	9,418,822	55,942	-	**10,403,561**
Inter-segment	-	627,883	82,717	(710,600)	-
Total Revenue	928,797	10,046,705	138,659	(710,600)	**10,403,561**
Earnings (loss) before income taxes	(283,339)	2,277,382	62,538	(176,959)	**1,879,622**

Six months ended March 31, 2020	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
Revenue					
Third party	2,113,008	2,671,758	64,165	-	**4,848,931**
Inter-segment	15,000	1,015,679	82,270	(1,112,949)	-
Total Revenue	2,128,008	3,687,437	146,435	(1,112,949)	**4,848,931**
Earnings (loss) before income taxes	(655,824)	289,807	26,330	(123,038)	**(462,725)**

Six months ended March 31,	**2021**	2020
External sales revenue		
Canada	**2,738,473**	1,147,765
United States	**4,658,199**	1,910,265
United Kingdom	**25,056**	45,795
Southeast Asia and other	**2,981,833**	1,745,106
Total	**10,403,561**	4,848,931

Q2 2021 FINANCIAL HIGHLIGHTS

Three months ended March 31,	**2021**	2020
Revenue	**2,882,660**	2,252,090
Earnings (loss) from operations	**(176,000)**	(486,101)
Share based compensation	**(6,598)**	(11,611)
Adjusted EBITDA *(Note)	**(35,993)**	(482,353)
Net earnings (loss) after tax	**(135,227)**	(479,436)
Net earnings (loss) after tax attributable to shareholders	**(141,155)**	(481,746)
Other comprehensive earnings (loss)	**(45,379)**	401,858
Total comprehensive earnings (loss)	**(180,606)**	(77,578)
Net earnings (loss) per share		
Basic	**(0.005)**	(0.018)
Diluted	**(0.005)**	(0.018)

**Note: Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization and share based compensation*

DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2021 AND 2020

Revenue

Revenue increased by $630,570 to $2,882,660 in Q2 2021 compared to $2,252,090 in Q2 2020. With respect to the reportable operating segments of the Company, revenue decreased by 68% or $667,415 in its Intimate Apparel segment and revenue increased by 105% or $1,302,096 in its Intelligent Fabrics segment. Geographically, revenues increased in Canada, Southeast Asia and other markets, while revenues decreased in the US and UK during Q2 2021 versus Q2 2020.

Overall, revenue increased 28% during Q2 2021 in comparison to Q2 2020. The decrease in Intimate Apparel operating segment revenue in 2021 versus 2020 was primarily attributable to store closings or restrictions faced by certain of its major retail customers due to the COVID-19 pandemic. This decrease was offset by increased revenues in the Intelligent Fabrics segment resultant from new finished performance apparel programs and increased chemical sales.

Gross profit

Gross profit as a percentage of revenue increased to 41% in Q2 2021 from 37% in Q2 2020, as a result of the product mix for the quarter and in particular, increased chemical sales at higher margins. Gross profit in dollars increased by 40% or $333,180 to $1,174,803 in Q2 2021 compared to $841,623 in Q2 2020. The increase in gross profit dollars is due to the increase in revenues and gross margin %.

Selling, general and administrative costs

Selling, general and administrative costs increased by 2% to $1,299,717 in Q2 2021 compared to $1,275,560 in Q2 2020.

Interest Expense

Interest expense during Q2 2021 was $16,792 compared to $11,881 during Q2 2020. The increase is attributable to the temporary use of the Company's bank operating line of credit during the quarter.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $27,696 during Q2 2021 compared to $28,672 during Q2 2020.

Share-based compensation

Share-based compensation costs in Q2 2021 were $5,013 lower than in Q2 2020 and amounted to $6,598 in the quarter, compared to $11,611 in the comparable quarter of 2020. The decrease in share-based compensation costs is the result of a reduction in the amount of stock options vesting in Q2 2021 versus Q2 2020.

Loss (gain) on foreign exchange

In Q2 2021, the Company's loss on foreign exchange was $35,894 versus a loss of $48,416 in Q2 2020. The decrease in losses is due to the average strengthening of the Canadian dollar in Q2 2021 compared to Q2 2020.

Provision (recovery) of income taxes

The Company's provision for income taxes in Q2 2021 was $48,148, compared to a recovery of $55,081 in Q2 2020. The increase is due to permanent timing differences and increased earnings in certain subsidiaries. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate from Q2 2020 to Q2 2021.

Net loss and EBITDA

The net loss attributable to iFabric's shareholders during Q2 2021 was $141,155 ($0.005 per share, basic and diluted) compared to net loss of $481,746 in Q2 2020 ($0.018 per share, basic and diluted). The reduction in attributable net loss of $340,591 in Q2 2021 versus Q2 2020 is largely attributable to increase in revenue of $630,750 and a corresponding increase in gross profit dollars of $333,180. Negative adjusted EBITDA for Q2 2021 amounted to $35,993 compared to a negative adjusted EBITDA of $482,353 in Q2 2020 representing an increase of $446,360 for the same reasons.

Other comprehensive earnings (loss)

For the three months ended March 31, 2021, there was a loss of $45,379 included in other comprehensive earnings compared to a gain of $401,858 in Q2 2020, in respect of unrealized gains arising on currency translation of foreign operations. The main reason for this increase was the strengthening of the Canadian dollar towards the end of Q2 2021 compared to a weakening of the Canadian dollar in 2020. The total comprehensive loss amounted to $180,606 in Q2 2021 compared to $77,578 in Q2 2020, representing an increase of $103,028.

DISCUSSION OF THE RESULTS OF OPERATIONS – SIX MONTHS ENDED MARCH 31, 2021 AND 2020

Revenue

Revenue increased by $5,554,630 to $10,403,561 for the six months ended March 31, 2021 from $4,848,931 for the comparable period in 2020. With respect to reportable operating segments of the Company, revenue decreased by 56% or $1,184,211 in its Intimate Apparel segment and revenue increased by 253% or $6,747,064 in its Intelligent Fabrics segment. Geographically, for the first two quarters to date in 2021, revenue in Canada, US, Southeast Asia and other regions increased whereas revenue in the UK decreased compared to 2020.

Overall, revenue increased 115% during the six months ended March 31, 2021 in comparison to 2020. As reflected above, the Intimate Apparel operating segment recorded a decrease in revenues in 2021 versus 2020 due to store closings and restrictions faced by certain of its major retail customers due to the COVID-19 pandemic. The higher revenues in the Intelligent Fabrics segment during the first six months of 2021 compared to 2020 was attributable to revenue growth from the fulfillment of a personal protective equipment ("PPE") contract, which was previously delayed due to supplier constraints in China, increased chemical sales and new finished apparel programs.

Gross profit

Gross profit as a percentage of revenue decreased to 39% for the six months ended March 31, 2021 from 40% for the same period of 2020. The slight decrease in gross profit percentage is attributable to a lower margins on PPE sales. Gross profit in dollars increased by 111% or $2,145,196 to $4,079,038 for the year to date in 2021 from $1,933,842 for the same period in 2020.

Selling, general and administrative costs

For the six months ended March 31, 2021, selling, general and administrative costs decreased by 3% or $79,836 to $2,396,411 from $2,476,247 for the six months ended March 31, 2020.

Interest Expense

Interest expense during the six months ended March 31, 2021 was $31,037 compared to $24,099 during the same period in 2020. The increase is due to the temporary use of the Company's bank operating line of credit during the second quarter of 2021.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $55,391 during the six months ended March 31, 2021 compared $57,343 during the same period in 2020.

Share-based compensation

Share-based compensation costs for the six months ended March 31, 2021 were $10,007 lower than for the same period in 2020. The decrease in share-based compensation costs is due to a reduction in the vesting of previously issued stock options.

Loss (gain) on foreign exchange

For the six months ended March 31, 2021, the Company's gain on foreign exchange was $100,616 versus a gain of $184,472 in the same period of 2020. The decrease in the amount of exchange gains was primarily caused by the strengthening in the Canadian dollar through the six months ended March 31, 2021 compared to 2020.

Provision (recovery) of income taxes

The Company's provision for income taxes was $406,586 for the year to date in 2021, compared to a recovery of $39,513 for the same period in 2020. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate during the six months ended March 31, 2021 compared to 2020.

Net earnings (loss) and EBITDA

The net earnings attributable to iFabric's shareholders during the six months ended March 31, 2021 was $1,461,127 ($0.055 per share basic and $0.053 per share diluted) compared to net loss attributable to shareholders of $427,935 for the six months ended March 31, 2020 ($0.016 per share, basic and diluted). The $1,889,062 increase in earnings for the first two quarters of 2021 compared to 2020 is largely attributable to an increase in revenues and margin contribution as discussed above. Adjusted EBITDA for six months ended March 31, 2021 amounted to $1,979,393 compared to negative adjusted EBITDA of $357,933 for the comparable period in 2020, representing an increase of $2,337,326 for the same reasons.

(In Canadian dollars, except as otherwise noted)

Other comprehensive earnings (loss)

For the six months ended March 31, 2021 a loss $317,250 was included in other comprehensive earnings, in respect of the accumulated unrealized loss arising on currency translation of foreign operations, compared to a gain of $175,077 included in the same period in 2020. The total comprehensive earnings for the six months in 2021 amounted $1,155,786 compared to a loss of $248,135 in 2020 representing an increase of $1,403,921 for the reasons stated above.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is seasonal and results of operations for any interim period are not necessarily indicative of results of operations for the full fiscal year.

SUMMARY OF QUARTERLY RESULTS

Fiscal 2021	Q1	Q2	Q3	Q4
Revenue	7,520,901	2,882,660		
Net earnings (loss) attributable to common shareholders	1,602,282	(141,155)		
Net earnings (loss) per common share				
Basic	0.060	(0.005)		
Diluted	0.058	(0.005)		

Fiscal 2019	Q1	Q2	Q3	Q4
Revenue	2,596,841	2,252,090	3,057,712	3,615,033
Net earnings (loss) attributable to common shareholders	53,810	(481,746)	(546,926)	357,092
Net earnings (loss) per common share				
Basic	0.002	(0.018)	(0.021)	0.014
Diluted	0.002	(0.018)	(0.021)	0.014

Fiscal 2019	Q1	Q2	Q3	Q4
Revenue	2,471,881	2,503,793	2,284,507	3,175,167
Net earnings (loss) attributable to common shareholders	(557,122)	(386,487)	(642,120)	285,866
Net earnings (loss) per common share				
Basic	(0.021)	(0.015)	(0.025)	0.011
Diluted	(0.021)	(0.015)	(0.025)	0.011

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's unaudited condensed consolidated statements of financial position as at March 31, 2021 and September 30, 2020:

As at	March 31, 2021	September 30, 2020
ASSETS		
Current assets		
Cash	**9,627,720**	1,160,428
Accounts receivable	**3,554,519**	4,442,787
Inventories	**2,835,984**	3,138,128
Income taxes recoverable	**228,037**	265,982
Prepaid expenses and deposits	**4,511,246**	4,106,986
Foreign exchange forward contracts	-	126,994
Total current assets	**20,757,506**	13,241,305
Non-current assets		
Due from related parties	**104,748**	112,248
Property, plant and equipment	**2,719,712**	2,744,875
Right-of-use assets	**44,917**	61,735
Deferred development costs	**245,068**	258,478
Deferred income taxes	**608,300**	1,040,400
Goodwill	**55,050**	55,050
Total non-current assets	**3,777,795**	4,272,786
Total assets	**24,535,301**	17,514,091
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,271,019**	1,771,983
Customer deposits	-	3,909,093
Income taxes payable	**253,263**	324,775
Defered revenue	**41,743**	57,770
Current portion of contract liability	**165,611**	165,611
Current portion of lease liability	**30,037**	30,037
Current portion due to related parties	**709**	38
Current portion of bank loan payable	**1,259,470**	1,259,783
Total current liabilities	**3,021,852**	7,519,090
Non-current liabilties		
Non-current portion of contract liability	**8,465**	122,560
Non-current portion of lease liability	**10,379**	25,398
Due to related parties	**502,172**	502,172
Total non-current liabilities	**521,016**	650,130
Total liabilities	**3,542,868**	8,169,220
Commitments		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	**11,935,488**	3,282,276
Reserves	**4,606,781**	2,768,217
Retained earnings	**4,704,354**	3,243,227
Accumulated other comprehensive earnings (loss)	**(271,104)**	46,146
Total equity attributable to iFabric Corp. shareholders	**20,975,519**	9,339,866
Non-controlling interest	**16,914**	5,005
Total equity	**20,992,433**	9,344,871
Total liabilities and equity	**24,535,301**	17,514,091

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased by $8,467,292 to $9,627,720 as at March 31, 2021 from $1,160,428 as at September 30, 2020, mainly as a result of net proceeds of $10,228,433 received pursuant to a private placement equity offering which, closed on February 22, 2021.

Total accounts receivable at the end of Q2 2021 was $3,554,519 compared to $4,442,787 as at September 30, 2020, representing a decrease of $888,268 attributable to a decrease in the average collection period.

Total inventory decreased by $302,144 to $2,835,984 at the end of Q2 2021 from $3,138,128 at the end of fiscal 2020. This decrease is attributable to the shipment of the remaining balance of seasonal performance apparel during the current quarter.

Prepaid expenses and deposits increased by $404,260 from $4,106,986 at September 30, 2020 to $4,511,246 at March 31, 2021, as a result of deposits on new orders for finished apparel programs, which will commence shipping in the next quarter.

Property, plant and equipment at the end of Q2 2021 totaled $2,719,712 compared to $2,744,875 at the end of fiscal 2020, with the difference attributable to amortization.

Right-of-use assets decreased to $44,917 in Q2 2021 compared to $61,735 at the end of fiscal 2020, with the difference attributable to amortization.

Deferred development costs decreased to $245,068 at the end of Q2 2021 from $258,478 at the end of fiscal 2020, with the difference attributable to amortization.

Deferred income taxes decreased to $608,300 at the end of Q2 2021 from $1,040,400 at the end of fiscal 2020. The decrease is mostly attributable to utilization of a portion of the non-capital losses previously incurred in the Intelligent Fabric operating segment.

Current liabilities amounted to $3,021,852 at March 31, 2021 compared to $7,519,090 as at September 30, 2020 representing a decrease of $4,497,238. This is mainly a result of the fulfillment of a customer contract in the period for which advance deposits had been received.

Non-current liabilities at the end of Q2 2021 were $521,016 compared to $650,130 as at September 30, 2020. The decrease is attributed to the recognition of contract revenue during the current period.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, the potential inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations, and to meet the Company's liabilities and commitments as they come due.

The Company's capital resources include a bank operating line, a secured bank loan, and equity attributable to the Company's shareholders.

Bank Operating Line

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, which was unutilized as at March 31, 2021 and September 30, 2020. 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.

Demand Term-Loan

One of the Company's subsidiaries has variable rate demand loan, payable in monthly payments of $10,331 comprising principal and interest at the bank's prime interest rate plus 0.75% per annum, amortized over a fifteen-year period ending February 28, 2032, and secured by a first-ranking all-indebtedness collateral mortgage in the amount of $3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies. Management expects to pay only the minimum monthly payments within the next twelve months.

Working capital

Working capital represents current assets less current liabilities. As at March 31, 2021, the Company's working capital was $17,735,654 compared to working capital of $5,722,215 as at September 30, 2020, representing an increase of $12,013,439 or 210%. This increase was mainly attributable to the net proceeds from the closing of a private placement of equity on February 22, 2021, as discussed above, as well as the earnings for the six months ended March 31, 2021.

Operating activities

Cash used in operating activities during the six months ended March 31, 2021 amounted to $1,677,760 compared to an amount of $200,064 used in operating activities during the six months ended March 31, 2020, representing an increase in cash outflow of $1,477,696. The increase in operational cash flow outflow can be largely attributed to the fulfillment of a customer contract in the period for which advance deposits had been received.

Financing activities

Cash provided by financing activities during the six months ended March 31, 2021 amounted to $10,462,302, compared to $39,981 used in financing activities during the six months ended March 31, 2020, representing an increase of $10,502,283 in financing cash inflow. The difference can be mostly attributed to the net proceeds from the private placement equity offering in Q2 2021 as discussed above.

Investing activities

No cash was used in investing activities during the six months ended March 31, 2021 compared to $136,219 used in investing activities during the six months ended March 31, 2020 mainly in respect to the acquisition of intangible assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2021, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q2 2021, there have been no significant changes in the contractual obligations from those disclosed in the Company's 2020 Annual Financial Statements and MD&A.

The Company's other commitments are outlined below:

- The Company enters into foreign exchange forward contracts from time to time to manage the risks associated with exchange rate fluctuations. See note 7 of the Company's Q2 2021 unaudited condensed consolidated interim financial statements for more information.
- 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 0-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2021, in U.S. dollar amounts of $122,500. 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, 2021.

RELATED PARTY TRANSACTIONS

During the three and six month periods ended March 31, 2021, there have been no significant changes in the related party transactions from those disclosed in the Company's 2020 audited consolidated financial statements.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three and six months ended March 31, 2021 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2020.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 29,549,467 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,704,000 options issued and outstanding, of which 1,604,000 were exercisable, as well as 176,923 compensation options outstanding.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2020 annual MD&A. The risks and uncertainties disclosed in the 2020 annual MD&A are not exhaustive. There have been no specific additional risks or uncertainties identified during Q2 2021. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business, performance, condition, results, operations or strategies and plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon the Q2 2021 unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting". The preparation of the Q2 2021 unaudited condensed consolidated interim financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities at the end of the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future that management has made could result in a material adjustment to the carrying amounts of assets and liabilities, or on the reported results of revenues, expenses, gains, or losses, in the event that actual results differ from assumptions made. The methods used to calculate critical accounting estimates are consistent with prior periods.

During Q2 2021, there were no significant changes to methods used to:

- Cost inventory or determine provisions for obsolete or slow-moving inventory
- Determine impairment of deferred development costs
- Determine impairment of deferred income tax assets
- Determine impairment or estimated useful lives of property, plant and equipment
- Determine the fair value of share-based payment transactions

For further details concerning the use of estimates, judgments and assumptions in the preparation of the Company's Q2 2021 unaudited condensed consolidated interim financial statements, along with details of the significant accounting policies used in the preparation of such interim financial statements, specific reference should be made to note 3 of the Company's audited annual consolidated financial statements for the fiscal year ended September 30, 2020.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2020 have been applied consistently in the preparation of the Q2 2021 unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of March 31, 2021. Although the Company's disclosure controls and procedures were operating effectively as of March 31, 2021, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at March 31, 2021 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at March 31, 2021. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, consolidated audited annual financial statements, and unaudited condensed consolidated interim financial statements, is available on SEDAR at www.sedar.com. Additional information can also be found on the Company's website at www.ifabriccorp.com.