

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

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 December 31, 2020 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 February 11, 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, 2020, "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.

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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 *Business Corporations Act* (Alberta) 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 reversible bra, patented bandeaux bra and patented breast lift product. 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 98-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, promote joint and muscle recovery 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 specialty textiles as well as 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 repellent technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellent), Omega+ (joint and muscle recovery), TempTx (thermal regulator), Appolo (body odour neutralizer) and DryTx (moisture-wicking technology). The Company anticipates that several new products will be added to its pipeline in the future.

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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;

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- 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 to 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.

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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.

IMPACT OF THE COVID-19 PANDEMIC ON OPERATIONS FOR THE QUARTER

During Q1 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 remains severely impacted by the pandemic, as a result of the continued closure or restrictions faced by many retail stores. As a consequence, revenues for the division decreased by approximately 46% in the quarter compared to the comparable quarter in the previous year. However, the loss in gross margin from lower revenues was substantially 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 products. In addition a large contract for the sale of personal protective equipment, the fulfilment of which had been delayed by a contract dispute in China was completed in the quarter and, new programs for performance apparel for a major retailer in Canada continue to grow. As a consequence, revenues for this division increased by approximately 379% in Q1 2021.

For the group as a whole, revenues increased by approximately 190% despite the pandemic. In response to these events, the Company has developed a number of comprehensive and evolving operational and risk management 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 year Quarter ended December 31, 2020, for all potential impairment to the Company's assets as a result of the COVID-19 pandemic.

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	-	-	-	-	-

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RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

The following table sets forth the Company's unaudited condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) for the three months ended December 31, 2020 and 2019:

For the three months ended December 31,	2020	2019
REVENUE	7,520,901	2,596,841
COST OF SALES	4,616,666	1,504,622
GROSS PROFIT	2,904,235	1,092,219
EXPENSES		
Selling, general and administrative costs	1,096,694	1,200,687
Interest expense	14,245	12,218
Amortization of property, plant and equipment and right-of-use assets	20,990	21,966
Amortization of deferred development costs	6,705	6,705
Share-based compensation	6,745	11,739
	1,145,379	1,253,315
EARNINGS (LOSS) FROM OPERATIONS	1,758,856	(161,096)
OTHER EXPENSES (INCOME)		
Gain on foreign exchange	(136,510)	(232,888)
Government grants	(71,335)	-
	(207,845)	(232,888)
EARNINGS BEFORE INCOME TAXES	1,966,701	71,792
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	(40,462)	(32,551)
Deferred	398,900	48,119
	358,438	15,568
NET EARNINGS	1,608,263	56,224
NET EARNINGS ATTRIBUTABLE TO:		
iFabric Corp. shareholders	1,602,282	53,810
Non-controlling interest	5,981	2,414
	1,608,263	56,224
OTHER COMPREHENSIVE LOSS		
Unrealized loss on translation of foreign operations	(271,871)	(226,781)
TOTAL COMPREHENSIVE EARNINGS (LOSS)	1,336,392	(170,557)
EARNINGS PER SHARE (note 13)		
Basic	0.060	0.002
Diluted	0.058	0.002

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SELECTED OPERATING SEGMENT DATA

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Three months ended December 31, 2020					
External Revenue	612,911	6,880,019	27,971	-	7,520,901
Earnings (loss) before income taxes	(18,547)	1,983,235	31,329	(29,316)	1,966,701

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Three months ended December 31, 2019					
External Revenue	1,129,707	1,435,051	32,083	-	2,596,841
Earnings (loss) before income taxes	113,621	15,165	13,805	(70,799)	71,792

Revenue by geographic regions:

Three months ended December 31,	2020	2019
External sales revenue		
Canada	1,443,875	538,199
United States	4,365,769	1,011,891
United Kingdom	19,843	27,010
Southeast Asia and other	1,691,414	1,019,741
Total	7,520,901	2,596,841

Q1 2021 FINANCIAL HIGHLIGHTS

Three months ended December 31,	2020	2019
Revenue	7,520,901	2,596,841
Earnings (loss) from operations	1,758,856	(161,096)
Share based compensation	(6,745)	(11,739)
Adjusted EBITDA *(Note)	2,015,386	124,420
Net earnings after tax	1,608,263	56,224
Net earnings after tax attributable to shareholders	1,602,282	53,810
Net earnings per share		
Basic	0.060	0.002
Diluted	0.058	0.002

*Note: Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization and share based compensation. See "Reconciliation of non-IFRS financial measures".

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DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

Revenue

Revenue increased by \$4,924,060 to \$7,520,901 in Q1 2021 from \$2,596,841 in Q1 2020. With respect to the reportable operating segments of the Company, revenue decreased by 46% or \$516,796 in its Intimate Apparel segment to \$612,911 in Q1 2021 from \$1,129,707 in Q1 2020 and, revenue increased by 379% or \$5,444,968 in its Intelligent Fabrics segment to \$6,880,019 in Q1 2021 from \$1,435,051 in Q1 2020. Revenue from other segments, being rental income from third party tenants, was virtually unchanged at \$27,971 in Q1 2021 compared to \$32,083 in the comparable quarter of 2020. Geographically, revenue increased in Canada, US and Southeast Asia and other areas but decreased in the UK.

Overall, revenue increased by 190% during Q1 2021 in comparison to Q1 2020. In the Intelligent Fabrics operating segment, revenue growth was mainly attributable to the fulfilment of a personal protective equipment contract, which was previously delayed due to supplier constraints in China, increased chemical sales, and new finished apparel programs. In the Intimate Apparel operating segment, the decrease in revenue in Q1 2021 compared to Q1 2020, was primarily attributable to store closings or restrictions faced by certain of its major retail customers due to the COVID-19 pandemic.

Gross profit

Gross profit as a percentage of revenue decreased to 39% in Q1 2021 from 42% in Q1 2020. This decrease in gross margin % is attributable to a higher proportion of Intelligent Fabric segment sales at lower margins in Q1 2021 compared to Q1 2020. Gross profit in dollars increased by 166% or \$1,812,016 to \$2,904,235 in Q1 2021 from \$1,092,219 in Q1 2020. The increase in gross profit dollars is largely attributable to the increase in revenues in Q1 2021 compared to 2020, as well as the factors discussed above.

Selling, general and administrative costs

In Q1 2021, selling, general and administrative costs decreased to \$1,096,694 compared to \$1,200,687 in Q1 2020. The decrease of \$103,993 in costs is mainly attributable to a decrease in travel and other variable costs in Q1 2021 versus Q1 2020, resultant from the COVID-19 pandemic.

Interest Expense

Interest expense during Q1 2021 was \$14,245 compared to \$12,218 during Q1 2020.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$27,695 during Q1 2021 compared to \$28,671 during Q1 2020.

Share-based compensation

Share-based compensation costs in Q1 2021 were \$6,745 compared to \$11,739 in Q1 2020 resulting in a decrease of \$4,994. The decrease in share-based compensation costs is due to a reduction in the vesting of previously issued stock options.

Gain on foreign exchange

In Q1 2021, the Company's gain on foreign exchange was \$136,510 versus a gain of \$232,888 in Q1 2020. The primary reason for reduced exchange gains is the relatively lower strengthening of the U.S. Dollar during Q1 2021, compared to Q1 2020.

Provision for (recovery of) income taxes

The Company's provision for income taxes in Q1 2021 was \$358,438 compared to \$15,568 in Q1 2020. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Temporary differences are the primary reason for the change in the Company's effective income tax rate from Q1 2021 to Q1 2020.

Net earnings and EBITDA

Net earnings attributable to iFabric's shareholders during Q1 2021 was \$1,602,282 (\$0.060 per share basic and \$0.058 per share diluted) compared to a net earnings of \$53,810 in Q1 2020 (\$0.002 per share, basic and diluted). The \$1,548,472 increase in net earnings in Q1 2021 versus Q1 2020 is largely attributable to an increase in revenues and margin contribution and, a reduction in expenses as discussed above. Adjusted EBITDA for Q1 2021 amounted \$2,015,386 compared to adjusted EBITDA of \$124,420 in Q1 2020 representing an increase of \$1,890,966 for the same reasons.

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Other comprehensive earnings (loss)

For the three months ended December 31, 2020 a loss of \$271,871 was included in other comprehensive earnings, in respect of the unrealized loss arising on currency translation of foreign operations in Q1 2021 compared to a loss of \$226,781 included in other comprehensive earnings for Q1 2020. Total comprehensive earnings amounted to \$1,336,392 in the current quarter compared to a total comprehensive loss of \$170,557 in the comparable quarter of 2020, representing an increase in total comprehensive earnings of \$1,506,949.

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

The following table sets forth our unaudited quarterly consolidated results of operations data. The information in the table below has been derived from unaudited interim consolidated financial statements that, in management's opinion, have been prepared on a consistent basis and include all adjustments necessary for a fair presentation of information. The information below is not necessarily indicative of results for any further quarter.

Fiscal 2021	Q1	Q2	Q3	Q4
Revenue	7,520,901			
Net earnings (loss) attributable to common shareholders	1,602,282			
Net earnings (loss) per common share				
Basic	0.060			
Diluted	0.058			
Fiscal 2020	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)	(0.024)	0.011
Diluted	(0.021)	(0.015)	(0.024)	0.011

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

As at	December 31, 2020	September 30, 2020
ASSETS		
Current assets		
Cash	946,563	1,160,428
Accounts receivable (note 4)	4,287,771	4,442,787
Inventories (note 5)	2,953,932	3,138,128
Income taxes recoverable	114,053	265,982
Prepaid expenses and deposits (note 6)	3,945,245	4,106,986
Foreign exchange forward contracts (note 7)	123,354	126,994
Total current assets	12,370,918	13,241,305
Non-current assets		
Due from related parties (note 8)	112,248	112,248
Property, plant and equipment	2,732,294	2,744,875
Right-of-use assets	53,326	61,735
Deferred development costs	251,773	258,478
Deferred income taxes	641,500	1,040,400
Goodwill	55,050	55,050
Total non-current assets	3,846,191	4,272,786
Total assets	16,217,109	17,514,091
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	2,853,328	1,771,983
Customer deposits	-	3,909,093
Income taxes payable	383,596	324,775
Deferred revenue	49,703	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	518	38
Current portion of bank loan payable (note 11)	1,241,364	1,259,783
Total current liabilities	4,724,157	7,519,090
Non-current liabilities		
Non-current portion of contract liability	44,883	122,560
Non-current portion of lease liability	17,889	25,398
Due to related parties	502,172	502,172
Total non-current liabilities	564,944	650,130
Total liabilities	5,289,101	8,169,220
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 14)	3,641,276	3,282,276
Reserves	2,655,962	2,768,217
Retained earnings	4,845,509	3,243,227
Accumulated other comprehensive (loss) earnings	(225,725)	46,146
Total equity attributable to iFabric Corp. shareholders	10,917,022	9,339,866
Non-controlling interest	10,986	5,005
Total equity	10,928,008	9,344,871
Total liabilities and equity	16,217,109	17,514,091

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance decreased to \$946,563 as at December 31, 2020 from \$1,160,428 as at September 30, 2020 representing a decrease of \$213,865. This decrease was mainly attributable to payments for inventory.

Total accounts receivable at the end of Q1 2021 was \$4,287,771 compared to \$4,442,787 as at September 30, 2020. The reduction in accounts receivable is attributable to a decrease in the average collection period.

Total inventory decreased by \$184,196 to \$2,953,932 at the end of Q1 2021 from \$3,138,128 at the end of fiscal 2020.

Property, plant and equipment at the end of Q1 2021 totaled \$2,732,294 compared to \$2,744,875 at the end of fiscal 2020, with the difference attributable to amortization.

Right-of-use assets decreased to \$53,326 in Q1 2021 compared to \$61,735 at the end of fiscal 2020, with the difference attributable to amortization.

Deferred development costs decreased to \$251,773 at the end of Q1 2021 from \$258,478 at the end of fiscal 2020, with the difference attributable to amortization.

Deferred income taxes decreased to \$641,500 at the end of Q1 2021 from \$1,040,400 at the end of fiscal 2020 representing a decrease of \$398,900. The decrease is mostly attributable to utilization of a portion of the non-capital losses previously incurred in the Company's Intelligent Fabric operating segment.

Total liabilities at the end of Q1 2021 were \$2,880,119 lower than at the end of fiscal 2020 and amounted to \$5,289,101 at the end of the quarter compared to \$8,169,220 at September 30, 2020. The main decrease in liabilities was with respect to the fulfillment of a customer contract in the quarter for which advance deposits had been received.

NON-GAAP PERFORMANCE MEASURES

The following tables reconcile Non-GAAP Performance Measures used by the Company in analyzing the operational performance of the Company to their nearest IFRS measure, and should be read in conjunction with the Consolidated statement of operations and comprehensive earnings (loss) and Consolidated statement of cash flows included in the Consolidated financial statements as of December 30, 2020 and 2019.

EBITDA and Adjusted EBITDA

The following table reconciles net earnings and comprehensive earnings (loss) attributable to owners of the Company to our Non-GAAP Performance Measure Adjusted EBITDA:

Three months ended December 31,	2020	2019
Net earnings after tax attributable to shareholders	1,602,282	53,810
Add (deduct):		
Net earnings attributable to non-controlling interest	5,981	2,414
Provision for income taxes	358,438	15,568
Share-based compensation	6,745	11,739
Amortization of deferred development costs	6,705	6,705
Amortization of plant, property and equipment and right-of-use assets	20,990	21,966
Interest expense	14,245	12,218
Adjusted EBITDA	2,015,386	124,420
Add (deduct):		
Share-based compensation	(6,745)	(11,739)
EBITDA	2,008,641	112,681

The Company provides adjusted EBITDA for the purpose of providing investors, prospective investors and other users of the financial statements the means to fully assess the Company's operational performance, by excluding items such as share-based compensation and other expense items which, are not are not considered operational in nature.

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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, long-term debt, 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, against which \$0 was outstanding as at December 31, 2020 (September 30, 2020 - \$0). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

Variable Rate Term-Loan

One of the Company's subsidiaries has a variable rate term loan, payable in monthly payments of \$10,331 comprising principal and interest at a variable rate of prime plus 0.75% per annum, amortized over a fifteen-year period ending February 29, 2032, maturing March 5, 2021 and secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies.

As at December 31, 2020, the total amount outstanding on this loan was \$1,241,364 (September 30, 2020 - \$1,259,783). Management expects to renegotiate this loan for a further term at or before maturity.

Two of the Company's subsidiaries received \$40,000 each for a total of \$80,000, which was funded by the Canada Emergency Business Account ("CEBA"). This portion is interest free until December 31, 2022 and 25% of the balance will be forgiven if 75% of the balance is repaid by December 31, 2022. The Company expects to repay 75% of the CEBA balance due, amounting to \$60,000, within the next 12 months.

Working capital

Working capital represents current assets less current liabilities. As at December 31, 2020, the Company's working capital was \$7,646,761 compared to working capital of \$5,722,215 as at September 30, 2020, representing an increase of \$1,924,546 or 34%. The increase in working capital is mainly attributable to the earnings for the quarter.

Operating activities

Cash used in operating activities during the three months ended December 31, 2020 amounted to \$154,876 compared to an amount of \$1,034,448 provided by operating activities during the three months ended December 31, 2019, representing a decrease in cash flow of \$1,189,324. The decrease in operational cash flow can be largely attributed to the reduction in liabilities as discussed above.

Financing activities

Cash provided by financing activities during the three months ended December 31, 2020 amounted to \$212,882, compared to \$15,648 used in financing activities during the three months ended December 31, 2019, representing an increase of \$228,530 in financing cash inflow. The difference can be mostly attributed to the issuance of shares in Q1 2021 pursuant to the exercise of stock options.

Investing activities

There was no cash used in investing activities during the three months ended December 31, 2020 compared to \$136,219 used in investing activities during the three months ended December 31, 2019. The difference can be attributed to investment in intangible assets in Q1 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 31, 2020.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 of the Company's Q1 2021 unaudited condensed consolidated interim financial statements for more information.

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MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

SUBSEQUENT EVENTS

The following material events occurred between December 31, 2020 and the date of this MD&A:

On January 20, 2021, the Company announced that it entered into an agreement with an investment bank to raise up to \$11.5 million by way of a private placement (the "Offering") of subscription receipts ("Subscription Receipts"). Pursuant to the proposed Offering, the Company will issue Subscription Receipts at a price of \$3.90 per Subscription Receipt. The Subscription Receipts shall be issued pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement") to be entered into on the closing date among the Company, Stifel GMP and the subscription receipt agent. Each Subscription Receipt shall be deemed to be automatically converted into one unit of the Company (each, a "Unit") upon a receipt being issued by the securities regulatory authorities in the each of the provinces and territories of Canada where Subscription Receipts are sold, for a final short form prospectus of the Company (the "Qualifying Prospectus") qualifying the securities to be issued upon the conversion of the Subscription Receipts (the "Escrow Release Condition"). Each Unit will consist of one (1) common share of the Company, (each, a "Common Share") and one-half of one (0.5) common share purchase warrant (each whole common share purchase warrant, a "Warrant"), with each Warrant being exercisable to acquire one common share of the Company (a "Warrant Share") at an exercise price of \$4.60 per Warrant Share for a period of two (2) years following the Escrow Release Date (as defined below). The Company shall use commercially reasonable efforts to obtain the final receipt for the Qualifying Prospectus by March 8, 2021 (the "Qualification Deadline"). If a final receipt is not obtained on or before the Qualification Deadline, the Company shall issue to each holder of Subscription Receipts, for no additional consideration and without any further action on the part of the holder, an additional 0.5 of a Warrant for each Unit to be issued to such holder upon the deemed exercise of the Subscription Receipts. Until the final receipt is issued for such Qualifying Prospectus, the Subscription Receipts as well as the Common Shares and Warrants comprising the Units issuable upon conversion thereof will be subject to a four-month hold period under applicable Canadian securities laws.

On the Closing Date, the gross proceeds from the Offering, less 50% of the Agents' commission and expenses (the "Escrowed Funds"), will be placed into escrow and held by the subscription receipt agent, pending satisfaction of the Escrow Release Condition. The Escrowed Funds will be released from escrow in accordance with the terms of the Subscription Receipt Agreement upon satisfaction of the Escrow Release Condition (the "Escrow Release Date"). If the Escrow Release Condition is not satisfied on or prior to April 8, 2021, then each holder of Subscription Receipts will be reimbursed by the Company for their original subscription price, plus such holder's pro rata portion of any interest earned thereon.

The Company intends to use 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.

On February 1, 2021, the Company announced that it had renewed its license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of Hanesbrands Inc. ("Hanes"). The agreement covers the distribution by CGP of intimate apparel accessories and specialty bra solutions which are marketed under Hanes' various Maidenform brands. Under the terms of the agreement the Company has the non-exclusive right to use trademarks in connection with the manufacture, marketing, sale and distribution of various Maidenform® branded products, in the Company's market segment in certain countries including, among others, the United States, Canada, Mexico, the United Kingdom and a number of Caribbean countries. 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 period ending December 31, 2021 at U \$122,500. In addition, the Company is required to pay an advertising fee of 1%-2%, depending on the distribution channel. The license term is in effect until December 31, 2021. The extension of this agreement for a period of one year was agreed to by the licensor at the Company's request in order to allow it to fully assess the ongoing effects of the COVID-19 pandemic on future revenues. Management expects to renew the license for a longer term after the expiry of the extension.

RELATED PARTY TRANSACTIONS

During the three month period ended December 31, 2020, there have been no significant changes in the related party transactions from those disclosed in the Company's 2020 audited consolidated financial statements and the 2020 annual MD&A.

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 months ended December 31, 2020 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2020.

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

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OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company had 26,575,750 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,729,000 options issued and outstanding, of which 1,629,000 were exercisable.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2020 annual MD&A under the heading "Risks" and in the Company's Annual Information Form ("AIF") under the heading "Risk Factors". The risks and uncertainties disclosed in the 2020 annual MD&A and in the AIF are not exhaustive. There have been no specific additional risks or uncertainties identified during Q1 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, strategies and plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon the Q1 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 Q1 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 Q1 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 Q1 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 Q1 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 December 31, 2020. Although the Company's disclosure controls and procedures were operating effectively as of December 31, 2020, 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.

iFABRIC CORP.**MANAGEMENT'S DISCUSSION & ANALYSIS**

(In Canadian dollars, except as otherwise noted)

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 December 31, 2020 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at December 31, 2020. 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 December 31, 2020 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.