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 audited consolidated financial statements and notes thereto for the fifteen months ended December 31, 2023 and the comparative year ended September 30, 2022. The audited consolidated financial statements and accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein. This MD&A is dated April 1, 2024

All references to dollars or "$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2023" refers to the fifteen month period ended December 31, 2023, "2022" refers to the annual fiscal period ended September 30, 2022, "2021" refers to the annual fiscal period ended September 30, 2021, "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, "Q4" refers to the period of July 1 to September 30, and "Q5" refers to the additional quarter for the period of October 1 to December 31, resultant from the change in the Company's fiscal year end from September 30 of each year to December 31 of each year.

FORWARD-LOOKING INFORMATION

Forward-looking statements provide an opinion as to the effect of certain events and trends on the business. Certain statements contained in this MD&A constitute forward looking statements. The use of any words such as "anticipate", "continue", "plans", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the extent and impact of health pandemic outbreaks on our business; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; the ability to obtain and maintain required permits and approvals, the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the section of this MD&A titled "Risks and Uncertainties", in the Company's annual information form dated April 1, 2024 and other filings with the Canadian securities regulators available under the Company's profile on SEDAR+ at www.sedarplus.ca. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance, or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

Any financial outlook or future oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of iFabric. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason 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 and 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. This MD&A also makes reference to the Company's working capital which represents current assets less current liabilities.

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 or unusual in nature and may not optimally present 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 and medical apparel and other protective products, 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 is managed by Hylton Karon, President and CEO of iFabric.

The division utilizes contract warehouse facilities located in Houston, Texas which services its key U.S. market and a Company-owned warehouse located in Markham, Ontario houses inventory for the Canadian and European markets. The Company's management, designers, administrative, product sourcing and logistical staff occupy rented premises in an office block located in close proximity to the Markham warehouse.

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.

For a number of 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 100-year plus 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 major retailers, online distributors, 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 Division is managed by Giancarlo Beevis, President and CEO of 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, medical apparel and protective products, and swimwear, which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer or consumer. The current focus is on technologies that improve the safety and well-being of the wearer. The division's current product offerings include Protx2® and bioACTIV AM (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), Omega+ (joint and muscle recovery), TempTx (thermal regulator), Apollo (body odour neutralizer), DryTx (moisture-wicking technology), BioTX (metal free anti-stink solution), RepelTX Eco Plus (fluorine-free durable water repellant), IMPRINT (logo exposing moisture-wicker) and DriForce (fabric interior moisture-wicker) amongst others. The Company anticipates that several new formulations and new generations of existing formulations 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. Additionally, a supply center in Houston, Texas in the US, services the US, Central and South American markets and, the Markham, Ontario warehouse services the Canadian market. 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 to customers and consumers. In addition, the Division produces performance and protective apparel under its own brands. All chemical formulations and 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 *Methicillin-resistant Staphylococcus aureus* ("MRSA"), *Clostridium difficile*, *Vancomycin-resistant enterococci ("*VRE") and *Klebsiellia pneumoniae* 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).

In addition, on July 21, 2022, Company announced that phase one of its trial in respect of medical garments (i.e. "scrubs") treated with the Company's ProTX2 antimicrobial and RepelTX water-repellent technologies had been completed. The trial was conducted at MemorialCare Medical Group – Irvine, in the United States and comprised scrubs supplied in three forms: One treated with ProTX2 antimicrobial technology, another with a combination of ProTX2 and RepelTX (durable water-repellant technology), and a third (control) group of untreated scrubs. The trial comprised 125 nurses recruited for 3 shifts per nurse, equating to a total of 375 regular staff-shifts. At the start of each shift, nurses were provided new and unmarked scrubs from one of the three groups, which were swabbed twice, once prior to the commencement of the shift and a second time at the end of the shift. The principal endpoint of the trial is to compare bacterial loads on the scrubs treated with the Company's technologies compared to the untreated scrubs. A pathogen load reduction is key to enhancing the protection of the wearer and those with which they encounter during their workday. The spread of infection from surface contact is a major concern in the healthcare industry.

As at the date of this MD&A the Company has completed the second, laboratory-based testing phase of the trial, which involved testing for bacterial loads and, has moved the third phase, comprising the analyses of the trial data under a set of criteria established prior to the commencement of the trial. The fourth and final step will be providing the analyses to a recognized medical journal for peer review and publishing.

3) Community protection

The 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, as well as a laundry additive that can be utilized during a normal household laundry cycle.

IFTNA has received a United States Environmental Agency ("EPA") registration for PROTX2® as a "Continually Self-Sanitizing Textile". This registration allows textiles treated with the PROTX2 technology, to make public health claims for use in non-apparel products, which includes, curtains, carpeting and home furnishing fabrics, amongst others.

The permitted public health claims pursuant to this registration are that PROTX treated textiles:

- Kills 99.99% of bacteria in 10 mins, with nonstop disinfection for 24 hours;
- Kills pathogenic bacteria;
- Kills 99.99% of bacteria non-stop for 24 hours; and
- Continuously disinfects bacteria after 24 hours of continuous use without washing.

The ability to make public health claims on non-apparel products are considered an important catalyst in attracting new customers representing significant market segments within home, office and healthcare settings.

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.

BioTX

BioTX is a revolutionary durable anti-stink solution that does not use traditional heavy metals. BioTX uses a proprietary microencapsulation process that stores the active ingredient in a coated shell that is embedded into the fabric, allowing for sustained long term release, when needed. BioTx does not require regulatory approvals and is commercially available for sale.

RepelTX Eco Plus

RepelTX Eco Plus is the next generation in fluorine-free liquid repellency. A safer C0 technology removes PFCs (perfluorochemicals) from the repellency equation without compromising on performance while staying sustainable and safe. RepelTX Eco Plus does not require regulatory approvals and is commercially available for sale.

OMEGA+

OMEGA+ is a natural, safe, and proprietary ingredient used to increase the level of Far Infrared ("FIR") emissions (soft heat) from a broad range of medical, textile, personal care and household products. It effectively emits a mild FIR energy directly to the area of discomfort and at the same time provides comfort, support and relief in minutes. OMEGA+ does not require regulatory approvals and is commercially available for sale.

IMPRINT

IMPRINT wicks moisture away from the skin utilizing gateways in the fabric exposing logos and patterns. This allows designers to create unique and interactive textiles by adding additional product features not found on ordinary garments. As soon as the fabric absorbs and wicks away moisture from the skin, it instantly reveals unique patterns, graphics and/or logos. IMPRINT does not require regulatory approvals and is commercially available for sale.

DriForce

DriForce works by absorbing and spreading moisture out across the fabric to enhance the evaporative drying rate on the inside whilst utilizing a revolutionary polymer on the outside that doesn't allow perspiration to pull moisture through the textile. DriForce is designed to transport moisture away from the skin on the inside of a garment, so that embarrassing perspiration stains are not shown on the outside of a garment. DriForce does not require regulatory approvals and is commercially available for sale.

bioACTIV AM

bioACTIV AM, is novel 4-in-1 formulation that marries anti-bacterial and anti-viral efficacy with deodorization and UV protection in a single textile finishing application. bioACTIV AM represents the first technology of its kind that offers multiple performance attributes within a single formulation, which creates process and cost efficiencies for the Company's customers while delivering enhanced multimodal capabilities. bioACTIV AM has been registered with the EPA and is commercially available for sale.

RECENT DEVELOPMENTS

On October 27, 2022, the Company to announced the launch of its new direct-to-consumer brand – VERZUS ALL. The brand was developed to showcase the dynamic range the Company's class-leading fabric technologies, applied to premium and luxury fabrics. The VERZUS ALL range of products was designed by the Markham in-house design team and is manufactured by the Company's production partners in Asia. VERZUS ALL products are being marketed on-line via a newly launched website located at www.verzus.com.

On January 31, 2023, the Company announced that IFTNA had received a United States Environmental Agency ("EPA") registration for its innovative new multifunctional technology, bioACTIV AM, which combines anti-microbial, anti-viral, deodorant and UV Protection into a single formulation.

bioACTIV AM, represents the culmination of a lengthy period of development and testing to create a novel 4-in-1 formulation that marries anti-bacterial and anti-viral efficacy with deodorization and UV protection in a single textile finishing application. bioACTIV AM represents the first technology of it's kind that offers multiple performance attributes within a single formulation, which creates process and cost efficiencies for the Company's customers while delivering enhanced multimodal capabilities.

On, May 2, 2023, the Company announced that IFTNA had received a United States Environmental Agency ("EPA") registration for PROTX2® as a "Continually Self-Sanitizing Textile". This registration allows textiles treated with the PROTX2 technology, to make public health claims for use in non-apparel products, which includes, curtains, carpeting and home furnishing fabrics, amongst others.

The permitted public health claims pursuant to this registration are that PROTX treated textiles:

Kills 99.99% of bacteria in 10 mins, with nonstop disinfection for 24 hours;

Kills pathogenic bacteria;

Kills 99.99% of bacteria non-stop for 24 hours; and

Continuously disinfects bacteria after 24 hours of continuous use without washing.

The ability to make public health claims on non-apparel products are considered an important catalyst in attracting new customers representing significant market segments within home, office and healthcare settings.

On, June13, 2023, the Company announced that IFTNA had been granted a utility patent by the United States Patent and Trademark Office, in respect of an Antiviral Composition for textile use, predicated on the company's innovative PROTX2 AV Anti-bacterial and Anti-viral technology.

On July 5, 2023, the Company provided an update on the outcome of the clinical trial conducted by IFTNA.

The objective of the trial was to empirically demonstrate the reduction in bacterial loads on PROTX2 treated scrubs vs standard off the shelf untreated scrubs, when used in a healthcare environment.

The trial was conducted at MemorialCare Medical Group – Irvine, in the United States and comprised scrubs supplied in three forms: One treated with ProTX2 antimicrobial technology, another with a combination of ProTX2 and RepelTX' durable water-repellant technology ("DWR"), and a third (control) group of untreated scrubs. The trial comprised 125 nurses recruited for 3 shifts per nurse, equating to a total of 375 regular staff-shifts. At the start of each shift, nurses were provided new and unmarked scrubs from one of the three groups, which were swabbed twice, once prior to the commencement of the shift and a second time at the end of the shift. The principal endpoint of the trial is to compare bacterial loads on the scrubs treated with the Company's technologies compared to the untreated scrubs. A pathogen load reduction is key to enhancing the protection of the wearer and those with which they encounter during their workday. The spread of infection from surface contact is a major concern in the healthcare industry.

The summary of the trial findings is that both the PROTX2 and the PROTX2 with DWR treated scrubs demonstrated statistically significant reductions in bacterial loads on the surfaces of scrubs, as compared to untreated scrubs. The term statistically significant is used to describe a result that is highly unlikely to occur by chance alone in a natural environment. The results achieved in the study demonstrate IFTNA's proprietary technologies were uniquely responsible for the reduction in bacterial loads witnessed throughout the trial. The final phase of the trial is a peer review of the study by recognized medical journal and publication of the findings. The review is in process as at the date of this AIF.

(In Canadian dollars, except as otherwise noted)

On August 31, 2023, the Company provided an update on the status of IFTNA's submission to the USA Environmental Protection Agency (EPA) for the receipt of authorization to make public health claims ('kill claims") in respect of Protx2 treated apparel for medical use.

In this regard, ongoing communications with the EPA culminated in their request for a final dataset regarding the leaching nature of textiles treated with Protx2. A testing protocol for a leaching study has been agreed with the EPA and the study is being carried out at an independent laboratory under Good Laboratory Practices ("GLP") standards. Prior testing has shown that the leaching of our Protx2 is well within the acceptable safety norms and it is anticipated that the current study will yield similar results and thus be the final step in the EPA approval process for public health claims on apparel. As at the date of this MDA, the study was in process.

On October 6, 2023, the Intimate Apparel Division renewed its license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of Hanesbrands Inc. ("Hanes"), for a further two-year term. The agreement covers the distribution of intimate apparel accessories and specialty bra solutions which are marketed under Hanes' various Maidenform brands. The new license term is in effect until December 31, 2025. The renewal of this license was key, as over 90% of the products distributed by Division are sold under Maidenform brands.

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 period ending	Fifteen months December 31, 2023	Twelve months September 30, 2022	Twelve months September 30, 2021	Twelve months September 30, 2020	Twelve months September 30, 2019
Income Statement Data					
Revenue	28,398,742	19,743,008	19,763,672	11,521,676	10,435,348
Net earnings (loss) attributable to common shareholders	(2,107,522)	(454,998)	2,369,698	(617,770)	(1,299,863)
Net earnings (loss) per common share					
Basic	(0.070)	(0.015)	0.084	(0.023)	(0.050)
Diluted	(0.070)	(0.015)	0.081	(0.023)	(0.050)
Balance Sheet Data					
Total assets	25,913,934	27,369,496	27,629,685	17,514,091	11,983,802
Total non-current financial liabilities	906,752	614,660	551,277	650,130	476,747
Cash dividends declared	-	-	-	-	-

Three Year Overview

A discussion of the significant factors which have caused variations in the results of operations over the three most recently completed fiscal years is set out below. The selected financial information set out in this MD&A is not exhaustive and should be read in conjunction with the Company's 2023 audited consolidated financial statements and notes thereto. With effect from October 1, 2022, the Company changed its financial year end to December 31 from September 30. Accordingly, the 2023 financial statements are presented for the fifteen months ended December 31, 2023 compared to the twelve months ended September 30 in both 2022 and 2021.

Revenue

Total revenue amounted to $28,398,742 for the fifteen months ended December 31, 2023 compared to $19,743,008 for the twelve months ended September 30, 2022 and $19,763,672 for the twelve months ended September 30, 2021.

The amount of revenue reported in 2023 increased on a proportionate basis by 15%, compared to virtually no change in 2022, and a 72% increase in 2021, as compared to each of the immediately preceding fiscal periods.

With respect to reportable operating segments of the Company, revenue increased by 25% on a proportionate basis in its Intelligent Fabrics segment and amounted to $19,852,953 for the fifteen months ended December 31, 2023 from $12,658,907 for the twelve months ended

September 30, 2022. The increase in revenue is attributable to new apparel programs and timing differences in the commencement dates of programs for a major customer. In the Intimate Apparel segment revenue decreased by 2% on a proportionate basis and amounted to $8,504,393 in 2023 from $6,976,621 in 2022, mainly as a result of general retail weakness in the Division's main market regions. Geographically, on a proportionate basis, the Company increased its revenues in Canada, and the UK by 81% and 52% respectively, and revenues decreased in the US and Southeast Asia and other regions by 17% and 24% respectively, in 2023 compared to 2022.

Revenue decreased overall by $20,664 in 2022 versus 2021. There was a decrease in the Intelligent Fabric segment, which was offset by an increase in the Intimate Apparel segment. In the Intimate Apparel operating segment, revenues increased to $6,976,621 in 2022 from $3,979,319 in 2021, representing an increase of $2,997,302 or 75%. The increase in revenue in this segment was due to the lifting of COVID-19 restrictions in the US and Canada and the resultant re-opening of retail store operations. In the Intelligent Fabrics operating segment, revenues decreased by $3,013,562 or 19% from $15,672,469 in 2021 to $12,658,907 in 2022. This decrease was primarily due to the fulfillment of a contract for the delivery of KN95 masks which generated additional revenue of $3,812,302 in 2021 and, which did not reoccur in 2022. Geographically, the Company increased its sales in Canada, the UK and Southeast Asia and other regions by 18%, 596% and 12% respectively, and revenue decreased in the US by 29% in fiscal 2022 compared to fiscal 2021.

Revenue increased overall by $8,241,996 in 2021 versus 2020. The primary source of the increase in revenue in fiscal 2021 was increased sales in the Intelligent Fabrics operating segment. In the Intimate Apparel operating segment, revenues increased from $3,324,125 in 2020 to $3,979,319 in 2021, representing an increase of $655,194 or 20%. The increase in revenue in this segment was due to the lifting of COVID-19 restrictions in the US and Canada and the resultant re-opening of retail store operations. In the Intelligent Fabrics operating segment, revenues increased by $7,595,025 or 94% from $8,077,444 in 2020 to $15,672,469 in 2021. This increase was primarily due to revenue growth from the fulfillment of a personal protective equipment ("PPE") contract, which was previously delayed due to supplier constraints in China, as well as increased chemical sales and new finished apparel programs. Geographically, the Company increased its sales in Canada, the US and Southeast Asia and other regions by 118%, 80% and 42% respectively, and revenue decreased in the UK by 56% in fiscal 2021 compared to fiscal 2020.

Net Earnings (Loss)

The net loss after tax attributable to the common shareholders of the Company was $2,107,522 for the fifteen months ended December 31, 2023, compared to net loss of $454,988 for the twelve months ended September 30, 2022, and net earnings of $2,369,698 for the twelve months ended September 30, 2021.

The primary reason for the increase in the net loss in 2023 compared to 2022 was the recording of an impairment provision of $2,823,982, net of tax, in respect of an ongoing legal claim in China. The primary reason for the decrease in net earnings in 2022 versus 2021, was an increase in administrative and selling costs, and share-based compensation costs in respect of options granted and vesting during the year.

The primary reason for the increase in net earnings in 2021 versus 2020, was an increase in total revenue, an increase in gross profit dollars and a reduction in share-based compensation.

Key factors which have caused variations in the Company's financial position over the three most recently completed fiscal years include:

- **Changes in working capital**
  During the period ended December 31, 2023, working capital decreased by $3,134,051, mainly attributable to an impairment provision of $3,842,153 in respect of an ongoing legal claim of the Company. During fiscal 2022 working capital increased by $311,795 and, during fiscal 2021 working capital increased by $12,670,901, as a result of the net proceeds from an equity offering which, closed on February 22, 2021, as well as the net earnings for the year. Changes in working capital are more fully discussed in the section dealing with liquidity and cash flow below.

- **Changes in property, plant, and equipment**
  During 2023, the Company capitalized an amount of $235,973 in respect of warehouse renovations for the purpose of increasing available warehouse space at its Markham property, and received proceeds of $63,000 on sale of company vehicle. During fiscal 2022, the Company capitalized an amount of $242,756 in respect of warehouse renovations. During fiscal 2021 the Company capitalized an amount of $253,399 in respect of upgrades to its Markham property.

- **Changes in non-current financial liabilities**
  During 2023, non-current finacial liabilities increased by $292,092 and, was mainly attributable to a lease liability recognized in respect of a new office lease. During fiscal 2022, there was no material change in the amount of non-current financial liabilities. During fiscal 2021, contract revenue recognized during the year resulted in a reduction in the non-current portion of a contract liability by an amount of $122,560.

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS

The following table sets forth the Company's consolidated statements of earnings and comprehensive earnings:

For the period ending	Fifteen months **December 31, 2023**	Twelve months September 30, 2022
REVENUE	**28,398,742**	19,743,008
COST OF SALES	**17,325,734**	12,716,732
GROSS PROFIT	**11,073,008**	7,026,276
EXPENSES		
General and administrative costs	**6,880,939**	5,092,819
Selling costs	**2,987,146**	1,347,699
Impairment provision - legal claim	**3,842,153**	-
Interest on bank loan	**110,207**	49,723
Depreciation of property, plant and equipment and right-of-use assets	**160,920**	103,847
Amortization of deferred development costs	**26,820**	26,820
Share-based compensation	**162,199**	472,952
	14,170,384	7,093,860
EARNINGS (LOSS) FROM OPERATIONS	**(3,097,376)**	(67,584)
OTHER EXPENSES (INCOME)		
Loss (gain) on foreign exchange	**(106)**	175,292
Other	**(17,800)**	-
Gain on disposal of property, plant and equipment	**(7,827)**	(17,500)
Government grants	**(8,866)**	(17,895)
	(34,599)	139,897
EARNINGS (LOSS) BEFORE INCOME TAXES	**(3,062,777)**	(207,481)
PROVISION (RECOVERY) OF INCOME TAXES		
Current	**97,965**	457,091
Deferred	**(1,050,900)**	(212,116)
	(952,935)	244,975
NET EARNINGS (LOSS)	**(2,109,842)**	(452,456)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	**(2,107,522)**	(454,998)
Non-controlling interest	**(2,320)**	2,542
	(2,109,842)	(452,456)
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that will or may be reclassified to profit or loss		
Unrealized gain (loss) on translation of foreign operations	**(224,187)**	455,662
TOTAL COMPREHENSIVE EARNINGS (LOSS)	**(2,334,029)**	**3,206**
EARNINGS (LOSS) PER SHARE		
Basic	**(0.070)**	(0.015)
Diluted	**(0.070)**	(0.015)

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

Fifteen months ended December 31, 2023	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External Revenue	8,504,393	19,852,953	41,396	-	**28,398,742**
Earnings (loss) before income taxes	(190,561)	(2,433,874)	(7,525)	(430,817)	**(3,062,777)**

Twelve months ended September 30, 2022	Apparel	Fabrics	Segments	Items and	Consolidated
External Revenue	6,976,621	12,658,907	107,480	-	**19,743,008**
Earnings (loss) before income taxes	(541,949)	988,659	15,576	(669,767)	**(207,481)**

2023 FIFTEEN MONTH RESULTS COMPARED WITH FISCAL 2022 TWELVE MONTHS

Revenue

Revenue amounted to $28,398,742 for the fifteen months ended 2023 compared $19,743,008 for the twelve months ended September 30, 2022. With respect to reportable operating segments of the Company, revenue increased 25% on a proportionate basis in its Intelligent Fabrics segment, to $19,852,953 in 2023 from $12,658,907 in 2022 and, revenue its Intimate Apparel segment amounted to $8,504,393 in 2023 from $6,976,621 in 2022, representing a 2% decrease on a proportionate basis.

Overall revenues increased by 15% on a proportionate basis in 2023 compared to 2022. In the Company’s Intelligent Fabrics operating segment, the increase in revenue was attributable to new apparel programs and timing differences in the commencement dates of programs for a major customer. In the Intimate Apparel operating segment, the proportionate decrease was mainly as a result of unanticipated weaker retail sales in North America compared to the prior period. Geographically, on a proportionate basis, the Company increased its revenues in Canada, and the UK by 81% and 52% respectively, and revenues decreased in the US and Southeast Asia and other regions by 17% and 24% respectively, in fiscal 2023 compared to fiscal 2022.

Gross profit

Gross profit as a percentage of revenue increased to 39% in 2023 from 36% in 2022. The increase in gross profit percentage is primarily due to a reduction in freight costs from Asia, as well as selling price increases with respsect to a number of products. Gross profit dollars increased by 26% on a proportionate basis to $11,073,008 in 2023 from $7,026,276 in 2022. The increase in gross profit dollars is largely attributable to the increased revenues and margins as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs increased by 23% on a proportionate basis to $9,868,085 in 2023 compared to $6,440,518 in 2022, due to increased personnel costs, insurance, rent, freight and, increased variable selling expenses in the form of commissions and royalties.

Interest expense

Interest expense during 2023 totaled $110,207 compared to $49,723 during 2022. The proportionate increase in interest expense is attributable to higher interest rates on the company’s variable rate secured bank loan.

Impairment provision – legal claim

On May 4, 2020, the Company entered into an agreement to purchase 1,000,000 N95 masks from a foreign supplier. The contract required full delivery by June 2020 but was partially fulfilled, with the supplier defaulting on the timing of the remaining delivery. The Company sourced these products from a different supplier to fulfill the order to its customer in Q1 2021. The Company pursued recovery of the deposit through an arbitration process in the foreign jurisdiction, which was delayed due to COVID-19 restrictions and lockdowns. On December 21, 2021, the arbitration court ruled in the Company’s favor and confirmed that the Company was entitled to recover its remaining deposit of USD $2,905,000, plus liquidated damages of USD $146,942, interest at the rate of 12% per annum calculated from the date of payment of the deposit, and reimbursement of the arbitration cost of RMB 445,902. In December 2023, the Company’s claim was registered with the competent court in China and the Company is currently following a court supervised process in order to recover all amounts owing to it. Given the uncertain recovery timeline and its inability to fully assess the degree of recoverability at the date of the financial statements, the Company has made provision for the full impairment of its claim amounting to $3,842,153.

Amortization and Depreciation

Amortization and depreciation of the Company’s property, plant and equipment, right-of-use assets and deferred development costs totaled

$187,740 during 2023 compared to $130,667 during 2022. The increase is due to the amortization of newly capitalized assets.

Share-based compensation

Share-based compensation costs in 2023 amounted to $162,199 compared to $472,952 in 2022. The decrease in share-based compensation costs is due to a reduction in the amount of options granted and vesting.

Loss (gain) on foreign exchange

In 2022, the Company's gain on foreign exchange was $106 versus a loss of $175,292 in 2022. This increase is the result of a stronger Canadian dollar in 2023 compared to 2022.

Government grants

Government grants recognized as revenue in 2023 totaled $8,866 compared to $17,895 in 2022. All prior subsidy programs ended during the course of 2023.

Provision (recovery) of income taxes

The Company's recovery for income taxes in 2023 was $952,935, compared to a provision for income taxes of $244,975 in 2022, with the decrease mainly attributable to the impairment provision discussed above. Differences in tax rates in China compared to Canada and a portion of the deferred tax asset being expensed in respect of prior share issuance cost are the primary reasons for the change in the Company's effective income tax rate in 2023 compared to 2022.

Net earnings (loss) and EBITDA

The net loss after tax attributable to iFabric's shareholders in 2023 was $2,107,522 ($0.070 per share, basic and diluted respectively) compared to net loss of $454,998 in 2022 ($0.015 per share, basic and diluted respectively). The increase in the attributable net loss in 2023 versus 2022 is largely attributable to an impairment provision of $3,842,153 with respect to an ongoing legal claim, as discussed above. Adjusted EBITDA for 2023 amounted to $1,239,522 compared to adjusted EBITDA of $445,861 in 2022, representing an increase 122% on a proportionate basis (refer to Non-GAAP performance measures below for reconciliation of EBITDA to IFRS earnings).

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc., Intelligent Fabric Technologies (North America) Inc., and Protx (Shanghai) Trading Co., Ltd., currently utilize the United States dollar as their functional currency due to the prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. In 2023, a loss of $224,187 was included in other comprehensive earnings, in respect of the accumulated unrealized gain arising on the currency translation of foreign operations, compared to a gain of $455,662 included in 2022. Total comprehensive loss amounted to $2,334,029 in 2023 compared to total comprehensive earnings of $3,206 in 2022.

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. All quarterly results and figures, and their related discussion topics, are unaudited.

(In Canadian dollars, except as otherwise noted)

SUMMARY OF QUARTERLY RESULTS

Fiscal 2023	Q1	Q2	Q3	Q4	Q5
Revenue	4,916,365	6,642,563	5,278,331	4,805,502	6,755,981
Net earnings (loss) attributable to common shareholders	134,566	469,419	132,546	(139,545)	(2,704,508)
Net earnings (loss) per common share					
Basic	0.005	0.015	0.005	(0.005)	(0.090)
Diluted	0.005	0.015	0.005	(0.005)	(0.090)

Fiscal 2022	Q1	Q2	Q3	Q4
Revenue	4,993,871	3,477,287	5,238,900	6,032,950
Net earnings (loss) attributable to common shareholders	167,960	(671,680)	344,805	(296,083)
Net earnings (loss) per common share				
Basic	0.006	(0.023)	0.012	(0.010)
Diluted	0.006	(0.023)	0.012	(0.010)

Q5 2023 FINANCIAL HIGHLIGHTS

Three months ended December 31,	**2023**	2022
Revenue	**6,755,981**	4,916,365
Earnings from operations	**(3,713,229)**	109,818
Share based compensation	**(77,190)**	-
Impairment provision - legal claim	**(3,842,153)**	-
Adjusted EBITDA *(Note)	**257,458**	189,777
Net earnings before tax	**(3,728,517)**	131,861
Net earnings after tax attributable to shareholders	**(2,704,508)**	134,566
Other comprehensive earnings (loss)	**(109,200)**	(70,631)
Total comprehensive earnings	**(2,812,685)**	61,230
Net earnings per share		
Basic	**(0.090)**	0.005
Diluted	**(0.090)**	0.005

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

2023 FIFTH QUARTER ENDED DECEMBER 31, 2023 RESULTS COMPARED WITH 2023 FIRST QUARTER ENDED DECEMBER 31, 2022

Revenue

Revenue during Q5 2023 increased by 37% or $1,839,616 to $6,755,981 from $4,916,365 during Q1 2023. With regard to its two main operating segments, revenue in its Intelligent Fabrics segment increased by 89% or $2,751,948 to $5,839,504 in Q5 2023 from $3,087,556 in Q1 2023 whereas, revenue in its Intimate Apparel segment decreased by 49% or $893,686 to $912,977 in Q5 2023 from $1,806,663 in Q1 2023. The decrease in Intimate Apparel operating segment revenue in Q5 2023 versus Q1 2023 was primarily attributable to unanticipated weaker retail sales in North America compared to the prior period. The increase in the Intelligent Fabrics segment is attributable to new apparel programs and timing differences in the commencement dates of programs for a major customer. Geographically, the Company increased its revenues in Canada, the UK and Southeast Asia and other regions by 109%, 100% and 26% respectively, and revenues decreased in the U.S by 63% in Q5 2023 compared to Q1 2023.

Gross profit

Gross profit as a percentage of revenue during Q5 2023 was 38% in Q5 2023 compared to 40% in Q1 2023, with the difference attributable to the product mix for each quarter. Gross profit dollars during Q5 2023 increased by 31% or $596,557 to $2,552,445, from $1,955,888 in Q1 2023. The increase in gross profit in dollars is attributable to increased revenue as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs during Q5 2023 increased by $488,504 or 27%, to $2,279,699 from $1,791,195 in Q1 2023, mainly attributable to increased selling costs, which are variable in nature.

Interest expense

Interest expense during Q5 2023 was $24,642 compared to $19,637 during Q1 2023.

Impairment provision – legal claim

On May 4, 2020, the Company entered into an agreement to purchase 1,000,000 N95 masks from a foreign supplier. The contract required full delivery by June 2020 but was partially fulfilled, with the supplier defaulting on the timing of the remaining delivery. The Company sourced these products from a different supplier to fulfill the order to its customer in Q1 2021. The Company pursued recovery of the deposit through an arbitration process in the foreign jurisdiction, which was delayed due to COVID-19 restrictions and lockdowns. On December 21, 2021, the arbitration court ruled in the Company's favor and confirmed that the Company was entitled to recover its remaining deposit of USD $2,905,000, plus liquidated damages of USD $146,942, interest at the rate of 12% per annum calculated from the date of payment of the deposit, and reimbursement of the arbitration cost of RMB 445,902. In December 2023, the Company's claim was registered with the competent court in China and the Company is currently following a court supervised process in order to recover all amounts owing to it. Given the uncertain recovery timeline and its inability to fully assess the degree of recoverability at the date of the financial statements, the Company has made provision for the full impairment of its claim amounting to $3,842,153.

Amortization and depreciation

Amortization and depreciation of the Company's property, plant and equipment and deferred development costs totaled $41,990 during Q5 2023 compared to $35,238 during Q1 2023, with the increase attributable to the amortization of right of use assets pursuant to a new lease.

Government grants

No government grants were received in Q5 2023 compared to $8,866 in Q1 2023. All grant programs ended during the period.

Provision (recovery) of income taxes

The Company's recovery of income taxes in Q5 2023 was $1,025,032, compared to a provision of income taxes of $3,041 in Q1 2023. The recovery of taxes in 2023 is mainly attributable to the impairment provision discussed above.

Net earnings (loss) and EBITDA

Net loss after tax attributable to iFabric's shareholders during Q5 2023 was $2,704,508 ($0.090 per share, basic and diluted) compared to net earnings of $134,566 ($0.005 per share, basic and diluted) during Q1 2023. Adjusted EBITDA for Q5 2023 amounted to $257,458 compared to adjusted EBITDA of $189,777 in Q1 2023 (refer to non-GAAP performance measures below for reconciliation to IFRS earnings).

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., and Protx (Shanghai) Trading Co. Ltd., utilize the United States dollar as their functional currency due to the prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. For Q5 2023, there was a loss of $109,200 in other comprehensive earnings compared to a loss of $70,631 in Q1 2023, in respect of unrealized losses arising on currency translation of foreign operations. The main reason for this decrease was the strengthening of the Canadian dollar towards the end of 2023 relative to the end of 2022.

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's consolidated statements of financial position as at December 31, 2023 and September 30, 2022:

As at	December 31, 2023	September 30, 2022
ASSETS		
Current assets		
Cash	**1,571,744**	944,725
Accounts receivable	**7,815,579**	7,017,329
Inventories	**9,477,965**	9,353,200
Income taxes recoverable	**47,110**	39,780
Forward exchange forward contracts	**66,135**	-
Prepaid expenses and deposits	**899,874**	5,338,748
Total current assets	**19,878,407**	22,693,782
Non-current assets		
Due from related parties	**49,748**	87,248
Property, plant and equipment	**3,168,721**	3,110,330
Right-of-use assets	**451,890**	52,548
Deferred development costs	**178,018**	204,838
Deferred income taxes	**2,132,100**	1,165,700
Goodwill	**55,050**	55,050
Total non-current assets	**6,035,527**	4,675,714
Total assets	**25,913,934**	27,369,496
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**3,067,423**	2,520,095
Customer deposits	**77,813**	85,326
Income taxes payable	**42,371**	195,097
Deferred revenue	-	13,090
Current portion of lease liability	**71,182**	19,208
Current portion due to related parties	**146,695**	4,559
Current portion of car loan payable	**12,358**	12,792
Current portion of bank loan payable	**889,705**	1,138,704
Total current liabilities	**4,307,547**	3,988,871
Non-current liabilities		
Non-current portion of lease liability	**397,482**	33,340
Non-current portion of car loan payable	**21,898**	33,948
Due to related parties	**487,372**	547,372
Total non-current liabilities	**906,752**	614,660
Total liabilities	**5,214,299**	4,603,531
Commitments		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	**8,989,049**	13,660,614
Reserves	**8,614,722**	3,675,458
Retained earnings	**3,050,405**	5,157,927
Accumulated other comprehensive earnings	**34,924**	259,111
Total equity attributable to iFabric Corp. shareholders	**20,689,100**	22,753,110
Non-controlling interest	**10,535**	12,855
Total equity	**20,699,635**	22,765,965
Total liabilities and equity	**25,913,934**	27,369,496

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to $1,571,744 as at December 31, 2023 from $944,725 as at September 30, 2022, mainly attributable to a reduction in deposits for inventory.

Total accounts receivable at the end of 2023 was $7,815,579 compared to $7,017,329 at September 30, 2022, representing an increase of $798,250. This increase is attributable to increased sales near the end of the fiscal year.

Total inventories increased by $124,725 to $9,477,965 at the end of 2023 from $9,353,200 at September 30, 2022

Prepaid expenses and deposits decreased by $4,438,874 to $899,874 at December 31, 2023, from $5,338,748 at September 30, 2022, as a result of the reclassification of a deposit of $3,842,153 as an account receivable as this is the subject of an ongoing legal dispute, as previously discussed.

Property, plant and equipment as at December 31, 2023 totaled $3,168,721 compared to $3,110,330 as at September 30, 2022, representing an increase of $58,391.

Right-of-use assets increased to $451,890 at the end of 2023 compared to $52,548 as September 30, 2022, with the difference attributable to the capitalization of a new office lease.

Deferred development costs decreased to $178,018 at the end of 2023 from $204,838 at September 30, 2022 with the difference attributable to the amortization.

Deferred income taxes increased to $2,132,100 at the end of 2023 from $1,165,700 at September 30, 2022. The increase is mainly attributable to the impairment provision discussed above.

Total liabilities at the end of 2023 were $610,768 higher than at September 30, 2022 and amounted to $5,214,299 compared to $4,603,531, with the increase attributable to an increase in accounts payable, as well as a lease liability recognized in respect of a new office lease.

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, bank loan, and equity attributable to the Company's shareholders.

(In Canadian dollars, except as otherwise noted)

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 31, 2023 and September 30, 2022.

EBITDA and Adjusted EBITDA

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

	Three months	Three months	Fifteen months	Twelve months
For the period ending	**December 31, 2023**	December 31, 2022	**December 31, 2023**	September 30, 2022
Net earnings (loss) after tax attributable to shareholders	**(2,704,508)**	134,566	**(2,107,522)**	(454,998)
Add (deduct):				
Net earnings attributable to non-controlling interest	**1,023**	(2,705)	**(2,320)**	2,542
Provision for income taxes	**(1,025,032)**	3,041	**(952,935)**	244,975
Share-based compensation	**77,190**	-	**162,199**	472,952
Impairment provision - legal claim	**3,842,153**	-	**3,842,153**	-
Amortization of deferred development costs	**-**	6,705	**26,820**	26,820
Depreciation of plant, property and equipment and right-of-use assets	**41,990**	28,533	**160,920**	103,847
Interest expense	**24,642**	19,637	**110,207**	49,723
Adjusted EBITDA	**257,458**	189,777	**1,239,522**	445,861
Add (deduct):				
Impairment provision - legal claim	**(3,842,153)**	-	**(3,842,153)**	-
Share-based compensation	**(77,190)**	-	**(162,199)**	(472,952)
EBITDA	**(3,661,885)**	189,777	**(2,764,830)**	(27,091)

The Company provides adjusted EBITDA for the purpose of providing investors, prospective investors and other users of the financial statements, the means to optimally 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.

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 $6,750,000 (2022 - $6,750,000), against which $0 was outstanding as at December 31, 2023 (September 30, 2022 – $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.

Bank loan

One of the Company's subsidiaries has a variable-rate demand term loan amounting to $889,705 at December 31, 2023 (September 30, 2022 - $1,018,704). The loan is payable in monthly principal payments of $9,172 and variable monthly interest payments 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.

Working capital

Working capital represents current assets less current liabilities. As at December 31, 2023, the Company's working capital was $15,570,860, compared to working capital of $18,704,911 as at September 30, 2022, representing a decrease of $3,134,051. This decrease is attributable to the impairment provision discussed above.

Financing activities

Cash used in financing activities during 2023 amounted to $18,028, compared to $41,928 provided by financing activities during 2022, representing a decrease of $59,956 in financing cash inflow. The decrease can be mostly attributed to bank loan repayments.

Investing activities

Cash used in investing activities totaled $172,973 in 2023 compared to an amount of $242,756 used in investing activities during 2022 mainly in respect of upgrades to the Company's warehouse space.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 31, 2023, with the exception of the minimum guaranteed royalties and operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

The following details the Company's contractual obligations, under various operating lease agreements as at December 31, 2023:

	Payments due by fiscal year end					
Contractual obligations	2024	2025	2026	2027	Subsequent years	**Total**
Minimum guaranteed royalties & leases	645,233	527,533	203,307	207,976	273,621	**1,857,670**

(a) 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, 2024 and 2025 in U.S. dollar amounts of $220,000 and $240,000 respectively. In addition, the Company is required to pay an advertising fee of 1%-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2025.

(b) In terms of a Canadian license agreement pursuant to which 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 10-12%. Minimum annual royalties have been established for the contract periods ending December 31, 2024, in amount of $175,000. The license term is in effect until December 31, 2024

(c) On October 16, 2023, the Company executed a lease agreement for the rental of 5,202 square feet of office space in Markham, Ontario, at a location in close proximity to its current warehouse location. After the move of management and all administrative staff to the new location, the Company's Markham owned building was fully repurposed as warehouse space, in order to accommodate the warehousing of products for new Canadian apparel programs. The lease agreement is for a period of 5 years with rental payments commencing on April 1, 2024 and expiring March 31, 2029, with the option of renewal for a further period of 5 years at market rates. Basic rent payable is $17.95 per square foot for years 1-3 of the lease amounting to $93,376 per annum and $18.95 per square foot for years 4-5, amounting to $98,578 per annum. Additional rent will be calculated each year and, is estimated at $17.96 per square foot for the first year of the lease, or $93,428 per annum. A right of use asset and a lease liability have been recognized in the financial statements in respect of this lease.

(In Canadian dollars, except as otherwise noted)

RELATED PARTY TRANSACTIONS

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

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

For the period ending	Fifteen months 2023	Twelve months 30,
Salaries, management and professional fees, directors' fees, and short-term benefits	**1,535,485**	**944,182**
Share-based compensation	**162,199**	**472,952**
	1,697,684	1,417,134

Further information about the remuneration of certain individual executive officers and members of the Board of Directors will be provided in the Company's Management Information Circular, to be filed in respect of its fiscal 2023 shareholders' meeting.

(b) Included in selling, general and administrative costs are management fees (2022 - $15,000) paid to a company controlled by a director of one of the Company's subsidiaries.

(c) Included in revenue is rental income earned in the amount of $24,500 (2022 - $24,300) from a company controlled by a director of one of the Company's subsidiaries.

(d) Included in accounts payable and accrued liabilities is an amount of $50,000 (2022 - $82,000) due to directors and key management personnel of the Company in respect of unpaid fees.

(e) Included in selling, general and administrative costs is an amount of $106,490 (2022 - $69,908) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.

(f) There is an amount of $49,748 due from an executive officer (2022 - $87,248) in respect to a housing loan and an amount of $487,372 due to a director of one of the Company's subsidiaries (2022 - $547,372).

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 30,299,467 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,345,000 options issued and outstanding, of which 1,195,000 were exercisable as well as 2,943,717 common share purchase warrants.

RISKS

A number of risk factors known and unknown may affect the operations of iFabric. One should consider the following and all of the other information included in this document and in other documents filed under the Company's profile on SEDAR when considering investing in the securities of the Company.

The following specific factors could materially adversely affect the Company and should be considered when deciding whether to make an investment in the Company. The risks and uncertainties described in this Management Discussion & Analysis and the information incorporated by reference herein are those the Company currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows and consequently the price of the common shares could be materially and adversely affected. In all these cases, the trading price of the common shares could decline, and prospective investors could lose all or part of their investment.

COVID-19 has caused significant business disruptions. In March 2020, the COVID-19 pandemic was declared to be a global pandemic by the World Health Organization. The rapidly evolving COVID-19 situation poses various risks to the Company's business, certain of which are detailed below. Any one of these risks, or a combination of these risks and others beyond the Company's control, could result in further adverse impacts on its business, financial condition and results of operations. In addition, the following factors, categorized by the primary nature of the associated risk, could affect the Company's financial performance and cause actual results, plans and expectations to differ materially from those expressed or implied in any of the forward-looking statements contained in this Management Discussion & Analysis.

Financial Risks

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk.

The Company's maximum exposure to credit risk is $9,115,592 (2022 - $7,868,919). Included in selling, general and administrative costs is a provision for doubtful accounts of $134,013 (2022 - $122,402) expensed during the year.

The aging of trade accounts receivable is as follows:

	December 31, 2023	September 30, 2022
Trade receivables not past due	**5,820,278**	4,727,673
Trade receivables past due and not impaired		
Under 31 days	**1,260,981**	1,137,396
31 - 60 days	**303,061**	519,545
61 - 90 days	**81,449**	309,031
Over 90 days	**78,079**	230,549
Trade receivables, net of expected credit loss allowance	**7,543,848**	6,924,194

Economic dependence

Approximately 61% of the Company's total sales were to four customers (2022 - 61% of sales were to four customers). At December 31, 2023, four customers accounted for 78% (September 30, 2022 - four customers accounted for 78%) of the Company's accounts receivable. Approximately 73% of the Company's total purchases were from four vendors (2022 – 73% of purchases were from four vendors), one of which is related to a distributor of the Company.

The loss of any one of these key customers or suppliers can have a material impact on revenues, earnings, cash flows, and the financial position of the Company.

Liquidity risk

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

	Carrying amount	Contractual cash flow	2024	2025	2026	2027	2028	2029
Minimum guaranteed royalties	-	783,396	465,972	317,424	-	-	-	-
Lease obligations	1,056,866	1,056,866	161,852	210,110	203,307	207,976	207,885	65,736
Car loan	34,256	34,256	12,358	12,358	9,540	-	-	-
Bank loan payable	889,705	889,705	889,705	-	-	-	-	-
Trade and other payables	2,916,763	2,916,763	2,916,763	-	-	-	-	-
Related party loans	487,372	487,372	-	487,372	-	-	-	-
	5,384,962	6,168,358	4,446,650	1,027,264	212,847	207,976	207,885	65,736

Market risk

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

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The following balances were included in the 2023 financial statements:

(In Canadian dollars, except as otherwise noted)

USD	December 31, 2023	September 30, 2022
Cash	**111,355**	84,799
Accounts receivable	**3,725,053**	1,548,004
Accounts payable and accrued liabilities	**(722,814)**	(1,190,712)
Prepaids and deposits	**374,059**	3,586,587
	3,487,653	4,028,678

TWD	December 31, 2023	September 30, 2022
Cash	**1,352,102**	2,537,417
Accounts receivable	**20,212,208**	17,802,959
Accounts payable and accrued liabilities	**139,168**	(91,930)
	21,703,478	20,248,446

RMB	December 31, 2023	September 30, 2022
Cash	**615,954**	1,210,179
Accounts receivable	**7,847,275**	6,158,745
Accounts payable and accrued liabilities	**(3,513,238)**	(1,225,126)
	4,949,991	6,143,798

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD against the Canadian Dollar as at December 31, 2023, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately $170,000 in net earnings (loss) for 2023, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at December 31, 2023, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately $34,000 in net earnings (loss) for 2023, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at December 31, 2023, in relation to the net amount of RMB-denominated currency balances, would have resulted in an increase (decrease) of approximately $34,000 to the net earnings (loss) for 2023, all other variables held constant.

The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Interest rate risk

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

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately $7,000 in net earnings (loss) for 2023, all other variables held constant.

SUBSEQUENT EVENTS

On March 7, 2024, the Company received approval to extend the expiry date of 2,943,717 common share purchase warrants for a further period of one year to March 23, 2025.

Business Operation Risks

Competition

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

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

- repel insects when applied to skin or textiles;
- kill bacteria or viruses when applied to textiles;
- assist with the healing of skin and the control of skin irritations when applied to textiles;
- repel or wick moisture on textiles;
- provide ultraviolet light protection on textiles; and
- provide temperature control on textiles.

The markets in which the Company operates are highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share or a failure to grow the Company's market share, any of which could substantially harm its business and results of operations. The Company competes directly against wholesalers and direct retailers of apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of apparel, as well as against large retailers. The Company also faces competition from wholesalers and direct retailers of traditional commodity apparel. Many of the Company's competitors are large companies with strong worldwide brand recognition. Because of the fragmented nature of the industry, the Company also competes with other apparel sellers. Many of the Company's competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, store development, marketing, distribution and other resources than the Company does.

The Company's competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than the Company can. The Company's competitors may also be able to increase sales in their new and existing markets faster than it does by emphasizing different distribution channels than it does.

Economic Conditions and Consumer Spending

In the Intimate Apparel Division, the Company's customer base consists of national and international retailers, independent stores, and boutiques. The success of this Division is dependent on customers perpetually replenishing their distribution channels with the Company's year-round merchandise, as well as ongoing commitments and purchase orders for seasonal fashion goods. The Company's ability to achieve the expected volume and price points of sales indirectly depends on the retailer's continuous ability to sell the Company's merchandise to their end use consumers. The retail apparel industry is highly sensitive to adverse economic factors, such as consumer debt levels, interest rates, and unemployment rates. Any adverse effects of economic conditions on the retail industry can have a negative impact on the level of sales and gross margins that the Company expects to achieve.

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

Licensing Arrangements

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

- Failure to pay royalties or advertising contributions;
- Failure to meet minimum purchase obligations;
- Failure to achieve minimum sales targets;
- The breach of a material covenant;
- Failure to ship licensed products to authorized customers;

- Failure to give notice of intention to renew within the stipulated time period

Key Personnel

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

Technological Advancements

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

Intellectual Property

The success of the Company will depend, in part, on its ability to maintain proprietary protection over its intellectual property and operate without infringing the proprietary rights of third parties. Despite precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's technologies without authorization. There can be no assurance that any steps taken by the Company will prevent misappropriation of its intellectual property. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect the Company's intellectual property rights as fully as in the United States or Canada, and it may be more difficult for the Company to successfully register its intellectual property rights or challenge the use of those rights by other parties in these countries. If the Company fails to protect and maintain its intellectual property rights, the value of its brands could be diminished and the Company's competitive position may suffer.

In the event that any of the Company's intellectual property is successfully challenged, the Company could be forced to rebrand or re-engineer its products, which could result in loss of brand recognition and could require the Company to devote resources to advertising and marketing new brands and or product development and the Company's competitive position may suffer, which could have a material adverse effect on its financial condition.

Litigation may be necessary to protect and enforce the Company's intellectual property rights, or to defend against claims brought by third parties. Although the Company is not aware of any current claims, the Company's products may, or may be in the future, be claimed to violate intellectual property rights of third parties.

Although the Company cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against the Company could result in substantial costs and diversion of resources, which could have an adverse effect on the Company's business, financial condition and results of operations. If disputes arise in the future, the Company may not be able to successfully resolve these types of conflicts to its satisfaction.

Government Regulation, Regulatory Approvals and Compliance with Laws

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

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

The Company is subject to customs, tax, labour and employment, human rights, health and safety, cyber and data security, privacy, environmental, advertising, competition, product safety and other laws. Although the Company has taken measures designed to ensure compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which it conducts business, there is no assurance that it will be in compliance at all times. If management, employees, contractors, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, the Company could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect the Company's business. Additionally, although the Company undertakes to monitor applicable laws, it is possible changes may be implemented or new laws or regulations may be introduced without management's knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of the Company's business more expensive or require it to change the way it does business. It is difficult for the Company to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes could be material to it.

Litigation Risk

The Company faces the risk of litigation and other claims against it. Litigation and other claims may arise in the ordinary course of business and include employee and client claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. As the Company sells products that are produced by third-party manufacturers, these products may expose the Company to various claims, including class action claims relating to merchandise that is subject to a product recall or liability claim. Litigation and other claims against the Company could result in unexpected expenses and liabilities, which could materially adversely affect the Company's operations and reputation.

Insurance Related Risks

The Company believes that it maintains insurance customary for businesses of its size and type, including liability insurance, property and business interruption insurance and directors' and officers' insurance, with deductibles, limits of liability and similar provisions. However, there is no guarantee that such insurance coverage will be sufficient, or that insurance proceeds will be paid to the Company on a timely basis. In addition, there are types of losses the Company may incur but against which it cannot be insured or which it believes are not economically reasonable to insure. If the Company incurs these losses and they are material, its business, financial condition and results of operations may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, the Company may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Customer Adoption

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

Anticipating Consumer Preferences and Developing New, Innovative and Updated Products

The Company's success depends on its ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. Many of the Company's products are subject to changing consumer preferences that cannot be predicted with certainty. If the Company is unable to introduce new products or novel technologies in a timely manner or its new products or technologies are not accepted by its customers, the Company's competitors may introduce similar products in a more timely fashion, which could have an adverse effect on the Company's performance. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales, excess inventory levels, and deterioration of operating results. Even if the Company is successful in anticipating consumer preferences, its ability to adequately react to and address those preferences will in part depend upon the Company's continued ability to develop and introduce innovative, high-quality products. The Company's failure to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on the Company's financial condition.

Reliance on Third Parties

The Company does not manufacture its products or the raw materials for them and relies instead on third-party suppliers. The Company has no long-term contracts with its suppliers or manufacturing sources, and it competes with other companies for fabrics, raw materials, production and import quota capacity.

The Company has occasionally received, and may in the future continue to receive, shipments of products that fail to comply with its technical specifications or that fail to conform to its quality control standards. The Company has also received, and may in the future continue to receive, products that meet its technical specifications but that are nonetheless unacceptable to the Company. Under these circumstances, unless the Company is able to obtain replacement products in a timely manner, it risks the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if defects in the manufacture of the Company's products are not discovered until after such products are purchased by its customers, the Company's customers could lose confidence in the technical attributes of its products and its results of operations could suffer and its business could be harmed.

The Company may in the future experience a significant disruption in the supply of fabrics or raw materials from current sources and it may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, if the Company experiences significant increased demand, or if the Company needs to replace an existing supplier or manufacturer, it may be unable to locate additional supplies of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to the Company, or at all, or the Company may be unable to locate any supplier or manufacturer with sufficient capacity to meet its requirements or to fill its orders in a timely manner. Identifying a suitable supplier is an involved process that requires the Company to become satisfied with its quality control, responsiveness and service, financial stability and labor and other ethical practices. Even if the Company is able to expand existing or find new manufacturing or raw material sources, it may encounter delays in production and added costs as a result of the time it takes to train its suppliers and manufacturers in its methods, products and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from the Company's markets or from other participants in its supply chain. Any delays, interruption or increased costs in the supply of fabric or manufacture of the Company's products could have an adverse effect on its ability to meet customer demand for its products and could result in lower net revenue and income from operations both in the short and long term.

The Company has entered into an agreement to outsource some of its warehouse and fulfillment functions to third party providers where its inventory is held at sites managed by an independent contractor who will then perform most of its warehousing, packaging and fulfillment services. The Company depends on independent contractor fulfillers to properly fulfill customer orders in a timely manner and to properly protect its inventories. The contractor's failure to ship products to customers in a timely manner, to meet the required quality standards, to correctly fulfill orders, to maintain appropriate levels of inventory, or to provide adequate security measures and protections against excess shrinkage could cause the Company to miss delivery date requirements of its customers or incur increased expense to replace or replenish lost or damaged inventory or inventory shortfall. The failure to make timely and proper deliveries may cause the Company's customers to cancel orders, refuse to accept deliveries, impose non-compliance charges through invoice deductions or other charge-backs, demand reduced prices or reduce future orders, any of which could harm its sales, reputation and overall profitability. The Company's excess inventory held at these facilities may be damaged due to the length of time that they are at the facility, which may not be covered by the contractor or its insurance.

Imposition of Trade Restrictions or Duties

The Company's ability to source its merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome. Canada and the countries in which the Company's products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for the Company to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to the Company or may require the Company to modify its supply chain organization or other current business practices, any of which could harm its business, financial condition and results of operations.

Information Technology Systems

The Company's business is dependent on the successful and uninterrupted functioning of its information technology systems setup by third-party providers, as it outsources many of its major systems. The Company relies on the controls of these providers in lieu of controls setup by the Company. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt the Company's operations. Because the Company's information technology and telecommunications systems interface with and depend on third-party systems, the Company could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions.

Dividend Policy

The Company does not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on common shares will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. The Company's current intention is to apply net earnings, if any, in the foreseeable future to increasing its capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of common shares, and in any event, a decision to declare and pay dividends is at the sole discretion of the Company's board of directors. If the Company does not pay dividends, its common shares may be less valuable because a return on an investor's investment will only occur if its stock price appreciates.

Centralized Management

Many of the Company's business functions are centralized at its head office location. Disruptions to the operations at that location could have an adverse effect on the Company's business. The Company's head office is located in Markham, Ontario. The Company has centralized a large number of business functions at this location, including product design, client support, marketing and research and development. Most of the Company's senior management and critical resources dedicated to product development, merchandizing, financial and administrative functions, are located at the head office. If the Company were required to shut down the support office location for any reason, including fire, natural disasters, global hostilities, global health crises, disease outbreaks (including COVID-19) or civil disruptions, its management and its operations staff would need to find an alternative location, causing significant disruption and expense to the Company's business and operations.

Current and future global economic and political volatility and uncertainty may negatively impact our financial performance, results of operations and our ability to predict future spending requirements and growth, if any.

Current and future global economic, political and social conditions remain volatile in certain parts of the world. Further, acts of terrorism, labor activism or unrest, and other geopolitical unrest, including global events such as the Russian invasion of Ukraine, could cause disruptions in our business or the businesses of our partners or the economy as a whole. If any of the following international business risks were to materialize or become worse, they could have a material adverse effect on our business, financial condition and results of operations:

• social and political instability and, potential terrorist attacks, in a number of countries around the world, including continued hostilities and civil unrest in the Middle East and Ukraine. This instability may have a negative effect on our business, financial condition and operations via our customers and global supply chain;

• epidemics and pandemics, such as the coronavirus outbreak, which may adversely affect our workforce, as well as our suppliers and customers;

• adverse changes in government policies, especially those affecting trade and investment; and

• volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, particularly in China.

As a result, it is difficult to estimate the level of growth or contraction for the global economy as a whole. It is even more difficult to estimate economic growth or contraction in various sectors and regions, including the markets in which we operate. Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the markets we serve and the demand for our products and services, the prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. Adverse changes in events such as the war in Ukraine or the continued prevalence of public health crises, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, stagnant economic conditions, increasing nationalism and protectionism, trade tensions and tariff uncertainty, political deadlock, war, financial and trade sanctions, social unrest or other factors affecting economic conditions generally, may negatively impact our ability to meet our targets for revenue, adjusted EBITDA and cash from operating activities.

Natural Disasters, Extreme Weather etc.

The Company's offices, warehouses, distribution centers and digital operations, as well as the operations of the Company's vendors and manufacturers, are vulnerable to disruption from natural disasters, extreme and/or unusual weather, wildfires, global health crises, disease outbreaks, and other unexpected events. These events could cause, and in the case of COVID-19, have already caused and are expected to continue to cause for the foreseeable future, disruptions in the operations of the Company's corporate offices and supply chain and those of the Company's vendors and manufacturers.

These events could reduce the availability and quality of raw materials used to manufacture the Company's products which could result in delays in responding to consumer demand resulting in the potential loss of customers and revenues or the Company may incur increased costs to meet demand and may not be able to pass all or a portion of higher costs on to customers, which could adversely affect gross margin and results of operations.

Counterparty Risk

The Company is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to the Company. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the Company's rights and benefits in relation to the contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on the Company's part to do so could have a material adverse effect on its business and results of operations.

Trading Price Volatility

The market price of the common shares could be subject to significant fluctuations which could materially reduce the market price of the common shares regardless of the Company's operating performance. In addition to the other risk factors described in this section of this Annual Information Form, such factors include actual or anticipated changes or fluctuations in operating results, adverse market reaction to any indebtedness the Company may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving the Company or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to the Company's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of the common shares. As a result, the market price of the common shares may fluctuate based upon factors external to the Company and that may have little or nothing to do with the Company, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about the Company, competitors or the industry and changes in general political, economic, industry and market conditions and trends.

Concentrated Share Ownership

The President and Chief Executive Officer of the Company owns approximately 64% of the outstanding common shares. This concentrated ownership results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the concentrated ownership may also discourage proxy contests and make it difficult or impossible for the Company's holders of common shares to elect directors and take other corporate actions without the approval of the President and Chief Executive Officer. Such concentration of ownership may also have a negative impact on the trading price of the common shares.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these 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 and that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Benefits of deferred income tax assets

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

Revenue recognition

Revenue recognized from contracts with variable consideration is based on estimates and judgments on achieving future milestones and unit sales. Projections of future sales is based on historical data and projections from customers.

Recoverability of deposit

The Company has an outstanding deposit from a foreign supplier in respect of a contract that was partially fulfilled (refer note 4 to the Company's audited financial statements). Recoverability of the deposit has been delayed due to government closures from COVID-19 and a backlog in the court system after reopening. An arbitrator has ruled in favour of the Company and the company has, in addition, registered its claim with the competent court in China. The Company is currently following a court supervised process in order to recover the deposit. As a result, the amount in question has been reclassified as receivable. At the financial statement date, management has not been able to conclude whether a loss relating to its claim is probable. Although possible, there does not appear to be sufficient information to determine the amount or range of a reasonably possible recovery, if any. Accordingly, management has made full provision for the impairment of its claim.

Valuation of inventories

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

Actual results could differ from these estimates and may require a material adjustment to the carrying amount of affected assets and liabilities, or on the reported results of revenues, expenses, gains or losses.

ACCOUNTING POLICY DEVELOPMENTS

Adoption of new or amended accounting standards

During the period ended December 31, 2023 the Company did not amend any of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on October 1, 2022.

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, 2023. Although the Company's disclosure controls and procedures were operating effectively as of December 31, 2023, 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 December 31, 2023 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at December 31, 2023. 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 period ended December 31, 2023 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, is available on SEDAR+ at www.sedarplus.ca. Additional information can also be found on the Company's website at www.ifabriccorp.com.