

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's unaudited condensed consolidated interim statements as at and for the period ended December 31, 2022 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2022 and the comparative year ended September 30, 2021. All financial information in this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes thereto were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A is dated February 13, 2023.

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 annual fiscal period ended September 30, 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, and "Q4" refers to the period of July 1 to September 30.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of iFabric. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results that "may", "could", "would", "might" or "will" be taken, to occur or to be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risks and Uncertainties" and should be considered carefully by readers. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

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

Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

NON-GAAP FINANCIAL MEASURES

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

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

Adjusted EBITDA

The Company uses Adjusted EBITDA to assess its operating performance without the effects of (as applicable): current and deferred tax expense, finance costs, interest income, depreciation and amortization of plant assets, other gains and losses, impairment loss, share-based compensation and other non-recurring items. The Company adjusts for these factors as they may be non-cash 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.

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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" and on the OTC Markets under the trading symbol "IFABF". The head office is located at 525 Denison Street, Unit 1, Markham, Ontario, Canada.

The Company's business activities are divided into three reportable operating segments, which offer different products and services, and are managed separately because they require different marketing strategies and resource allocations. The following summarizes the operations of each segment:

- Intimate Apparel: Includes the design and distribution of women's intimate apparel and accessories.
- Intelligent Fabrics: Includes the development and distribution of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces as well as finished performance apparel which integrate one or more such treatments. These products are designed to provide added benefits to the user.
- Other: Includes leasing of property to group companies, related parties and third parties.

NATURE OF OPERATIONS

Intimate Apparel

The Intimate Apparel division currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the division's patented reversible bra, patented bandeaux bra and patented breast lift product. The division also distributes a range of apparel accessories. The Division 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 Company-owned premises located in Markham, Ontario, house the bulk of the division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution center for the Canadian and European markets. All product design is handled by the Markham design team and, currently over 95% of the division's inventory production is outsourced to factories in China.

In the past several years, the Company has positioned the division's product strategy by way of leveraging a key license agreement in order to sell products under various Maidenform® brands. The Maidenform® brand was founded in 1922 and during its 100-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand. Products are sold internationally to the division's customer base, which includes a number of major retailers, as well as specialty boutiques.

Intelligent Fabrics

The Intelligent Fabrics Division currently enjoys exclusive worldwide distribution rights in respect of a number of proprietary chemical formulations that can be applied to textiles in order to kill bacteria and viruses, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. The Intelligent Fabrics Division operates under the name Intelligent Fabric Technologies (North America) Inc. ("IFTNA"). The 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® (anti-microbial and anti-viral formulations), Enguard® (insect repellent technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellent), Omega+ (joint and muscle recovery), TempTx (thermal regulator), Apollo (body odour neutralizer), DryTx (moisture-wicking technology), BioTX (metal free anti-stink solution), RepelTX Eco Plus (fluorine-free durable water repellent), 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 ("HAIs"), including *Methicillin-resistant Staphylococcus aureus* ("MRSA"), *Clostridium difficile*, *Vancomycin-resistant enterococci* ("VRE") and *Klebsiella 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 current COVID-19 pandemic has underscored the need for individuals to protect themselves when entering closed environments such as aircraft, shopping malls, hotels, and even ones residence, as well as close proximity environments such as sports arenas, movie houses etc. With future pandemics being predicted by experts, management believes that the supply of equipment, apparel, washes and sanitizers, that can deactivate infectious bacteria and viruses, is set to become one of the fastest growing market segments. With its Protx2® technologies,

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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.

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

UVtx™

Textiles infused with UVtx™ provides apparel with a built in ultraviolet ("UV") light blocker. The UVtx™ formulation contains both UV reflecting and UV absorption elements, giving apparel treated with UVtx™ the ultraviolet protection factor ("UPF") strength of up to UPF 60. This allows the wearer of UVtx™ treated apparel to enjoy permanent sun protection without the need to apply sprays or lotions to the area covered by the garment. Testing has shown that UVtx™ treated textiles never lose efficacy. UVtx™ does not require regulatory approvals and is commercially available for sale.

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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 CO 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.

RECENT DEVELOPMENTS

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.

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In addition to expanding and strengthening The Company's line-up of innovative textile technologies, bioACTIV AM represents a meaningful advancement in a proprietary chemical delivery system, which will allow the ability to create high performance single application chemistries that can be combined and then durably embedded as a single finish, creating multiple distinct or synergistic performance characteristics for any textile based product. This new multifunctional capability combined into a single application can be brand specific, allowing for customization of products by customer to deliver exclusive performance combinations across various industries

IFTNA intends to initiate marketing and business development activities related to bioactive AM for both existing and potential new customers and partners starting in Q3 2023. The Company will also look at potential opportunities to incorporate bioACTIV AM into its existing brands including the company's new direct to consumer line Verzus All.

SELECTED ANNUAL INFORMATION

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

For the year ended and as at September 30,	2022	2021	2020	2019	2018
Income Statement Data					
Revenue	19,743,008	19,763,672	11,521,676	10,435,348	15,121,370
Net earnings (loss) attributable to common shareholders	(454,998)	2,369,698	(617,770)	(1,299,863)	924,743
Net earnings (loss) per common share					
Basic	(0.015)	0.084	(0.023)	(0.050)	0.035
Diluted	(0.015)	0.081	(0.023)	(0.050)	0.034
Balance Sheet Data					
Total assets	27,369,496	27,629,685	17,514,091	11,983,802	14,179,359
Total non-current financial liabilities	614,660	551,277	650,130	476,747	1,818,657
Cash dividends declared	-	-	-	-	-

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RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2022 AND 2021

The following table sets forth the Company's unaudited condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) for the three months ended December 31, 2022 and 2021:

For the three months ended December 31,	2022	2021
REVENUE	4,916,365	4,993,871
COST OF SALES	2,960,477	3,144,371
GROSS PROFIT	1,955,888	1,849,500
EXPENSES		
General and administrative costs	1,326,393	1,120,626
Selling costs	464,802	313,118
Interest expense	19,637	10,645
Depreciation of property, plant and equipment and right-of-use assets	28,533	22,327
Amortization of deferred development costs	6,705	6,705
Share-based compensation	-	2,998
	1,846,070	1,476,419
EARNINGS FROM OPERATIONS	109,818	373,081
OTHER EXPENSES (INCOME)		
Loss (gain) on foreign exchange	(38,418)	34,565
Loss on termination	22,200	-
Government grants	(8,866)	(13,335)
	(25,084)	21,230
EARNINGS BEFORE INCOME TAXES	134,902	351,851
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	30,041	235,550
Deferred	(27,000)	(57,116)
	3,041	178,434
NET EARNINGS	131,861	173,417
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	134,566	167,960
Non-controlling interest	(2,705)	5,457
	131,861	173,417
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Unrealized gain (loss) on translation of foreign operations	(70,631)	2,864
TOTAL COMPREHENSIVE EARNINGS	61,230	176,281
EARNINGS PER SHARE		
Basic	0.005	0.006
Diluted	0.004	0.006

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SELECTED OPERATING SEGMENT DATA

Three months ended December 31, 2022	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External Revenue	1,806,663	3,087,556	22,146	-	4,916,365
Earnings (loss) before income taxes	43,027	134,140	(9,835)	(32,430)	134,902

Three months ended December 31, 2021	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External Revenue	1,649,401	3,316,499	27,971	-	4,993,871
Earnings (loss) before income taxes	(4,635)	415,906	28,777	(88,197)	351,851

Revenue by geographic regions:

Three months ended December 31,	2022	2021
External sales revenue		
Canada	2,066,701	1,242,940
United States	1,320,894	1,337,214
United Kingdom	-	70,651
Southeast Asia and other	1,528,770	2,343,066
Total	4,916,365	4,993,871

Q1 2023 FINANCIAL HIGHLIGHTS

Three months ended December 31,	2022	2021
Revenue	4,916,365	4,993,871
Earnings (loss) from operations	109,818	373,081
Share based compensation	-	(2,998)
Adjusted EBITDA *(Note)	211,977	394,526
Net earnings after tax	131,861	173,417
Net earnings after tax attributable to shareholders	134,566	167,960
Net earnings per share		
Basic	0.005	0.006
Diluted	0.004	0.006

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

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DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2022 AND 2021

Revenue

Revenue decreased by \$77,506 to \$4,916,365 in Q1 2023 from \$4,993,871 in Q1 2022. With respect to the reportable operating segments of the Company, revenue increased by 10% or \$157,262 in its Intimate Apparel segment to \$1,806,663 in Q1 2023 from \$1,649,401 in Q1 2022, and revenue decreased by 7% or \$228,943 in its Intelligent Fabrics segment to \$3,087,556 in Q1 2023 from \$3,316,499 in Q1 2022. Geographically, revenue increased in Canada and decreased in the US, UK and Southeast Asia and other areas.

Overall, revenue decreased by 2% during Q1 2023 in comparison to Q1 2022. In the Intelligent Fabrics operating segment, the decrease in revenue was attributable to lower chemical revenues in China, pursuant to government mandated lockdowns due to the ongoing COVID-19 pandemic and the resultant closure of production facilities. This was partially offset by increased finished performance apparel sales in Canada. In the Intimate Apparel operating segment, the increase in revenue in Q1 2023 compared to Q1 2022, was primarily attributable to increased intimate apparel sales in Canada.

Gross profit

Gross profit as a percentage of revenue increased to 40% in Q1 2023 from 37% in Q1 2022. This increase in gross margin percentage is primarily attributable to decreased freight costs. Gross profit in dollars increased by 6% or \$106,388 to \$1,955,888 in Q1 2023 from \$1,849,500 in Q1 2022. The increase in gross profit dollars is attributable to the increase in gross margins, as discussed above.

Selling, general and administrative costs

In Q1 2023, selling, general and administrative costs increased to \$1,791,195 compared to \$1,433,744 in Q1 2022. The increase of \$357,451 in costs is mainly attributable to increases in personnel costs, commissions, rent, advertising and travel in Q1 2023 versus Q1 2022, which have been incurred to support future projected growth in both operating segments of the Company.

Interest Expense

Interest expense during Q1 2023 was \$19,637 compared to \$10,645 during Q1 2022, with the increase is attributable to higher interest rates.

Depreciation and Amortization

Depreciation of the Company's property, plant and equipment and amortization of deferred development costs totaled \$35,238 during Q1 2023 compared to \$29,032 during Q1 2022.

Share-based compensation

There were no share-based compensation costs in Q1 2023 compared to \$2,998 in Q1 2022. The decrease in share-based compensation costs is due to a reduction in the vesting of previously issued stock options.

Loss (gain) on foreign exchange

In Q1 2023, the Company's gain on foreign exchange was \$38,418 versus a loss of \$34,565 in Q1 2022. The primary reason for increased exchange gains is the relative weakening of the Canadian Dollar against the United States Dollar during Q1 2023, compared to Q1 2022.

Loss on termination

In Q1 2023, the Company incurred a loss of \$22,200 in respect of the termination of a third-party tenant rental agreement, which was actioned in order to further increase warehouse space for the purposes of housing inventory for new swimwear and apparel programs.

Provision for income taxes

The Company's provision for income taxes in Q1 2023 was \$3,041 compared to \$178,434 in Q1 2022. Differences in the deductibility of certain expenses for tax and accounting purposes, are the primary reason for the change in the Company's effective income tax rate from Q1 2023 to Q1 2022.

Government grants

Government grants of \$8,866 were received in Q1 2023 compared to \$13,335 in Q1 2022. The reduction is attributable to the ending of COVID-19 subsidy programs.

Net earnings and EBITDA

Net earnings attributable to iFabric's shareholders during Q1 2023 was \$134,566 (\$0.005 per share, basic and \$0.004 per share, diluted) compared to net earnings of \$167,960 in Q1 2022 (\$0.006 per share basic and diluted). The \$33,394 decrease in net earnings in Q1 2023 versus

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(In Canadian dollars, except as otherwise noted)

Q1 2022 is attributable to an increase in expenses as discussed above. Adjusted EBITDA for Q1 2023 amounted \$211,977 compared to adjusted EBITDA of \$394,526 in Q1 2022 representing a decrease of \$182,549 for the same reasons.

Other comprehensive earnings (loss)

For the three months ended December 31, 2022 a loss of \$70,631 was included in other comprehensive earnings, in respect of the unrealized losses arising on currency translation of foreign operations in Q1 2023 compared to a gain of \$2,864 included in other comprehensive earnings for Q1 2022. Total comprehensive earnings amounted to \$61,230 in the current quarter compared to total comprehensive earnings of \$176,281 in the comparable quarter of 2022, representing a decrease in total comprehensive earnings of \$115,051 for the reasons discussed above.

SEASONALITY AND QUARTERLY FLUCTUATIONS

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

SUMMARY OF QUARTERLY RESULTS

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

Fiscal 2023	Q1	Q2	Q3	Q4
Revenue	4,916,365			
Net earnings (loss) attributable to common shareholders	134,566			
Net earnings (loss) per common share				
Basic	0.005			
Diluted	0.004			
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)
Fiscal 2021	Q1	Q2	Q3	Q4
Revenue	7,520,901	2,882,660	4,155,829	5,204,282
Net earnings (loss) attributable to common shareholders	1,602,282	(141,155)	705,406	203,165
Net earnings (loss) per common share				
Basic	0.060	(0.006)	0.024	0.006
Diluted	0.058	(0.006)	0.023	0.006

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

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's unaudited condensed consolidated statements of financial position as at December 31, 2022 and the audited annual consolidated statements of financial position as at September 30, 2022

As at	December 31, 2022	September 30, 2022
ASSETS		
Current assets		
Cash	2,239,491	944,725
Accounts receivable	5,427,783	7,017,329
Inventories	10,396,391	9,353,200
Income taxes recoverable	20,233	39,780
Foreign exchange forward contracts	42,550	-
Prepaid expenses and deposits	4,843,236	5,338,748
Total current assets	22,969,684	22,693,782
Non-current assets		
Due from related parties	87,248	87,248
Property, plant and equipment	3,180,415	3,110,330
Right-of-use assets	47,746	52,548
Deferred development costs	198,133	204,838
Deferred income taxes	1,175,800	1,165,700
Goodwill	55,050	55,050
Total non-current assets	4,744,392	4,675,714
Total assets	27,714,076	27,369,496
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	3,081,564	2,520,095
Customer deposits	84,312	85,326
Income taxes payable	35,586	195,097
Deferred revenue	-	13,090
Current portion of lease liability	19,208	19,208
Current portion due to related parties	1,209	4,559
Current portion of car loan payable	12,792	12,792
Current portion of bank loan payable	1,123,680	1,138,704
Total current liabilities	4,358,351	3,988,871
Non-current liabilities		
Non-current portion of lease liability	28,538	33,340
Non-current portion of car loan payable	29,520	33,948
Due to related parties	487,372	547,372
Total non-current liabilities	545,430	614,660
Total liabilities	4,903,781	4,603,531
Commitments		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	13,643,714	13,660,614
Reserves	3,675,458	3,675,458
Retained earnings	5,292,493	5,157,927
Accumulated other comprehensive earnings	188,480	259,111
Total equity attributable to iFabric Corp. shareholders	22,800,145	22,753,110
Non-controlling interest	10,150	12,855
Total equity	22,810,295	22,765,965
Total liabilities and equity	27,714,076	27,369,496

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OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to \$2,239,491 as at December 31, 2022 from \$944,725 as at September 30, 2022 representing an increase of \$1,294,766. This increase was mainly attributable to the collection of accounts receivable during the quarter.

Total accounts receivable at the end of Q1 2023 were \$5,427,783 compared to \$7,017,329 as at September 30, 2022 representing a reduction of \$1,589,546. The reduction in accounts receivable is attributable to collections net of revenues in the quarter.

Total inventory increased by \$1,043,191 to \$10,396,391 at the end of Q1 2023 from \$9,353,200 at the end of fiscal 2022. This increase can mainly be attributed to the initial receipts of inventory in respect of new swimwear programs.

Total prepaid expenses and deposits decreased by \$495,512 at the end of Q1 2023 to \$4,843,236 from \$5,338,748 at the end of fiscal 2022. This decrease is attributable to inventory received during the quarter and the application of deposits against the balances owing.

Property, plant and equipment at the end of Q1 2023 totaled \$3,180,415 compared to \$3,110,330 at the end of fiscal 2022, with the increase attributable to renovations to the Company's Markham warehouse, in order to increase the amount of available warehouse space.

Right-of-use assets decreased to \$47,746 in Q1 2023 compared to \$52,548 at the end of fiscal 2022, with the difference attributable to depreciation.

Deferred development costs decreased to \$198,133 at the end of Q1 2023 from \$204,838 at the end of fiscal 2022, with the difference attributable to amortization.

Deferred income taxes increased to \$1,175,800 at the end of Q1 2023 from \$1,165,700 at the end of fiscal 2022 representing an increase of \$10,100. The increase is mostly attributable losses incurred by the Intimate Apparel operating segment during the quarter.

Total liabilities at the end of Q1 2023 were \$300,250 higher than at the end of fiscal 2022 and amounted to \$4,903,781 at the end of the quarter compared to \$4,603,531 at September 30, 2022. The increase in liabilities is attributable to increases in trade payables relating to the purchase of inventory.

NON-GAAP PERFORMANCE MEASURES

The following tables reconcile Non-GAAP Performance Measures used by the Company in analyzing the operational performance of the Company to their nearest IFRS measure, and should be read in conjunction with the Consolidated statement of operations and comprehensive earnings (loss) and Consolidated statement of cash flows included in the Consolidated financial statements as of December 30, 2022 and 2021.

EBITDA and Adjusted EBITDA

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

Three months ended December 31,	2022	2021
Net earnings after tax attributable to shareholders	134,566	167,960
Add (deduct):		
Net earnings attributable to non-controlling interest	(2,705)	5,457
Provision for income taxes	3,041	178,434
Share-based compensation	-	2,998
Amortization of deferred development costs	6,705	6,705
Depreciation of plant, property and equipment and right-of-use assets	28,533	22,327
Interest expense	19,637	10,645
Loss on termination	22,200	-
Adjusted EBITDA	211,977	394,526
Add (deduct):		
Share-based compensation	-	(2,998)
Loss on termination	(22,200)	-
EBITDA	189,777	391,528

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

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MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

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, long-term debt, and equity attributable to the Company's shareholders.

Bank Operating Line

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$6,750,000, against which \$0 was outstanding as at December 31, 2022 (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.

Variable Rate Demand-Loan

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

As at December 31, 2022, the total amount outstanding on this loan was \$1,003,680 (September 30, 2022 - \$1,018,704).

Two of the Company's subsidiaries have a \$60,000 loan each for a total of \$120,000, which was funded by the Canada Emergency Business Account ("CEBA"). This portion is interest free until December 31, 2023 and one third of the balance will be forgiven if two thirds of the balance is repaid by December 31, 2023. The Company expects to repay two thirds of the CEBA balance due within the next 12 months.

Working capital

Working capital represents current assets less current liabilities. As at December 31, 2022, the Company's working capital was \$18,611,333 compared to working capital of \$18,704,911 as at September 30, 2022, representing a decrease of \$93,578, mainly attributable to renovations to the Company's Markham warehouse and a reduction in non-current liabilities.

Operating activities

Cash provided by operating activities during the three months ended December 31, 2022 amounted to \$1,547,121 compared to an amount of \$827,553 used in operating activities during the three months ended December 31, 2021, representing an increase in cash inflow of \$2,374,674. The increase in operational cash flow can be largely attributed to increased collection of accounts receivable and a reduction in vendor deposits in the quarter.

Financing activities

Cash used in financing activities during the three months ended December 31, 2022 amounted to \$87,908, compared to \$31,711 used in financing activities during the three months ended December 31, 2021, representing an increase of \$56,197 in financing cash outflow. The difference can be mostly attributed to the partial repayment of a related party loan.

Investing activities

Cash used in investing activities during the three months ended December 31, 2022 amounted to \$93,816 compared to \$50,659 used in investing activities during the three months ended December 31, 2021. The difference can be attributed to renovations to the Company's Markham warehouse for the purpose of providing increased warehouse space.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 31, 2022.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

- (a) The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. For additional information refer to note 7 to the Q1 2023 financial statements.
- (b) 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, 2023 in U.S. dollar amount of \$200,000. 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, 2023.
- (c) 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, 2023 and 2024, in amounts of \$125,000 and \$175,000 respectively. The license term is in effect until December 31, 2024.

RELATED PARTY TRANSACTIONS

During the three-month period ended December 31, 2022, there have been no significant changes in the related party transactions from those disclosed in the Company's 2022 audited consolidated financial statements and the 2022 annual MD&A.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended December 31, 2022 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2022.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company had 30,299,467 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,154,000 options issued and outstanding, of which 1,154,000 were exercisable, as well as 2,948,717 common share purchase warrants and 176,923 compensation options issued pursuant to an equity offering which, closed on February 22, 2021.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2022 annual MD&A under the heading "Risks" and in the Company's Annual Information Form ("AIF") under the heading "Risk Factors". The risks and uncertainties disclosed in the 2022 annual MD&A and in the AIF are not exhaustive. There have been no specific additional risks or uncertainties identified during Q1 2023. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business, performance, condition, results, operations, strategies and plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon the Q1 2023 unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting". The preparation of the Q1 2023 unaudited condensed consolidated interim financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities at the end of the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making assumptions about carrying values of assets and liabilities that are not readily

apparent from other sources.

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

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

During Q1 2023, there were no significant changes to methods used to:

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

For further details concerning the use of estimates, judgments and assumptions in the preparation of the Company's Q1 2023 unaudited condensed consolidated interim financial statements, along with details of the significant accounting policies used in the preparation of such interim financial statements, specific reference should be made to note 3 of the Company's audited annual consolidated financial statements for the fiscal year ended September 30, 2022.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2022 have been applied consistently in the preparation of the Q1 2023 unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of December 31, 2022. Although the Company's disclosure controls and procedures were operating effectively as of December 31, 2022, 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, 2022 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at December 31, 2022. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal period ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

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