iFABRIC CORP.
MANAGEMENT DISCUSSION & ANALYSIS
For the Three and Nine Months ended June 30, 2015

August 14, 2015

The following Management Discussion and Analysis ("MD&A") of iFabric Corp. ("iFabric" or the "Company") should be read together with the unaudited consolidated interim financial statements for the three and nine months ended June 30, 2015 and the related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. All figures are presented in Canadian dollars, unless otherwise indicated.

Continuous disclosure documents, including the Company's press releases and quarterly reports, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com and on the Company's website at www.ifabriccorp.com.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking information 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 information is 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 information 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 information. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is reflected as at the date of the MD&A. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on the forward-looking information. The Company does not undertake to update any forward-looking information except as required by applicable securities laws.

BUSINESS OVERVIEW

General

iFabric Corp. ("iFabric" or the "Company") was incorporated under the Alberta Business Corporations Act on April 9, 2007 as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange. On June 4, 2012, the Company closed its Qualifying Transaction with Coconut Grove Textiles Inc. and its shares began trading on the TSX Venture Exchange (“TSX-V”) under the trading symbol "IFA".

On August 6, 2015, iFabric received conditional approval from the Toronto Stock Exchange (“TSX”) to list its common shares on the TSX. Listing on the TSX is subject to compliance with certain TSX requirements and to the receipt of final approval from the TSX.

The purpose of this MD&A of the financial position and operating results is to provide the reader with an overview of the changes in the financial position of iFabric between October 1, 2014 and June 30, 2015. It also compares the operating results for the three and nine months ended June 30, 2015 to those of the comparative three and nine months of 2014, as well as the cash flows for the nine months ended June 30, 2015 to those of the comparative nine months of 2014.

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

- Intimate Apparel: Includes the design, purchasing, and distribution of intimate apparel, sleepwear and accessories.
- Intelligent Fabrics: Includes the development, testing and distribution of specialty textiles as well as chemicals suitable for application to textiles.

NATURE OF OPERATIONS

Intimate Apparel

The intimate apparel division commenced operations in 1992 as a manufacturer and distributor of foam shoulder pads. Operations were subsequently expanded to include the design and manufacture of women’s intimate apparel and in particular a range of specialty bras including the division’s patented backless, strapless underwire bra. The division also distributes a range of complimenting accessories as well as sleepwear. Worldwide consumer demand for these products has contributed to the division’s success to date. The division’s customer base includes a number of major retailers as well as specialty boutiques situated in its main market regions, being the UK, USA and Canada. International sales outside these regions comprise less than 5% of total sales.

All apparel products are designed in North America, with manufacture being outsourced to major mills in China. The benefits of outsourcing are twofold: lower and stable direct product costs resulting in improved margins, as well as significant savings in overheads, especially in lower sales months.

In order to service its customers in the United States and United Kingdom, the division currently utilizes contract warehouse facilities located in Los Angeles and Manchester.

Company-owned premises located in Markham, Ontario comprising warehouse and office space, currently serve as the Company’s head office as well as the product distribution centre for the Canadian market. Surplus space in the Markham facility has been rented to third party tenants, which has reduced the carrying cost of this facility.

The apparel division’s current marketing strategy is to distribute the majority of its products under well known international brands. The main perceived benefit in adopting this strategy, is the fact that major brand holders have substantial marketing budgets for promoting their brands as opposed to the more modest budget that the division is able to apply towards the promotion of its own brands.

In September, 2010, the division signed its first exclusive worldwide license and distribution agreement with Maidenform Brands, Inc. (“Maidenform”) to manufacture and market products in its market segment under various Maidenform brands. Maidenform is a global intimate apparel company with a portfolio of established, well-known brands. During its 90-year history, Maidenform has built strong equity for its brands and has established a platform for growth through a combination of innovative, first-to-market designs and creative advertising campaigns focused on increasing brand awareness with generations of women. Products are sold under some of the most recognized brands in the intimate apparel industry, including Maidenform®, Control It!®, Fat Free Dressing®, Flexees®, Lilyette®, Maidenform’s Charmed®, Bodymates®, Inspirations®, Self Expressions® and Sweet Nothings®. Effective January 1, 2015, the division signed a new four year agreement with respect to Maidenform brands with MFB International Holdings S.a.r.l., a subsidiary of HanesBrands Inc. (“Hanes”), which acquired Maidenform in October 2013. This agreement includes the addition of a new sleepwear category, which is expected to be a significant contributor to apparel sales growth in 2016 and beyond.

In January 2012, the division signed a second license and distribution agreement with Mo Industries, LLC (a subsidiary of VF Corporation) to manufacture and distribute intimate apparel under its Splendid and Ella Moss brands. In terms of this agreement, licensed territories include Australia, Canada, China, the European Union, Mexico, the Russian Federation, Singapore, the UAE, and the USA.

The *Splendid®* brand is known for its use of luxurious fabrics in a wide range of contemporary knit products incorporating modern fit and styling. The *Ella Moss®* brand is an ultra-feminine collection of casual knit tops and dresses featuring bold colors, whimsical styling and fashion silhouettes. *Splendid®* and *Ella Moss®* products are currently marketed internationally by a number of high-end retail and online chains, specialty boutiques, as well as its own stores.

The agreement with Mo Industries necessitated the establishment of new premises located in New York which is being used to house the division's product design team. The New York premises also includes showroom space utilized to hold market appointments with major retail buyers for all brands/lines during New York intimate apparel market weeks throughout the year.

Intelligent Fabrics

A second strategic division was added in 2010 when the Company obtained exclusive North American distribution rights for a new generation of textile technologies, which have the ability to kill bacteria, repel insects, and help encourage a healthy skin environment, amongst others. Management anticipates that the intelligent fabrics division will be the main driving force of the Company's future growth and expansion.

On December 6, 2013, the Company secured global distribution and marketing rights in respect of antimicrobial, antiviral and other textile technologies with the additional right to distribute such technologies under the Company's own brands.

The intelligent fabrics division currently focuses its regulatory, product development, and marketing efforts on three key technologies, namely:

1. 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.

2. Protx2® Anti Microbial Technologies

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 Hospital Acquired Infections ("HAI"), including MRSA, C-Difficile, VRE, and H1N1, and by their application may assist in preventing the spread of such infections.

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

a) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear manufactures to offer technologically-enhanced products. With the ability of Protx2® to combat 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 EPA registrations, the Company is in a position to distribute Protx2® for use in all sportswear and footwear for distribution in the US market.

b) Medical

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

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

In order to fully enter the medical market for Protx2®, the Company is in process of securing a second and higher level of EPA registrations that will allow it to make applicable claims in connection with the efficacy of Protx2® ("kill claims") for medical use. A testing protocol for this purpose has been negotiated and agreed to by the EPA and the requisite testing in conformity with Good Laboratory Practice (GLP) Recognition Standards had commenced as at the date hereof. On completed of testing, the reports covering the test results will be submitted to the EPA for review and their approval to include the appropriate kill claims in future product labeling.

3. Dreamskin®

Dreamskin® textile technology helps encourage a healthy skin environment.

Dreamskin is effective during both summer and winter months as high and low moisture environments both offer 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.

SELECTED QUARTERLY INFORMATION

The following is a summary of selected financial information for the eight most recent quarters:

3 months ended	**Jun 30, 2015**	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Total assets	**11,406,476**	11,653,903	11,220,455	11,559,443	11,505,874	10,715,550	10,336,611	9,154,711
Total non-current financial liabilities	**1,685,186**	1,756,898	1,832,695	1,952,287	2,043,967	2,036,698	2,086,298	2,084,741
Working capital	**5,993,605**	5,616,853	5,460,741	5,631,275	5,890,676	5,498,672	5,119,970	3,401,416
Retained earnings	**3,449,942**	3,243,136	3,116,803	3,277,708	3,471,287	3,226,082	2,947,651	2,735,494
Product sales	**3,675,873**	3,226,849	3,019,102	3,204,129	3,856,192	2,884,222	2,978,733	1,909,362
Rental revenue	**24,629**	24,629	23,302	18,301	25,801	27,052	27,052	27,052
Earnings (loss) from operations	**624,683**	159,087	(131,725)	(190,938)	566,224	342,308	314,023	(96,341)
Share based compensation	**(232,754)**	(100,747)	(108,629)	(122,260)	(123,150)	(35,593)	(47,671)	(90,204)
Impairment loss	**-**	-	-	-	-	-	-	(300,253)
Earnings (loss) before income taxes	**384,773**	244,498	(174,960)	(320,715)	381,175	422,076	320,972	(507,548)
Income tax (recovery)	**176,012**	116,785	(14,740)	(123,357)	136,087	141,988	107,642	(126,138)
Net earnings (loss)	**208,761**	127,713	(160,220)	(197,358)	245,088	280,088	213,330	(381,410)
Earnings (loss) per share - basic	**0.008**	0.005	(0.006)	(0.008)	0.009	0.011	0.008	(0.016)
Earnings (loss) per share - diluted	**0.008**	0.005	(0.006)	(0.008)	0.009	0.010	0.008	(0.016)
Dividends declared	**-**	-	-	-	-	-	-	-

SELECTED ANNUAL INFORMATION

The following is a summary of selected financial information for the five most recent financial years:

Year ended	Sep 30, 2014	Sep 30, 2013	Sep 30, 2012	Sep 30, 2011	Sep 30, 2010
Total assets	11,559,443	9,154,711	8,454,058	8,292,672	6,871,155
Total non-current financial liabilities	1,952,287	2,084,741	2,801,891	3,485,694	2,328,184
Working capital	5,631,275	3,401,416	4,011,541	4,140,525	1,751,640
Retained earnings	3,277,708	2,735,494	2,880,050	3,098,730	2,614,499
Revenue	13,021,482	8,165,983	6,074,766	5,660,288	5,435,382
Earnings from operations	1,031,617	602,513	330,910	727,235	522,858
Share based compensation	(328,674)	(436,414)	-	-	-
Impairment loss	-	(300,253)	-	-	-
Reverse takeover transaction costs	-	-	(572,170)	-	-
Earnings (loss) before income taxes	803,508	(53,352)	(240,052)	641,723	323,446
Income tax (recovery)	262,360	91,454	(25,703)	156,204	61,674
Net earnings (loss)	541,148	(144,806)	(214,349)	485,519	261,772
Earnings (loss) per share - basic	0.008	(0.006)	(0.009)	0.040	0.013
Earnings (loss) per share - diluted	0.008	(0.006)	(0.009)	0.040	0.013
Dividends declared	-	-	-	-	-

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

	Three months		Nine months	
Periods ended June 30,	**2015**	2014	**2015**	2014
REVENUE	**3,700,502**	3,881,993	**9,994,384**	9,799,051
COST OF SALES	**1,558,529**	1,950,712	**4,819,573**	4,666,870
GROSS PROFIT	**2,141,973**	1,931,281	**5,174,811**	5,132,181
EXPENSES				
General and administrative costs	**728,997**	658,626	**2,334,344**	1,818,607
Selling and design costs	**723,606**	645,483	**1,988,740**	1,905,842
Interest on operating line	**4,009**	1,733	**16,187**	6,575
Interest on long-term debt	**10,529**	12,185	**33,049**	37,513
Amortization of property, plant and equipment	**9,783**	10,930	**29,349**	32,790
Amortization of deferred development costs	**40,366**	36,100	**121,097**	108,300
	1,517,290	1,365,057	**4,522,766**	3,909,627
EARNINGS FROM OPERATIONS	**624,683**	566,224	**652,045**	1,222,555
OTHER EXPENSES (INCOME)				
Share based compensation	**232,754**	123,150	**442,130**	206,414
Gain on foreign exchange	**11,476**	84,208	**(254,564)**	(117,891)
Unrealized loss on foreign exchange forward contracts	**(4,320)**	(26,718)	**10,168**	11,544
Sundry income	**-**	4,409	**-**	(1,736)
	239,910	185,049	**197,734**	98,331
EARNINGS BEFORE INCOME TAXES	**384,773**	381,175	**454,311**	1,124,224
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**219,212**	166,619	**429,457**	365,979
Deferred	**(43,200)**	(30,532)	**(151,400)**	19,738
	176,012	136,087	**278,057**	385,717
NET EARNINGS	**208,761**	245,088	**176,254**	738,506
OTHER COMPREHENSIVE EARNINGS	**-**	-	**-**	-
TOTAL COMPREHENSIVE EARNINGS	**208,761**	245,088	**176,254**	738,506
EARNINGS PER SHARE				
Basic	**0.008**	0.009	**0.007**	0.029
Diluted	**0.008**	0.009	**0.006**	0.027

DISCUSSION OF OPERATIONS - REVENUE AND OPERATING EXPENSE ANALYSIS

Revenue

For the quarter ended June 30, 2015, the Company reported revenue of $3,700,502 compared to $3,881,993 for the quarter ended June 30, 2014, representing a decrease of $181,491 or 5%. For the nine months ended June 30, 2014 revenue amounted to $9,994,384 compared to an amount of $9,799,051 in respect of the nine months ended June 30, 2014, representing an increase of $195,333 or 2%. Whilst there has been a slight reduction is sales for the current quarter compared to 2014, focus has been on streamlining current product offerings with the aim of improving gross margins. This objective has been achieved in the current quarter (refer to gross margin discussion under the heading "Cost of sales" below). Notwithstanding the reduction in sales, gross margin contribution for the quarter ended June 30, 2015 increased by an amount of $210,692 compared to the quarter ended June 30, 2014.

Cost of sales

Cost of sales represents the cost of goods imported from China, the USA, and Japan as well as other direct costs, such as freight and import duties incurred to bring inventory to their current state and location.

For the three months ended June 30, 2015, the Company incurred $1,558,529 on cost of sales compared to $1,950,712 for the same period in 2014. Gross margin for the quarter ended June 30, 2015 amounted to $2,141,973 (or 58% of sales) compared to $1,931,281 (or 50% of sales) in 2014. The increase in gross margins is mainly attributable to the elimination of vendor non-compliance charges resultant from late deliveries caused by a strike at the Company's main port of entry into the US which, was resolved prior to the commencement of the current quarter. Gross margins also improved due to reduced clearances of end of season merchandise at lower margins, reduced margin guarantee credits, and a progressively weakening Canadian dollar relative to the US dollar and Great British pound, given that the majority of revenues are conducted in these foreign currencies.

For the nine months ended June 30, 2015, cost of sales amounted to $4,819,573 compared to $4,666,870 in the comparable nine months of 2014. Goss margin for the nine months ended June 30, 2015 amounted to $5,174,811 (or 52% of sales) compared to $5,132,181 (or 52% of sales) in 2014.

Earnings

For the quarter ended June 30, 2015, the Company reported after tax earnings of $208,761 (or $0.008 per share basic and diluted) compared to after tax earnings of $245,088 (or $0.009 per share basic and diluted) for the quarter ended June 30, 2014. Pre-tax income for the current quarter amounted to $384,773 compared to $381,175 in 2014. Earnings for the quarter were computed after expensing share based compensation costs amounting to $232,754 compared to share based compensation costs of $123,150 expensed in the third quarter of 2014.

For the nine months ended June 30, 2015 the Company reported an after-tax earnings of $176,254 ($0.007 per share basic and $0.006 on a diluted basis), compared to after-tax earnings of $738,506 ($0.029 per share basic and $0.027 per share on a diluted basis), for the nine months ended June 30, 2014. The reduction in net income for the nine months is mainly attributable to an increase in general and administrative costs of $515,737 compared to 2014 (refer to discussion below).

Income from operations for the quarter ended June 30, 2015 amounted to $624,683 compared to $566,224 from operations for the third quarter of 2014. For the nine months ended June 30, 2015 income from operations amounted to $652,045 compared to $1,222,555 earned from operations during the nine months ended June 30, 2014. The decrease in operating income is attributable to increased general and administrative cost as discussed above.

General and administrative costs

Total general and administrative expenses for the three months ended June 30, 2015 amounted to $728,997 compared to $658,626 in 2014, representing an increase of $70,371, or 11%. This increase in general and administrative expenses is mainly attributable to increased regulatory and chemical testing costs incurred for new customer programs, as well for the Company's ongoing process of seeking to secure additional Environmental Protection Agency ("EPA") claims approval, in order to supplement the Company's existing EPA registrations. Additional staffing costs incurred for the purposes of supporting future growth further contributed to the increase.

For the nine months ended June 30 2015, general and administrative expenses were $2,334,344 compared to $1,818,607 in 2014, representing an increase of $515,737, or 28%, due to the factors discussed above.

Selling and design costs

Selling and design costs for the three months ended June 30, 2015 amounted to $723,606, compared to $645,483 in 2014, representing an increase of $78,123 or 12%. This increase is attributable to costs incurred in advance of future programs of both apparel and intelligent fabric technologies.

For the nine month period ended June 30, 2015 selling and design costs amounted to $1,988,740 compared to $1,905,842 for the same period in 2014.

Interest on current debt

Interest costs of $4,009 were incurred in the quarter ended June 30, 2015 (2014 -$1,733) in respect of the use of a bank operating line to fund current working capital needs. For the nine months ended June 30, 2015 the interest cost of utilizing the bank operating line amounted to $16,187 compared to $6,575 incurred during the nine months ended June 30, 2014.

Interest on long-term debt

Interest on a secured loan comprises the interest expense incurred on a secured loan which was utilized to finance the acquisition of the Company's premises located in Markham, Ontario.

The Company incurred interest costs on this loan for the quarter ended June 30, 2015 of $9,783 compared to $10,930 for the same period in the prior year. For the nine months ended June 30, 2015 interest costs on the Company's secured loan amounted to $33,049 compared to $37,513 in 2014. The reduction in interest costs is attributable to a reduction in the principle amount of the loan, which is being repaid at the rate of $10,000 per month.

Amortization

Amortization of both property, plant and equipment as well as development costs increased nominally from $47,030 in the quarter ended June 30, 2014 to $50,149 for the quarter ended June 30, 2015.

For the nine months ended June 30, 2015 amortization of property, equipment and development costs amount to $150,446 compared to $141,090 for the nine months ended June 30, 2014.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	June 30, 2015	September 30, 2014
ASSETS		
Current assets		
Cash	**871,026**	1,006,385
Accounts receivable	**2,653,862**	2,042,179
Inventory	**3,730,465**	4,412,215
Prepaid expenses and deposits	**345,217**	283,533
Foreign exchange forward contracts	**9,660**	59,828
Total current assets	**7,610,230**	7,804,140
Non-current assets		
Property, plant and equipment	**2,497,663**	2,527,012
Deferred development costs	**638,539**	759,637
Deferred income taxes	**604,994**	453,594
Goodwill	**55,050**	55,050
Total non-current assets	**3,796,246**	3,795,293
Total assets	**11,406,476**	11,599,433
LIABILITIES		
Current liabilities		
Bank indebtedness	**158,304**	251,904
Accounts payable and accrued liabilities	**650,209**	1,470,510
Income taxes payable	**688,112**	330,451
Current portion of loans payable	**120,000**	120,000
Total current liabilities	**1,616,625**	2,172,865
Non-current liabilties		
Due to related parties	**795,186**	972,287
Loans payable	**890,000**	980,000
Total non-current liabilities	**1,685,186**	1,952,287
Total liabilities	**3,301,811**	4,125,152
SHAREHOLDERS' EQUITY		
Capital stock	**2,743,530**	2,722,194
Warrants	**704,861**	704,861
Options	**1,190,102**	757,308
Non-controlling interest	**16,230**	12,210
Retained earnings	**3,449,942**	3,277,708
Total shareholders' equity	**8,104,665**	7,474,281
Total liabilities and shareholders' equity	**11,406,476**	11,599,433

SUMMARIZED MAJOR FINANCIAL STATEMENT BALANCES

As at	**Jun 30, 2015**	Sep 30, 2014	Jun 30, 2014
Assets	**$ 11,406,476**	$ 11,599,433	$ 11,505,784
Liabilities	**$ 3,301,811**	$ 4,125,152	$ 3,956,405
Shareholders' equity	**$ 8,104,665**	$ 7,474,281	$ 7,549,379
Common shares outstanding	**25,899,750**	25,869,750	25,869,750
Options outstanding	**1,720,000**	1,650,000	1,650,000
Warrants outstanding	**232,113**	232,113	232,113

DISCUSSION OF FINANCIAL POSITION - ASSETS, LIABILITIES, AND SHARE CAPITAL ACTIVITIES

Assets

Total assets of the Company as at June 30, 2015, September 30, 2014 and June 30, 2014 were comprised primarily of cash, accounts receivable, inventories, deposits, prepaid expenses and other receivables, deferred development costs, deferred income taxes and property, plant, and equipment.

Cash on hand decreased from $1,006,385 as at September 30, 2014 to $871,026 at June 30, 2015 representing a decrease of $135,359. Refer to the liquidity, financing, and capital discussion below for detailed explanations of the Company's use of its cash during the nine months ended June 30, 2015.

Accounts receivable increased from $2,042,179 at September 30, 2014 to $2,653,862 at June 30, 2015. This increase is mainly attributable to the timing of monthly sales in each period.

Inventories on hand decreased from $4,412,215 at September 30, 2014 to $3,730,465 as at June 30, 2015 representing a decrease of $681,750. This reduction in inventory is resultant from improvements in the Company's sales and inventory analysis systems, which were implemented in the latter half of 2014 and which allow for more efficient purchasing and inventory management.

The balance of deferred tax increased from $453,594 as at September 30, 2014 to $604,994 as at June 30, 2015 as a result of increases in the amount of unutilized tax losses of the Company's subsidiary, Intelligent Fabric Technologies (North America) Inc.

Changes in all other asset balances during the nine months were not significant.

Liabilities

As at June 30, 2015, the Company's liabilities totaled $3,301,811 of which current liabilities represented $1,616,625 and non-current liabilities represented $1,685,186. As at September 30, 2014, the Company's liabilities totaled $4,125,152, of which current liabilities represented $2,172,865 and non-current liabilities represented $1,952,287. The net decrease in liabilities, amounting to $823,341, resulted from the use of earnings for the nine months ended June 30, 2015 to repay non-current debt, as well as the timing of product purchases during the period.

Shareholders' equity

As at June 30, 2015, shareholders' equity amounted to $8,104,665 compared to $7,474,281 as at September 30, 2014, representing an increase of $630,384. The increase in shareholders' equity is mainly attributable to net earnings for the nine months ended June 30, 2015, excluding share based compensation.

Outstanding share data

As at June 30, 2015, the Company had 25,899,750 common shares issued and outstanding, 1,720,000 stock options outstanding, exercisable at a weighted average price of $0.97 and 232,133 warrants outstanding, exercisable at a weighted average price of $5.10.

LIQUIDITY, FINANCING ACTIVITY 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.

Working capital

Working capital represents current assets less current liabilities. As at June 30, 2015, the Company's working capital was $5,993,605 compared to working capital of $5,631,275 as at September 30, 2014 representing a increase of $362,330. This increase is mainly attributable to a reduction in current liabilities.

Cash provided by operating activities

During the nine months ended June 30, 2015, operating activities generated cash of $213,342 as compared to an amount of $1,315,931 consumed in the comparable nine months of 2014.

Cash used in investing activities

No cash was consumed by investing activities during the current nine months as opposed to cash of $13,270 consumed in the comparable nine months of 2014.

Cash consumed by financing activities

Cash consumed by financing activities for the nine months ended June 30, 2015 amounted to $348,701 as a result of debt repayments. By comparison, for the nine months ended June 30, 2014, financing activities provided $1,366,683 comprised of net share and warrant issuances of $1,440,288 from which $73,605 was applied in debt reduction.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would require disclosure.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended June 30, 2015, the Company was involved in the following related party transactions in which all transactions have been measured at the exchange amount (the amount established and agreed to by the related parties):

1. The CEO and CFO of the Company provide certain management advisory and accounting services to the Company. For the nine months ended June 30, 2015, the Company incurred expenses of $257,500 (2014 - $259,400) for services rendered. Of these amounts, paid and accrued amounts for the CEO amounted to $150,000 (2014 – $164,400) and $107,500 (2014 - $95,000) was paid and accrued in respect of the CFO.

2. A director of the Company was paid $44,000 (2014 - $36,000) for the provision of technical services.

3. Salaries and benefits for other officers and directors of the Company amounted to $108,556 for the current nine months (2014 - $145,988).

4. An amount of $180,980 was expensed during the nine months ended June 30, 2015, in respect of share based compensation resultant from the issuance of stock options to directors and officers of the company (2014 - $35,756).

5. Included in accounts payable and accrued liabilities is an amount of $15,000 ($45,000 as at September 30, 2014) due to Directors and key management personnel of the Company in respect of unpaid fees.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash and bank indebtedness, accounts receivable, other receivables, accounts payable and accrued liabilities, loans payable, amounts due to related parties and forward exchange contracts.

These instruments are initially recognized at fair value with the carrying amount being reduced by any impairment loss, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

Financial instruments that potentially subject the Company to credit risk consist of accounts receivable and prepayments and deposits. The credit risk that exists in this regard has been largely mitigated as a result of credit insurance maintained in respect of trade receivables.

As at June 30, 2015, the Company's non-current debt consisted of:

- A bank loan of $1,010,000 secured by a first readvanceable mortgage over land and buildings and a General Security Agreement over the assets of a subsidiary company. The loan is repayable in monthly principal payments of $10,000 together with interest at the bank's prime rate plus 1.25% and full repayment is due May 31, 2023.
- Amounts due to related parties of $795,186. These amounts are currently unsecured, interest free and payable on demand. As the related parties have waived their right to demand repayment over the next 12 months, the loans have been classified as non-current liabilities.

SEGMENTED INFORMATION

The Company has three reportable segments, as described below, which are strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different marketing strategies and technologies. For each of the strategic divisions, the CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. The following describes the operations in each of the reportable segments:

- Intimate Apparel: Includes the design, purchasing, and distribution of intimate apparel
- Intelligent Fabrics: Includes the development, testing and distribution of specialty textiles as well as chemicals suitable for application to textiles
- Other: Includes leasing of property to group companies and third parties.

Inter-segment transactions are made at prices that approximate market rates.

The following segmented information pertains to the reportable segments for the nine months ended June 30, 2015 and 2014:

Operating Segments - Nine months ended June 30, 2015

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
Revenues					
Third party	9,332,081	589,743	72,560	-	**9,994,384**
Inter-segment	27,000	-	123,296	(150,296)	**-**
Total Revenues	9,359,081	589,743	195,856	(150,296)	**9,994,384**
Earnings (loss) before income taxes	1,579,113	(871,375)	16,693	(270,120)	**454,311**

Operating Segments - Nine months ended June 30, 2014

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenues					
Third party	8,975,078	744,068	79,905	-	9,799,051
Inter-segment	894,069	-	120,312	(1,014,381)	-
Total Revenues	9,869,147	744,068	200,217	(1,014,381)	9,799,051
Earnings (loss) before income taxes	1,365,457	(132,167)	11,942	(121,008)	1,124,224

COMMITMENTS

The following details the Company's commitments as at June 30, 2015:

(a) The Company's total commitments, under various operating leases and a property lease agreement exclusive of occupancy costs are as follows:

2015	32,087
2016	129,099
2017	127,709
2018	75,725
	364,621

(b) The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations.

As at June 30, 2015, the Company had contracted to sell USD $850,000. As well, the Company had contracted to buy USD $700,000.

For the nine months ended June 30, 2015, there is an unrealized loss on foreign exchange of $10,168 (2014 - $11,554) included in the statement of earnings and comprehensive earnings.

(c) Effective January 1, 2015, the Company entered into an exclusive worldwide license agreement for 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 between 4% to 10%. Minimum annual royalties have been established for the contract periods ending December 31, 2015, 2016, 2017, and 2018 in the amounts of $131,000, $190,000, $288,000, and $368,000, 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, 2018.

(d) Effective October 17, 2011, the Company entered into an exclusive worldwide license agreement for the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the initial license term, the Company is required to pay a monthly royalty of 9.5% on its net sales as defined in the agreement, on all products sold under the licensed marks. The initial license term is in effect until December 31, 2015 and may be renewed for an additional term of four years on the condition that certain performance goals as defined in the agreement are attained.

(e) Effective January 16, 2012, the Company entered into an exclusive license agreement for the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. The licensed territory includes certain worldwide areas as specified in the agreement. During the initial license term, the Company is required to pay a monthly royalty of 9% on its net sales as defined in the agreement, on all products sold under the licensed marks. Minimum annual royalties have been established for the contract periods ending December 31, 2013, 2014, and 2015 in the amounts of $144,000, $279,000 and $432,000 respectively. In addition, the Company is required to pay an advertising fee of 2%, payable semi-annually, on its net sales as defined in the agreement, for the promotion of the licensed products. The initial license term is in effect until December 31, 2015 and may be renewed for an additional term of three years on the condition that certain performance goals as defined in the agreement are attained.

RISK FACTORS

Financial

The Company may require additional financing to fund future expansion initiatives. There can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of development of certain of the Company's business, and therefore affect its future cash flows, earnings, results of operations and financial condition.

Competition

The Company faces significant competition in almost every aspect of its business, particularly from other companies that:

- Design, manufacture and distribute intimate apparel and accessories;
- Sell sprays, topical liquids and creams that repel biting insects when applied to the skin;
- Sell sprays, liquids, creams, chemicals and textiles which have the ability to kill bacteria;
- Sell sprays, topical liquids, creams and oral medication that assist with the healing of skin and the control of skin irritations; and
- Distribute chemicals that can be applied to textiles in order to kill bacteria.

Licensing Arrangements

The Company will be 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:

- 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

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

Intellectual Property

The success of the Company will depend, in part, on its ability to maintain proprietary protection over its intellectual property and operate without infringing the proprietary rights of third parties. Despite precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's technologies without authorization. There can be no assurance that any steps taken by the Company will prevent misappropriation of its technologies.

Government Regulation and Regulatory Approvals

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

With regard to its Intelligent Fabrics division, the Company is dependent on regulatory approvals or registrations and the legal systems in the markets in which it operates, such as the U.S. Environmental Protection Agency ("EPA") and Health Canada. The Company currently has certain

EPA registrations and is in process of securing additional approvals from both the EPA and Health Canada. There is no certainty that such approvals will be granted and regulators could, even after granting such approvals, be stringent on non-compliance with regulatory requirements or change such requirements, which could have a material adverse effect on the Company's business and result in adverse publicity.

Customer Adoption

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

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:

Valuation of inventories

Provisions for non-saleable inventories are prepared by management based on their knowledge of sales history.

Recoverability of deferred development costs

Management deems all such costs as recoverable based on profitably commercialize the relevant technologies.

Benefits of deferred income tax assets

Management bases this estimate on the estimated future tax rate at the time in which it is expected for the asset to be realized. Many of these rates are not final due to their future nature.

Estimated useful life of property, plant and equipment

Management makes this estimate based on past experience with similar assets and future business plans.

Allowance for doubtful accounts

Management provides for doubtful accounts based on its assessment of credit risk, past experience and payment history of a customer.

Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate.

Provision for margin guarantee rebates

The Company has guaranteed a minimum level of margins, to certain of its intimate apparel customers, as a condition of sale. Management provides for potential rebates based on its estimate of inventory that is likely to be discounted, by these certain customers, based on current sale-through levels.

Actual results could differ from these estimates and may require a material adjustment to the carrying amount of affected assets and liabilities.

ACCOUNTING POLICY DEVELOPMENTS

(a) Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for annual periods beginning on or after January 1, 2014. As of October 1, 2014, the Company has adopted the following standards:

i) IAS 32, 'Financial Instruments: Presentation' was amended in December, 2011, clarifying the application of the offsetting requirements of financial assets and financial liabilities. The Company has assessed that the adoption of IAS 32 has no material impact on the financial statements.

ii) 'Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycle' were approved by the IASB in December 2013. These improvements included amendments to a number of IFRSs as a result of the annual improvements project. The Company has assessed that no adjustments are necessary as a result of applying the revised rules.

(b) Future changes in accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on January 1, 2015 or later periods. The standards impacted that are applicable to the Company are as follows:

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted. The IASB amended IFRS 9 in November, 2013 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The standard is not expected to have an impact on the Company's accounting for financial instruments and the Company has not yet decided when to adopt IFRS 9.

ii) IFRS 15, 'Revenue From Contracts With Customers' was issued in May 2014. The standard provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers except for those that fall within the scope of IAS 17, 'Leases' or other applicable IFRS. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted. The adoption of IFRS 15 is not expected to have an impact on the Company's accounting for revenue and the Company is currently assessing when to adopt IFRS 15.

iii) 'Annual Improvements to IFRSs 2012-2014 Cycle' was approved by the IASB in September 2014. These improvements included amendments to a number of IFRSs as a result of the annual improvements project. The revised rules are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company expects there to be no impact or adjustments necessary as a result of applying the revised rules.