

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 March 31, 2020 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2019 and the comparative year ended September 30, 2018. 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 June 9, 2020.

All references to dollars or "\$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2020" refers to the annual fiscal period ended September 30, 2020, "2019" refers to the annual fiscal period ended September 30, 2019, "2018" refers to the annual fiscal period ended September 30, 2018, "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" 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.

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

BUSINESS OVERVIEW

General

iFabric is a Canadian public company, incorporated under the Alberta Business Corporations Act and is domiciled in Canada. The Company is listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IFA". The head office is located at 525 Denison Street, Unit 1, Markham, Ontario, Canada.

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

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

NATURE OF OPERATIONS

Intimate Apparel

The Intimate Apparel division currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the division's patented backless, strapless underwire bra. The division also distributes a range of apparel accessories.

The division utilizes contract warehouse facilities located in Los Angeles, California which services its key U.S. market and Company-owned premises located in Markham, Ontario house the bulk of the division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution center for the Canadian and European markets. All product design is handled by the Markham design team and, currently over 95% of the division's inventory production is outsourced to factories in China.

In the past several years, the Company has positioned the division's product strategy by way of leveraging a key license agreement in order to sell products under various Maidenform® brands. The Maidenform® brand was founded in 1922 and during its 96-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand. Products are sold internationally to the division's customer base, which includes a number of major retailers as well as specialty boutiques.

Intelligent Fabrics

The Intelligent Fabrics Division currently enjoys exclusive worldwide distribution rights in respect of a number of proprietary chemical formulations that can be applied to textiles in order to kill bacteria and viruses, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. The Intelligent Fabrics Division operates under the name Intelligent Fabric Technologies (North America) Inc. ("IFTNA").

The business of the Intelligent Fabrics Division includes the development, testing and distribution of chemicals suitable for application to textiles as well as finished performance apparel which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer. The current focus is on technologies that improve the safety and well-being of the wearer. The division's current product offerings include Protx2® (anti-microbial and anti-viral formulations) Enguard® (insect repellent technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellent) and DryTx (moisture-wicking technology). The Company anticipates that several new products will be added to its pipeline in the future.

The Division has two key supply centers in Asia (namely China and Taiwan) which service the Asian market. This market represents the main production region for manufactured textiles supplied to North America and internationally and is the Company's main market area for the distribution of intelligent textile technologies. Technical support specialists in Asia provide guidance and support to customers regarding the integration of the Company's chemical formulations in their products. The Division also leverages the Company's textile expertise in order to supply finished products or fabrics treated with one or more of the Division's market leading formulations. All chemical formulations, as well as performance apparel, is produced or manufactured at various facilities in Asia.

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

Protx2® Anti-Microbial and Anti-Viral Technologies

Protx2® 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:

a) 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. and Canadian markets as well as most other international markets.

b) Medical

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

The Protx2® range of products is dedicated to combating healthcare acquired bacterial infections ("HAI's"), including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia, 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, SARS-CoV-2 (which causes the COVID-19 disease), Norovirus and H1N1.

c) 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, the supply of equipment, apparel, washes and sanitizers, that can deactivate or repel infectious bacteria and viruses, is set to become one of the fastest growing market segments. With its Protx2® technologies, iFabric is well positioned to capitalize on the opportunity to supply either chemicals or finished personal protection equipment and apparel.

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.

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.

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.

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 is effective even when wet.

RECENT DEVELOPMENTS

1. Impact of the COVID-19 Pandemic

During the second quarter of 2020, the spread of the Coronavirus (COVID-19) had a significant impact on the Company at different time points during the quarter.

At the beginning of the quarter, during the early stages of the COVID-19 pandemic, the Intelligent Fabrics division saw an impact not only to its revenues, but to its supply chains as well, particularly in China, which was the first country to initiate a lockdown. Large finished performance apparel programs which had been planned for launch during the spring have been delayed and rescheduled to the summer and fall seasons. This decrease in sales was partially offset by the roll out of a new finished apparel program in Canada in January, for which product had already been received. Towards the end of the quarter in March, restrictions in Asia had been lifted and sales in the region commenced returning to normal, however this was partially offset by a decrease in sales in North America as the COVID-19 pandemic and subsequent lockdowns took effect in this region. Whilst the revenues of the Intelligent Fabrics division showed a year over year increase, this increase was not as large as anticipated due to the global effect of the COVID-19 pandemic.

In the Intimate Apparel division, a negative impact on revenues was seen in March, towards the end of the quarter, as North America moved into a lockdown phase. The bulk of the revenues for this division are to North American retail customers. As mandated by their respective governments, many retailers have been forced to close their stores, which is expected to continue for a number of months. It is anticipated that the larger impact to the revenues of the Intimate Apparel Division will be seen in the third quarter, until such time as retailers are allowed to commence reopening their stores.

In response to these events, the Company has developed a number of comprehensive and evolving operational and risk management strategies to support the business for a future rebound in sales, particularly in its Intelligent Fabrics division.

The management of iFabric is of the opinion that it has made adequate provision in the Interim Financial Statements for the quarter and six months ended March 31, 2020, for all potential impairment to the Company's assets as a result of the COVID-19 pandemic. These adjustments did not have a material effect on the financial position of iFabric as at March 31, 2020.

Full details of the effect of the COVID-19 pandemic on revenue and earnings is discussed under the headings "Discussion of the results of operations for the three and six months ended March 31, 2020".

2. Successful testing of the efficacy of PROTX2 against the COVID-19 causing virus

By press release on May 11, 2020, iFabric advised that efficacy testing of PROTX2 treated fabric against the SARS-CoV-2 virus, which causes the COVID-19 disease, was carried out by an internationally recognized, independent laboratory to establish its ability to inactivate the virus at time points of 10 minutes, 1 hour, 6 hours, and 24 hours. The laboratory reported that the treated fabrics demonstrated a greater than 99.9% reduction in active viral loads on the tested fabrics at each of the four time points. This represents a more than 1,000-fold reduction in active viral load when compared to untreated fabric.

The inclusion of this technology in products like PPE's (personal protective equipment) will provide a much-needed additional level of protection for current front-line workers. In addition, the Company foresees many other applications, not only in the medical market, but in everyday apparel for consumer protection.

The ability to sell PROTX2 treated products in the United States and Canada is conditional upon obtaining regulatory approvals from the Environmental Protection Agency ("EPA") in the United States and Health Canada. As at the date of this MD&A, applications to both regulatory bodies were in process.

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(In Canadian dollars, except as otherwise noted)

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,	2019	2018	2017	2016	2015
Income Statement Data					
Revenue	10,435,348	15,121,370	18,856,477	13,570,365	13,074,848
Net earnings (loss) attributable to common shareholders	(1,299,863)	924,743	1,597,070	(373,977)	(109,837)
Net earnings (loss) per common share					
Basic	0.050	0.035	0.061	(0.014)	(0.004)
Diluted	0.050	0.034	0.059	(0.014)	(0.004)
Balance Sheet Data					
Total assets	11,983,802	14,179,359	14,724,528	12,296,093	11,928,359
Total non-current financial liabilities	476,747	1,818,657	586,544	1,893,809	1,408,893
Cash dividends declared	-	-	-	-	-

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(In Canadian dollars, except as otherwise noted)

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

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

For the period ended March 31,	Three months		Six months	
	2020	2019	2020	2019
REVENUE	2,252,090	2,503,793	4,848,931	4,975,674
COST OF SALES	1,410,467	1,568,982	2,915,089	3,159,255
GROSS PROFIT	841,623	934,811	1,933,842	1,816,419
EXPENSES				
Selling, general and administrative costs	1,275,560	1,395,077	2,476,247	2,725,310
Interest on long-term debt	11,881	11,615	24,099	23,974
Amortization of property, plant and equipment	21,967	17,251	43,933	34,462
Amortization of deferred development costs	6,705	10,970	13,410	21,941
Share-based compensation	11,611	18,820	23,350	92,198
	1,327,724	1,453,733	2,581,039	2,897,885
LOSS FROM OPERATIONS	(486,101)	(518,922)	(647,197)	(1,081,466)
OTHER EXPENSES (INCOME)				
Loss (gain) on foreign exchange	48,416	(4,190)	(184,472)	60,420
	48,416	(4,190)	(184,472)	60,420
LOSS BEFORE INCOME TAXES	(534,517)	(514,732)	(462,725)	(1,141,886)
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	(24,581)	(87,288)	(57,132)	(140,679)
Deferred	(30,500)	(40,500)	17,619	(57,400)
	(55,081)	(127,788)	(39,513)	(198,079)
NET LOSS	(479,436)	(386,944)	(423,212)	(943,807)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	(481,746)	(386,487)	(427,935)	(943,609)
Non-controlling interest	2,310	(457)	4,723	(198)
	(479,436)	(386,944)	(423,212)	(943,807)
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of foreign operations	401,858	(8,649)	175,077	116,436
TOTAL COMPREHENSIVE LOSS	(77,578)	(395,593)	(248,135)	(827,371)
LOSS PER SHARE				
Basic	(0.018)	(0.015)	(0.016)	(0.036)
Diluted	(0.018)	(0.015)	(0.016)	(0.036)

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SELECTED OPERATING SEGMENT DATA

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

Six months ended March 31, 2019	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
Revenue					
Third party	2,644,118	2,242,742	88,814	-	4,975,674
Inter-segment	6,600	235,622	42,875	(285,097)	-
Total Revenue	2,650,718	2,478,364	131,689	(285,097)	4,975,674
Earnings (loss) before income taxes	(700,201)	(333,780)	1,902	(109,807)	(1,141,886)

Six months ended March 31,	2020	2019
External sales revenue		
Canada	1,147,765	1,213,621
United States	1,910,265	2,114,442
United Kingdom	45,795	283,256
Southeast Asia and other	1,745,106	1,364,355
Total	4,848,931	4,975,674

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(In Canadian dollars, except as otherwise noted)

Q2 2020 FINANCIAL HIGHLIGHTS

Three months ended March 31,	2020	2019
Revenue	2,252,090	2,503,793
Earnings (loss) from operations	(486,101)	(518,922)
Share based compensation	(11,611)	(18,820)
Adjusted EBITDA *(Note)	(482,353)	(456,076)
Net earnings (loss) after tax	(479,436)	(386,944)
Net earnings (loss) after tax attributable to shareholders	(481,746)	(386,487)
Other comprehensive earnings (loss)	401,858	(8,649)
Total comprehensive earnings (loss)	(77,578)	(395,593)
Net earnings (loss) per share		
Basic	(0.018)	(0.015)
Diluted	(0.018)	(0.015)

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

DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2020 AND 2019**Revenue**

Revenue decreased by \$251,703 to \$2,252,090 in Q2 2020 compared to \$2,503,793 in Q2 2019. With respect to the reportable operating segments of the Company, revenue decreased by 27% or \$356,495 in its Intimate Apparel segment and revenue increased by 12% or \$135,924 in its Intelligent Fabrics segment. Geographically, revenues increased in Canada, while revenues decreased in the US, UK and Southeast Asia and other markets during Q2 2020 versus Q2 2019.

Overall, revenue decreased 10% during Q2 2020 in comparison to Q2 2019. The decrease in Intimate Apparel operating segment revenue in 2020 versus 2019 was primarily attributable to the closure of retailers towards the end of the quarter due to the COVID-19 pandemic. This decrease was partially offset by increased revenues in the Intelligent Fabrics segment resultant from new finished performance apparel programs early in the second quarter.

Gross profit

Gross profit as a percentage of revenue was 37% in Q2 2020 and 2019. Gross profit in dollars decreased by 10% or \$93,188 to \$841,623 in Q2 2020 compared to \$934,811 in Q2 2019. The decrease in gross profit dollars is due to the decrease in revenues.

Selling, general and administrative costs

Selling, general and administrative costs decreased by 9% at \$1,275,560 in Q2 2020 compared to \$1,395,077 in Q2 2019. This is mainly attributable to a reduction in commissions, royalties and travel costs. This reduction was partially offset by an increase in the provision for bad debts resultant from the COVID-19 pandemic.

Interest Expense

Interest expense during Q2 2020 was \$11,881 compared to \$11,615 during Q2 2019. The increase is attributable to the capitalization of leases due to the adoption of IFRS 16.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$28,672 during Q2 2020 compared to \$28,221 during Q2 2019.

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Share-based compensation

Share-based compensation costs in Q2 2020 were \$7,209 lower than in Q2 2019 and amounted to \$11,611 in the quarter, compared to \$18,820 in the comparable quarter of 2019. The decrease in share-based compensation costs is the result of a reduction in the amount of stock options vesting in Q2 2020 versus Q2 2019.

Loss (gain) on foreign exchange

In Q2 2020, the Company's loss on foreign exchange was \$48,416 versus a gain of \$4,190 in Q2 2019. The increase in losses is due to the average weakening of the Canadian dollar in Q2 2020 compared to the average strengthening of the Canadian dollar in Q2 2019.

Recovery of income taxes

The Company's recovery of income taxes in Q2 2020 was \$55,081, compared to \$127,788 in Q2 2019. The decrease is due to utilization of losses and increased earnings in certain subsidiaries. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate from Q2 2020 to Q2 2019.

Net loss

The net loss attributable to iFabric's shareholders during Q2 2020 was \$481,746 (\$0.018 per share, basic and diluted) compared to net loss of \$386,487 in Q2 2019 (\$0.015 per share, basic and diluted). The decrease in attributable net earnings of \$95,259 in Q2 2020 versus Q2 2019 is largely attributable to decrease in revenue of \$251,703 and a corresponding decrease in gross profit dollars of \$93,188.

Other comprehensive earnings (loss)

For the three months ended March 31, 2020, there was an increase of \$401,858 in other comprehensive earnings compared a decrease of \$8,649 in Q2 2019, in respect of unrealized gains arising on currency translation of foreign operations. The main reason for this increase was the significant weakening of the Canadian dollar towards the end of Q2 2020 due to the COVID-19 pandemic compared to a strengthening of the Canadian dollar in 2019. The total comprehensive loss amounted to \$77,578 in Q2 2020 compared to \$395,593 in Q2 2019, representing a decrease of \$318,015

DISCUSSION OF THE RESULTS OF OPERATIONS – SIX MONTHS ENDED MARCH 31, 2020 AND 2019

Revenue

Revenue decreased by \$126,743 to \$4,848,931 for the six months ended March 31, 2020 from \$4,975,674 for the comparable period in 2019. With respect to reportable operating segments of the Company, revenue decreased by 20% or \$531,110 in its Intimate Apparel segment and revenue increased by 19% or \$429,016 in its Intelligent Fabrics segment. Geographically, for the first two quarters to date in 2020, revenue in Southeast Asia and other regions increased whereas revenue in Canada, US and UK decreased compared to 2019.

Overall, revenue decreased 3% during the six months ended March 31, 2020 in comparison to 2019. As reflected above, the Intimate Apparel operating segment recorded a decrease in revenues in 2020 versus 2019 due to the COVID-19 pandemic. The higher revenues in the Intelligent Fabrics segment during the first six months of 2020 compared to 2019 was attributable to revenues from new finished performance apparel programs in the early part of the second quarter.

Gross profit

Gross profit as a percentage of revenue increased to 40% for the six months ended March 31, 2020 from 37% in the same period of 2019. The increase in gross profit percentage is attributable to packaging refresh costs of the Intimate Apparel segment in Q2 2019 which did not reoccur in 2020. Gross profit in dollars increased by 6% or \$117,423 to \$1,933,842 for the year to date in 2020 from \$1,816,419 for the same period in 2019.

Selling, general and administrative costs

For the six months ended March 31, 2020, selling, general and administrative costs decreased by 9% or \$249,063 to \$2,476,247 from \$2,725,310 for the six months ended March 31, 2019. The decrease in selling, general and administrative costs was mainly attributable to elimination of certain selling expenses in foreign countries, and reductions in commission, royalties and travel costs. This was partially offset by an increase in the bad debt provision as a result of the COVID-19 pandemic.

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Interest Expense

Interest expense during the six months ended March 31, 2020 was \$24,099 compared to \$23,974 during the same period in 2019.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$57,343 during the six months ended March 31, 2020 compared to \$56,403 during the same period in 2019. The minor increase in amortization costs was attributable to capitalization of leases due to the adoption of IFRS 16.

Share-based compensation

Share-based compensation costs for the six months ended March 31, 2020 were \$68,848 lower than for the same period in 2019. The decrease in share-based compensation costs is due to a reduction in the vesting of previously issued stock options.

Loss (gain) on foreign exchange

For the six months ended March 31, 2020, the Company's gain on foreign exchange was \$184,472 versus a loss of \$60,472 in the same period of 2019. The increase in the amount of exchange gains was primarily caused by the significant weakening in the Canadian dollar through the six months ended March 31, 2020 compared to 2019.

Recovery of income taxes

The Company's recovery of income taxes was \$39,513 for the year to date in 2020, compared to \$198,079 for the same period in 2019. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate during the six months ended March 31, 2020 compared to 2019.

Net loss

The net loss attributable to iFabric's shareholders during the six months ended March 31, 2020 was \$427,935 (\$0.016 per share, basic and diluted) compared to net loss attributable to shareholders of \$943,609 for the six months ended March 31, 2019 (\$0.036 per share, basic and diluted). The reduction in losses for the first two quarters of 2020 compared to 2019 is largely attributable to an increase in gross margin contribution, a reduction in selling, general and administrative costs as well as increased foreign exchange gains.

Other comprehensive earnings (loss)

For the six months ended March 31, 2020 an amount of \$175,077 was included in other comprehensive earnings, in respect of the accumulated unrealized gain arising on currency translation of foreign operations, compared to \$116,436 included in the same period in 2019. The total comprehensive loss for the six months in 2020 amounted to \$248,135 compared to \$827,371 in 2019 representing a decrease of \$579,236 for the reasons stated above.

SEASONALITY AND QUARTERLY FLUCTUATIONS

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

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(In Canadian dollars, except as otherwise noted)

SUMMARY OF QUARTERLY RESULTS

Fiscal 2020	Q1	Q2	Q3	Q4
Revenue	2,596,841	2,252,090		
Net earnings (loss) attributable to common shareholders	53,810	(481,746)		
Net earnings (loss) per common share				
Basic	0.002	(0.018)		
Diluted	0.002	(0.018)		
Fiscal 2019	Q1	Q2	Q3	Q4
Revenue	2,471,881	2,503,793	2,284,507	3,175,167
Net earnings (loss) attributable to common shareholders	(557,122)	(386,487)	(642,120)	285,866
Net earnings (loss) per common share				
Basic	(0.021)	(0.015)	(0.024)	0.011
Diluted	(0.021)	(0.015)	(0.024)	0.011
Fiscal 2018	Q1	Q2	Q3	Q4
Revenue	5,136,771	4,201,249	3,291,659	2,491,691
Net earnings (loss) attributable to common shareholders	950,480	371,076	(175,707)	(221,106)
Net earnings (loss) per common share				
Basic	0.036	0.014	(0.007)	(0.009)
Diluted	0.035	0.014	(0.006)	(0.009)

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 March 31, 2020 and September 30, 2019:

As at	March 31, 2020	September 30, 2019
ASSETS		
Current assets		
Cash	2,086,451	2,287,548
Accounts receivable	2,325,985	2,358,120
Inventories	2,285,720	2,752,089
Income taxes recoverable	126,637	299,640
Prepaid expenses and deposits	3,152,058	256,976
Foreign exchange forward contracts	193,137	58,830
Total current assets	10,169,988	8,013,203
Non-current assets		
Due from related parties	112,248	112,248
Property, plant and equipment	2,771,990	2,799,103
Right-of-use assets	78,554	-
Deferred development costs	230,088	107,279
Deferred income taxes	879,300	896,919
Goodwill	55,050	55,050
Total non-current assets	4,127,230	3,970,599
Total assets	14,297,218	11,983,802
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	3,331,874	797,947
Income taxes payable	69,505	13,114
Current portion of contract liability	69,624	168,795
Current portion of lease liability	30,037	-
Current portion due to related parties	4,971	263
Current portion of bank loan payable	1,224,593	1,258,351
Total current liabilities	4,730,604	2,238,470
Non-current liabilities		
Due to related parties	482,397	476,747
Lease liability	40,417	-
Total non-current liabilities	522,814	476,747
Total liabilities	5,253,418	2,715,217
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	2,963,824	2,963,824
Reserves	2,316,969	2,293,619
Retained earnings	3,433,062	3,860,997
Accumulated other comprehensive earnings (loss)	313,276	138,199
Total equity attributable to iFabric Corp. shareholders	9,027,131	9,256,639
Non-controlling interest	16,669	11,946
Total equity	9,043,800	9,268,585
Total liabilities and equity	14,297,218	11,983,802

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance decreased by \$201,097 to \$2,086,451 as at March 31, 2020 from \$2,287,548 as at September 30, 2019, mainly as a result of supplier deposits for new performance apparel programs.

Total accounts receivable at the end of Q2 2020 was \$2,325,985 compared to \$2,358,120 as at September 30, 2019, representing a decrease of \$32,135.

Total inventory decreased by \$466,369 to \$2,285,720 at the end of Q2 2020 from \$2,752,089 at the end of fiscal 2019. This decrease is attributable to slower replenishment due to the COVID-19 pandemic.

Prepaid expenses and deposits increased by \$2,895,082 from \$256,976 at September 30, 2019 to \$3,152,058 at March 31, 2020, as a result of deposits on orders for personal protective equipment, which will commence shipping in the next quarter.

Property, plant and equipment at the end of Q2 2020 totaled \$2,771,990 compared to \$2,799,103 at the end of fiscal 2019.

Right-of-use assets amounting \$78,554 were recorded due to the adoption of IFRS 16, resulting in operating lease assets now being capitalized and depreciated, as opposed to the expensing of the applicable lease costs.

Deferred development costs increased to \$230,088 at the end of Q2 2020 from \$107,279 at the end of fiscal 2019. The increase is attributed to regulatory, testing, clinical trial and other development costs incurred ahead of the entry of the Intelligent Fabrics division into the medical market.

Deferred income taxes decreased to \$879,300 at the end of Q2 2020 from \$896,919 at the end of fiscal 2019. The decrease is mostly attributable to utilization of a portion of the non-capital losses previously incurred in the Company's Intelligent Fabric operating segment.

Current liabilities amounted to \$4,730,604 at March 31, 2020 compared to \$2,238,470 as at September 30, 2019 representing an increase of \$2,492,134. This is mainly a result of customer deposits amounting to \$2,574,089 received in respect of new personal protective equipment programs. Refer prepaid expenses and deposits discussion above.

Non-current liabilities at the end of Q2 2020 were \$522,814 compared to \$476,747. The increase is in respect of the creation of lease liabilities following the adoption of IFRS 16. Refer discussion on right-of-use assets above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

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

Bank Operating Line

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$3,750,000, against which \$0 was outstanding as at March 31, 2020 (September 30, 2019 - \$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.

Demand Term-Loan

One of the Company's subsidiaries has fixed rate term loan, payable in monthly payments of \$10,331 comprising principal and interest at a fixed rate of 3.20% per annum, amortized over a fifteen-year period ending February 28, 2032, maturing March 5, 2021 and secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies.

Management expects to pay the minimum monthly payments amounting to \$123,972 over the next twelve months, as the Company intends renewing this loan at the end of each annual period.

Working capital

Working capital represents current assets less current liabilities. As at March 31, 2020, the Company's working capital was \$5,439,384 compared to working capital of \$5,774,733 as at September 30, 2019, representing a decrease of \$335,349 or 6%. This decrease was mainly

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

attributable to increased provisions for bad debts, which have been made as precaution against potential default by certain customers as a result of the COVID-19 pandemic.

Operating activities

Cash used in operating activities during the six months ended March 31, 2020 amounted to \$200,064 compared to an amount of \$502,844 used in operating activities during the six months ended March 31, 2019, representing a decrease in cash outflow of \$302,780. The decrease in operational cash flow outflow can be largely attributed to the increase in exchange gains for the first six months of 2020 compared to 2019.

Financing activities

Cash used in financing activities during the six months ended March 31, 2020 amounted to \$39,891, compared to \$447,217 used in financing activities during the six months ended March 31, 2019, representing a decrease of \$407,326 in financing cash outflow. The difference can be mostly attributed to the increased investment in subsidiary in Q1 2019.

Investing activities

\$136,219 was used in investing activities during the six months ended March 31, 2020 compared to \$60,000 used in investing activities during the six months ended March 31, 2019 mainly in respect to the acquisition of intangible assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2020, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q2 2020, there have been no significant changes in the contractual obligations from those disclosed in the Company's 2019 Annual Financial Statements and MD&A.

The Company's other commitments are outlined below:

- The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 of the Company's Q2 2020 unaudited condensed consolidated interim financial statements for more information.
- In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 4-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2020, in U.S. dollar amounts of \$187,000. 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, 2020.

RELATED PARTY TRANSACTIONS

During the three and six month periods ended March 31, 2020, there have been no significant changes in the related party transactions from those disclosed in the Company's 2019 audited consolidated financial statements.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three and six months ended March 31, 2020 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2019.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 26,330,750 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,764,000 options issued and outstanding, of which 1,679,000 were exercisable.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2019 annual MD&A. The risks and uncertainties disclosed in the 2019 annual MD&A are not exhaustive. There have been no specific additional risks or uncertainties identified during Q2 2020. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business, performance, condition, results, operations or strategies and plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon the Q2 2020 unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting". The preparation of the Q2 2020 unaudited condensed consolidated interim financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities at the end of the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

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

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

During Q2 2020, there were no significant changes to methods used to:

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

For further details concerning the use of estimates, judgments and assumptions in the preparation of the Company's Q2 2020 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, 2019.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2019 have been applied consistently in the preparation of the Q2 2020 unaudited condensed consolidated interim financial statements, except as detailed below.

(a) Adoption of new or amended accounting standards

IFRS 16 – Leases

Effective October 1, 2019 the Company adopted IFRS 16, 'Leases', issued in January 2016, which replaces IAS 17 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company has adopted IFRS 16 using a modified retrospective approach. Upon initial application, right-of-use assets and lease liabilities were recorded, with no impact to the opening retained earnings of comparative periods. The following table summarizes the impact on the consolidated statement of financial position:

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

(In Canadian dollars, except as otherwise noted)

	Balance at September 30, 2019	IFRS 16 Initial Applicaton	Balance at October 1, 2019
ASSETS			
Right-of-use assets	-	95,372	95,372
Prepaid expense and deposits	256,976	(9,900)	247,076
LIABILITIES			
Lease liability	-	85,472	85,472

In applying IFRS 16 for adoption, the Company has used the following practical expedients permitted by the Standard:

- i. Leases with a remaining term six months or less from the date of application have been accounted for as short-term leases;
- ii. Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial applications;
- iii. Leases with low value have been excluded

When measuring lease liabilities, the Company discounted lease payments using the implicit lease rates where indicated, or the weighted average incremental borrowing rate of 3.95% if not indicated in the lease terms.

The following table reconciles the Company's operating lease commitments at September 30, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at October 1, 2019.

Operating lease commitments at September 30, 2019	119,450
Discounted using incremental borrowing rates	(10,891)
Recognition exemption for short-term leases	(23,087)
Lease liabilities recognized at October 1, 2019	85,472

The Company has revised the description of its accounting policy for the Company as a lessee to reflect the new standard as follows:

At the commencement date of the lease, the Company recognizes a lease liability comprising of fixed payments less incentive receivables, variable payments, residual value guarantees, exercise price of purchase options and termination penalties, which is discounted at the implicit lease rate or, if the rate cannot be determined, the Company's incremental borrowing rate. At the same time, the right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the amount of lease liability, initial direct costs, costs of removal and restoring, payments made prior to commencement less any incentives received, is recognized. Subsequently, the lease liability is reduced by lease payments less finance charges, which are expensed as part of financing cost while the right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term.

The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis, and thus not recognize a lease liability and a right-of-use asset at the date of initial application. Short-term leases are leases with a lease term of 12 months or less.

IFRIC 23 – Uncertainty over Income Tax Treatments

Effective October 1, 2019, the Company adopted IFRIC 23 'Uncertainty over Income Tax Treatments' issued in June 2017, which clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The Company has adopted IFRIC 23 using the retrospective approach with no impact to opening retained earnings of comparative periods.

The Company has added the following description of its accounting policy for income taxes to reflect the new standard:

When there is uncertainty over income tax treatments, the Company considers the treatments either separately or as a group based on which provides better predictions of the resolution. The Company also considers if it is probable that the tax authorities will accept the uncertain tax treatment. If it is not probable, the Company measures the tax uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of March 31, 2020. Although the Company's disclosure controls and procedures were operating effectively as of March 31, 2020, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at March 31, 2020 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at March 31, 2020. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

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