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, 2019 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2018 and the comparative year ended September 30, 2017. 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 May 14, 2019.

All references to dollars or "$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2019" refers to the annual fiscal period ended September 30, 2019, "2018" refers to the annual fiscal period ended September 30, 2018, "2017" refers to the annual fiscal period ended September 30, 2017, "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.

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 and Manchester, England in order to service its key U.S. and European markets 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 market.

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 97-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 textiles in order to kill bacteria, 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 repellant technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellant) 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 chemical portfolio:

Protx2® Anti-Microbials ologies

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-Associated 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 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. market as well as most international markets.

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.

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.

(In Canadian dollars, except as otherwise noted)

DryTx™

DryTx™ moisture wicking technology provides treated apparel with the ability to quickly draw moisture away from the skin and disperse perspiration across the fabric surface for faster evaporation.

An additional significant attribute of DryTx™ is its ability to be integrated into apparel in combination with the division's other product offerings, resulting in unique garments that provide superior performance characteristics for athletic apparel.

RepelTX™

RepelTX™ offers the next generation in water repellency performance. RepelTX™ is an environmentally friendly coating that is resistant to moisture. The RepelTX™ coating can be used on various surfaces including electronics and fabrics, which are then protected against moisture absorption.

Combining RepelTX™ and Protx2® results in benefits that are optimal for healthcare facilities, as this allows for the production of garments that both repel liquids and kill bacteria.

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,	2018	2017	2016	2015	2014
Income Statement Data					
Revenue	15,121,370	18,856,477	13,570,365	13,074,848	13,021,482
Net earnings (loss) attributable to common shareholders	924,743	1,597,070	(373,977)	(109,837)	542,214
Net earnings (loss) per common share					
Basic	0.035	0.061	(0.014)	(0.004)	0.021
Diluted	0.034	0.059	(0.014)	(0.004)	0.020
Balance Sheet Data					
Total assets	14,179,359	14,724,528	12,296,093	11,928,359	11,559,443
Total non-current financial liabilities	1,818,657	586,544	1,893,809	1,408,893	1,952,287
Cash dividends declared	-	-	-	-	-

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED MARCH 31, 2019 AND 2018

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, 2019 and 2018:

	Three months		Six months	
For the period ended March 31,	**2019**	2018	**2019**	2018
REVENUE	**2,503,793**	4,201,249	**4,975,674**	9,338,021
COST OF SALES	**1,568,982**	2,104,336	**3,159,255**	4,653,913
GROSS PROFIT	**934,811**	2,096,914	**1,816,419**	4,684,107
EXPENSES				
Selling, general and administrative costs	**1,395,077**	1,364,103	**2,725,310**	2,641,014
Interest on operating line	**-**	-	**-**	9,395
Interest on long-term debt	**11,615**	15,534	**23,974**	32,178
Amortization of property, plant and equipment	**17,251**	16,548	**34,462**	33,097
Amortization of deferred development costs	**10,970**	40,366	**21,941**	80,732
	1,434,913	1,436,552	**2,805,687**	2,796,415
EARNINGS (LOSS) FROM OPERATIONS	**(500,102)**	660,362	**(989,268)**	1,887,693
OTHER EXPENSES (INCOME)				
Share-based compensation	**18,820**	44,494	**92,198**	89,977
Loss (gain) on foreign exchange	**(4,190)**	25,282	**60,420**	(91,762)
	14,630	69,776	**152,618**	(1,785)
EARNINGS (LOSS) BEFORE INCOME TAXES	**(514,732)**	590,585	**(1,141,886)**	1,889,478
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**(87,288)**	194,828	**(140,679)**	420,662
Deferred	**(40,500)**	25,697	**(57,400)**	147,800
	(127,788)	220,525	**(198,079)**	568,462
NET EARNINGS (LOSS)	**(386,944)**	370,060	**(943,807)**	1,321,016
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	**(386,487)**	371,076	**(943,609)**	1,321,556
Non-controlling interest	**(457)**	(1,016)	**(198)**	(541)
	(386,944)	370,060	**(943,807)**	1,321,016
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of foreign operations	**(8,649)**	165,254	**116,436**	178,561
TOTAL COMPREHENSIVE EARNINGS (LOSS)	**(395,593)**	**535,314**	**(827,371)**	**1,499,577**
EARNINGS (LOSS) PER SHARE (note 13)				
Basic	**(0.015)**	0.014	**(0.036)**	0.051
Diluted	**(0.015)**	0.014	**(0.036)**	0.048

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

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, 2018	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
Revenue					
Third party	6,845,316	2,441,505	51,200	-	**9,338,021**
Inter-segment	3,600	78,616	83,152	(165,368)	**-**
Total Revenue	6,848,916	2,520,121	134,352	(165,368)	**9,338,021**
Earnings (loss) before income taxes	1,273,822	649,314	(8)	(33,650)	**1,889,478**

Revenue by geographic regions:

Six months ended March 31,	**2019**	2018
External sales revenue		
Canada	**1,213,621**	391,705
United States	**2,114,442**	6,028,484
United Kingdom	**283,256**	485,145
Southeast Asia and other	**1,364,355**	2,432,687
Total	**4,975,674**	9,338,021

(In Canadian dollars, except as otherwise noted)

Q2 2019 FINANCIAL HIGHLIGHTS

Three months ended March 31,	2019	2018
Revenue	**2,503,793**	4,201,249
Earnings (loss) from operations	**(500,102)**	660,362
Share based compensation	**(18,820)**	(44,494)
Adjusted EBITDA *(Note)	**(456,076)**	707,527
Net earnings (loss) after tax	**(386,944)**	370,060
Net earnings (loss) after tax attributable to shareholders	**(386,487)**	371,076
Other comprehensive earnings (loss)	**(8,649)**	165,254
Total comprehensive earnings (loss)	**(395,593)**	535,314
Net earnings (loss) per share		
Basic	**(0.015)**	0.014
Diluted	**(0.015)**	0.014

**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, 2019 AND 2018

Revenue

Revenue decreased by $1,697,456 to $2,503,793 in Q2 2019 compared to $4,201,249 in Q2 2018. With respect to the reportable operating segments of the Company, revenue decreased by 60% or $2,025,725 in its Intimate Apparel segment and revenue increased by 36% or $290,654 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 2019 versus Q2 2018.

Overall, revenue decreased 40% during Q2 2019 in comparison to Q2 2018. The decrease in Intimate Apparel operating segment revenue in 2019 versus 2018 was primarily attributable to the discontinuance of sleepwear products. This decrease was partially offset by increased revenues in the Intelligent Fabrics segment resultant from new finished performance apparel programs.

Gross profit

Gross profit as a percentage of revenue was 37% in Q2 2019, compared to 50% in Q2 2018. The decrease in gross profit percentage is attributable to a numbers of factors, namely, a higher proportion of Intelligent Fabric segment sales at lower margins, in Q2 2019 versus Q2 2018, a packaging refresh in respect of certain products sold to a major customer of the Intimate Apparel segment, as well as incentives provided to a major customer of the Intelligent Fabrics operating segment, in respect of initial finished performance apparel programs. Gross profit in dollars decreased by 55% or $1,162,103 at $934,811 in Q2 2019 compared to $2,096,914 in Q2 2018.

Selling, general and administrative costs

Selling, general and administrative costs were virtually unchanged at $1,395,077 in Q2 2019 compared to $1,364,103 in Q2 2018. A reduction in expenses through the elimination of costs relating to discontinued sleepwear operations, was offset by one off legal expenses incurred to successfully defend a patent infringement allegation against the Company's best-selling bra.

Interest Expense

Interest expense during Q2 2019 was $11,615 compared to $15,534 during Q2 2018. The decrease in interest expense was due to a reduction in the interest rate on the Company's bank term loan, which was renegotiated in the previous fiscal year.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $28,221 during Q2 2019 compared to $56,914 during Q2 2018. The reduction in amortization costs was mainly attributable to certain categories of development costs being fully amortized during the previous fiscal year.

Share-based compensation

Share-based compensation costs in Q2 2019 were $25,674 lower than in Q2 2018 and amounted to $18,820 in the quarter, compared to $44,494 in the comparable quarter of 2018. The decrease in share-based compensation costs is the result of a reduction in the amount of stock options vesting in Q2 2019 versus Q2 2018.

Loss (gain) on foreign exchange

In Q2 2019, the Company's gain on foreign exchange was $4,190 versus a loss of $25,282 in Q2 2018. The Company attempts to hedge its balance sheet utilizing forward exchange contracts in order to minimize the effect of foreign exchange on operations.

Provision for (recovery of) income taxes

The Company's provided for a recovery of income taxes in Q2 2019 of $127,788, compared to an income tax expense of $220,525 in Q2 2018. 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 2019 to Q2 2018.

Net earnings (loss)

Net loss attributable to iFabric's shareholders during Q2 2019 was $386,487 ($0.015 per share, basic and diluted) compared to net earnings of $371,076 in Q2 2018 ($0.014 per share, basic and diluted). The decrease in attributable net earnings of $757,563 in Q2 2019 versus Q2 2018 is largely attributable to decrease in revenue of $1,697,456 and a corresponding decrease in gross profit dollars of $1,162,103. The impact of these decreases was partially offset by lower share-based compensation costs as well as increased exchange gains in Q2 2019 versus Q2 2018.

Other comprehensive earnings (loss)

Effective October 1, 2017, the Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., changed their functional currency to United States Dollars given the increasing prevalence of United States Dollar denominated transactions in their operations. This change in functional currency is accounted for prospectively from October 1, 2017. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are now recognized in other comprehensive income. For the three months ended March 31, 2019, there was a decrease of $8,649 in other comprehensive earnings compared an increase of $165,254 in Q2 2018, in respect of unrealized gains arising on currency translation of foreign operations. The main reason for this decrease was the strengthening of the Canadian dollar towards the end of Q2 2019 compared to a weakening of the Canadian dollar in 2018.

DISCUSSION OF THE RESULTS OF OPERATIONS – SIX MONTHS ENDED MARCH 31, 2019 AND 2018

Revenue

Revenue decreased by $4,362,347 to $4,975,674 for the six months ended March 31, 2019 from $9,338,021 for the comparable period in 2018. With respect to reportable operating segments of the Company, revenue decreased by 61% or $4,201,198 in its Intimate Apparel segment and revenue decreased by 8% or $198,763 in its Intelligent Fabrics segment. Geographically, for the first two quarters to date in 2019, revenue in Canada increased whereas revenue in the US, UK, Southeast Asia and other regions decreased compared to 2018. In particular, revenue in the US accounted for the bulk of the revenue decrease by recording a 65% decrease from 2018 to 2019, which was mainly attributable to the discontinuance of sleepwear.

Overall, revenue decreased 47% during the six months ended March 31, 2019 in comparison to 2018. As reflected above, the Intimate Apparel operating segment recorded a decrease in revenues in 2019 versus 2018 due to the phase out of sleepwear sales. The lower revenues in the Intelligent Fabrics segment during the first six months of 2019 compared to 2018 was due to the absence of license revenue in 2019 compared to $320,000 received in 2018. The decrease was partially offset by revenues from new finished performance apparel programs in this segment.

Gross profit

Gross profit as a percentage of revenue decreased to 37% for the six months ended March 31, 2019 from 50% in the same period of 2018. The decrease in gross profit percentage is attributable to a numbers of factors, namely, a higher proportion of Intelligent Fabric segment sales at lower margins, in Q2 2019 versus Q2 2018, a packaging refresh in respect of certain products sold to a major customer of the Intimate Apparel segment, as well as incentives provided to a major customer of the Intelligent Fabrics operating segment, in respect of initial finished performance apparel programs. Gross profit in dollars decreased by 61% or $2,867,688 to $1,816,419 for the year to date 2019 from $4,684,107 in the same period of 2018. The decrease in gross profit dollars was primarily caused by both the decrease in revenues and the decrease in gross margins.

Selling, general and administrative costs

For the six months ended March 31, 2019, selling, general and administrative costs increased by 3% or $84,296 to $2,725,310 from $2,641,014 for the six months ended March 31, 2018. The increase in selling, general and administrative costs was mainly attributable to increased selling expenses in foreign countries, as well as one off legal expenses incurred to successfully defend a patent infringement allegation against the Company's best-selling bra.

Interest Expense

Interest expense during the six months ended March 31, 2019 was $23,974 compared to $41,573 during the same period in 2018. The overall reduction in interest expense was the result of the repayment of the Company's bank operating line as well as a reduction in the interest rate on the Company's bank term loan, which was renegotiated in the previous fiscal year.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $56,403 during the six months ended March 31, 2019 compared $113,829 during the same period in 2018. The reduction in amortization costs was mainly attributable to certain categories of development costs being fully amortized during the previous fiscal year.

Share-based compensation

Share-based compensation costs for the six months ended March 31, 2019 were $2,221 higher than for the same period in 2018. The increase in share-based compensation costs is the result of newly vested stock options during the six months ended March 31, 2019.

Loss (gain) on foreign exchange

For the six months ended March 31, 2019, the Company's loss on foreign exchange was $60,472 versus a gain of $91,762 in the same period of 2018. The increase in the amount of exchange losses was primarily caused by the strengthening in the Canadian dollar through the six months ended March 31, 2019 compared to 2018.

Provision for (recovery of) income taxes

The Company's provided for a recovery of income taxes of $198,079 for the year to date in 2019, compared to an income tax expense of $568,462 for the same period in 2018. 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, 2019 compared to the comparable period in 2018.

Net earnings (loss)

Net loss attributable to iFabric's shareholders during the six months ended March 31, 2019 was $943,609 ($0.036 per share, basic and diluted) compared to net earnings attributable to shareholders of $1,321,556 for the six months ended March 31, 2018 ($0.051 per share, basic and $0.048 diluted). The reduction in earnings for the first two quarters of 2019 compared to 2018 is largely attributable to lower revenues, lower gross profit, and increased foreign exchange losses.

Other comprehensive earnings (loss)

Effective October 1, 2017, the Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., changed their functional currency to United States Dollars given the increasing prevalence of United States Dollar denominated transactions in their operations. This change in functional currency is accounted for prospectively from October 1, 2017. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are now recognized in other comprehensive income. For the six months ended March 31, 2019 an amount of $116,436 was included in other comprehensive earnings, in respect of the accumulated unrealized gain arising on currency translation of foreign operations, compared to $178,561 included in the same period in 2018.

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.

(In Canadian dollars, except as otherwise noted)

SUMMARY OF QUARTERLY RESULTS

Fiscal 2019	Q1	Q2	Q3	Q4
Revenue	2,471,881	2,503,793		
Net earnings (loss) attributable to common shareholders	(557,122)	(386,487)		
Net earnings (loss) per common share				
Basic	(0.021)	(0.015)		
Diluted	(0.021)	(0.015)		

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)

Fiscal 2017	Q1	Q2	Q3	Q4
Revenue	3,102,120	4,255,192	4,888,400	6,610,765
Net earnings (loss) attributable to common shareholders	(125,375)	488,321	264,213	969,911
Net earnings (loss) per common share				
Basic	(0.005)	0.019	0.010	0.037
Diluted	(0.005)	0.018	0.010	0.036

(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, 2019 and September 30, 2018:

As at	March 31, 2019	September 30, 2018
ASSETS		
Current assets		
Cash	**2,649,274**	3,542,899
Accounts receivable (note 4)	**2,605,107**	2,200,669
Inventories (note 5)	**3,255,745**	4,293,436
Prepaid expenses and deposits (note 6)	**156,602**	165,296
Foreign exchange forward contracts (note 7)	**(17,241)**	37,055
Total current assets	**8,649,487**	10,239,355
Non-current assets		
Due from related parties (note 8)	**112,248**	123,000
Property, plant and equipment	**2,869,629**	2,844,091
Deferred development costs	**129,222**	151,163
Deferred income taxes	**824,100**	766,700
Goodwill	**55,050**	55,050
Total non-current assets	**3,990,249**	3,940,004
Total assets	**12,639,736**	14,179,359
LIABILITIES		
Current liabilities		
Bank indebtedness (note 9)	**-**	-
Accounts payable and accrued liabilities (note 10)	**776,684**	770,790
Income taxes payable	**69,762**	413,239
Current portion of deferred revenue	**39,300**	39,300
Current portion due to related parties	**3,121**	15,023
Current portion of bank loan payable	**80,343**	78,962
Total current liabilities	**969,210**	1,317,314
Non-current liabilties		
Deferred revenue	**72,050**	91,700
Due to related parties	**472,510**	468,668
Bank loan payable (note 11)	**1,217,751**	1,258,289
Total non-current liabilities	**1,762,311**	1,818,657
Total liabilities	**2,731,521**	3,135,971
Commitments (note 15)		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock (note 14)	**2,963,824**	2,963,824
Reserves	**2,264,889**	2,567,433
Retained earnings	**4,372,098**	5,315,707
Accumulated other comprehensive earnings (loss)	**298,839**	182,403
Total equity attributable to iFabric Corp. shareholders	**9,899,650**	11,029,367
Non-controlling interest	**8,565**	14,021
Total equity	**9,908,215**	11,043,388
Total liabilities and equity	**12,639,736**	14,179,359

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance decreased by $893,625 to $2,649,274 as at March 31, 2019 from $3,542,899 as at September 30, 2018, mainly as a result of the increase in investment in a subsidiary as well as the losses for the period..

Total accounts receivable at the end of Q2 2019 was $2,605,107 compared to $2,200,669 as at September 30, 2018, representing an increase of $404,438.

Total inventory decreased by $1,037,691 to $3,255,745 at the end of Q2 2019 from $4,293,436 at the end of fiscal 2018.

Property, plant and equipment at the end of Q2 2019 totaled $2,869,629 compared to $2,844,091 at the end of fiscal 2018.

Deferred development costs decreased to $129,222 at the end of Q2 2019 from $151,163 at the end of fiscal 2018. The decrease is attributable to the amortization of deferred development costs.

Deferred income taxes increased to $824,100 at the end of Q2 2019 from $766,700 at the end of fiscal 2018. The increase is mostly attributable to the accumulation of non-capital losses in both the Company's Intelligent Fabrics and Intimate Apparel operating segment during the six months ended March 31, 2019.

Total liabilities at the end of Q2 2019 were $404,450 lower than at the end of fiscal 2018. The main reason for this decrease is due to the reduction in income tax payable.

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, 2019 (September 30, 2018 - $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 $10,522 comprising principal and interest at a fixed rate of 3.64% per annum, amortized over a fifteen-year period ending February 28, 2032, maturing March 5, 2020 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 repay solely the minimum monthly payments, totaling $126,262 over the next twelve months.

Working capital

Working capital represents current assets less current liabilities. As at March 31, 2019, the Company's working capital was $7,680,277 compared to working capital of $8,922,041 as at September 30, 2018, representing a decrease of $1,241,764 or 14%. This decrease was mainly attributable to the losses for the six months, as well as the acquisition on November 13, 2018, of an additional 15% of the common shares in 2074160 Ontario Inc. from the non-controlling shareholders for cash consideration of $400,000, resulting in the Company's shareholding in 2074160 Ontario Inc. increasing to 75% and the non-controlling interest decreasing to 25%. 2074160 Ontario Inc. owns the land and buildings utilized by the Company as its head office and its Canadian distribution center. An independent valuation of the land and buildings received at the date of the transaction, reflected an appraised market value of $5,000,000, representing an increase in value of $2,269,519 over the book value of $2,730,481 as at the date of acquisition.

Operating activities

Cash used in operating activities during the six months ended March 31, 2019 amounted to $502,844 compared to an amount of $4,642,955 provided by operating activities during the six months ended March 31, 2018, representing a decrease in cash inflow of $5,145,799. The decrease in operational cash flow inflow can be largely attributed to the decrease in the Company's earnings for the first six months of 2019 compared to 2018 of as well as a substantial reduction in receivables in 2018 compared to an increase in 2019.

Financing activities

Cash used in financing activities during the six months ended March 31, 2019 amounted to $447,217, compared to $1,133,881 used in financing activities during the six months ended March 31, 2018, representing a decrease of $686,664 in financing cash outflow. The outflow in 2019 is due to the increase in ownership of the Company's subsidiary and the outflow in 2018 is mostly attributable to the repayment of the Company's bank operating line as well as an accelerated payment made against the Company's term-loan.

Investing activities

$60,000 was used in investing activities during the six months ended March 31, 2019 compared to $3,827 used in investing activities during the six months ended March 31, 2018 in respect to the acquisition of capital assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2019, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q2 2019, there have been no significant changes in the contractual obligations from those disclosed in the Company's 2018 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 2019 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 periods ending December 31, 2019 and 2020, in U.S. dollar amounts of $175,000 and $187,000, 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, 2020.

RELATED PARTY TRANSACTIONS

During the three and six month periods ended March 31, 2019, there have been no significant changes in the related party transactions from those disclosed in the Company's 2018 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, 2019 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2018.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 26,209,500 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,885,250 options issued and outstanding, of which 1,800,250 were exercisable.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2018 annual MD&A. The risks and uncertainties disclosed in the 2018 annual MD&A are not exhaustive. There have been no specific additional risks or uncertainties identified during Q2 2019. 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 2019 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 2019 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 2019, 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 2019 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, 2018.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2018 have been applied consistently in the preparation of the Q2 2019 unaudited condensed consolidated interim financial statements, except as detailed below.

a) New standards recently adopted

IFRS 9 – Financial Instruments

Effective October 1, 2018, the Company adopted IFRS 9, "Financial Instruments", issued in July 2014, which replaces IAS 39, "Financial Instruments: Recognition and Measurement". The new standard accounts for all aspects of financial instruments and includes a logical model for classification and measurement, a single forward looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. Adoption of this new standard did not have a material impact on the Company's financial statements. The Company has adopted IFRS 9 using a retrospective approach with no impact to the net earnings or opening retained earnings of comparative periods.

The Company has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

On initial recognition, financial instruments as measured at fair value. Measurement in subsequent periods depends on the classification of the financial instruments described below:

Amortized cost: Financial instruments under this classification include cash, accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities, due to related parties and loan payable.

Fair value through profit or loss: Financial instruments under this classification include foreign exchange forward contracts.

Fair value through other comprehensive income: The Company has no financial instruments under this classification.

IFRS 9 replaces the incurred loss model in IAS39 with a forward-looking expected credit loss model ("ECL"). This new model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Company's accounts receivable balance is primarily comprised of amounts due from customers. The Company has determined the adoption of IFRS 9 has resulted in no additional recorded impairment allowance for the six months ended March 31, 2019.

IFRS 15 – Revenue from Contracts with Customers

Effective October 1, 2018, the Company adopted IFRS 15 issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 replaces the existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser of such goods and services.

As a result of the adoption of IFRS 15, no changes to the Company's comparative financial statements were required. IFRS 15 did not have a material impact on the condensed interim financial statements of loss and comprehensive loss or its condensed interim statements of financial position as at March 31, 2019.

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

The Company recognizes revenue when control of the goods and services has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur.

Net revenue reflects the Company's sale of merchandise, less returns, and after making allowance for anticipated discounts and rebates.

b) Future changes to accounting standards

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, 2019 or later periods. The standards implemented or impacted that are applicable to the company are as follows:

i) IFRS 16, 'Leases', was published in January 2016, replacing IAS 17, 'Leases', and related interpretations. 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. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of March 31, 2019. Although the Company's disclosure controls and procedures were operating effectively as of March 31, 2019, 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, 2019 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at March 31, 2019. 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, 2019 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.