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, 2016 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2015 and the comparative year ended September 30, 2014. 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 12, 2016.

All references to dollars or "$" are to Canadian dollars, the Company's functional and presentation currency, unless otherwise noted. In the discussion that follows, "2016" refers to the annual fiscal period ended September 30, 2016, "2015" refers to the annual fiscal period ended September 30, 2015, "2014" refers to the annual fiscal period ended September 30, 2014, "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.

Certain comparative figures in this MD&A have been reclassified to conform to the presentation used in the Company's most recent audited consolidated financial statements.

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, sleepwear 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. 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 commenced operations in 1992 and 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 as well as sleepwear.

The division outsources production of its products to China, where currently over 95% of its inventory production takes place.

The division utilizes contract warehouse facilities located in Los Angeles, California and Manchester, England in order to service its key US and European markets and, Company-owned premises located in Markham, Ontario serve as the distribution centre for the Canadian market. Premises rented in Manhattan, New York, houses the division's sales team and, additionally, includes showroom space for the purpose of hosting marketing appointments with major retail buyers in the United States.

In the past several years, the Company has repositioned the division's product strategy by way of leveraging a number of key license agreements in order to sell products under some of the most recognized brands in the intimate apparel industry, including Maidenform®, Splendid®, and Ella Moss®. 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. Major retail customers include Wal-Mart (Canada), Sears (Canada), Debenhams, Kohl's, Hanes Brands, Bloomingdales, Marks & Spencer, Nordstrom, Maidenform, La Vie En Rose, House of Fraser, Boux Avenue and Amazon.com.

Intelligent Fabrics

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

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

The Intelligent Fabrics business segment has two key supply centers in Asia (China and Taiwan), that service the Asian market, which represent the main production region for goods supplied to North America and is accordingly the Company's main market area for the distribution of products. In addition, technical support specialists in Asia provide guidance and support to customers regarding the integration of the Company's chemical formulations into their products.

Development, testing and regulatory activities are primarily funded with income earned from both the Intelligent Fabrics division and the Intimate Apparel division. Additional funding, when required, is sourced from additional equity and/or debt.

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

1. Protx2® Anti-Microbial Technologies

Protx2® formulations impart anti-microbial and/or anti-viral powers to fibers, plastic, paint and paper treated with these formulations. Numerous laboratory tests have shown that treated products inhibit the growth of a wide variety of infectious agents associated with 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 manufactures to offer technologically-enhanced products. With the ability of Protx2® to combat odour-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") registrations, the Company is in a position to distribute Protx2® for use in sportswear and footwear sold in the US market.

b) Medical

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

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

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

2. Dreamskin®

Dreamskin® textile technology helps encourage a healthy skin environment.

Dreamskin® is effective during both summer and winter months as high and low moisture environments both offer discomfort and irritation. In particular, athletic apparel has two key areas that can cause skin irritation, namely friction and excessive moisture. Dreamskin® targets both of these to help prevent irritation. Dreamskin® became commercially available for sale in Q1 2015.

3. 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. Enguard® is anticipated to be commercialized during calendar 2016.

During 2015, the Intelligent Fabrics division expanded its portfolio of products by securing distribution and marketing rights, under the Company's own brands, for the following textile treatments:

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 30. 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. As of the date of this MD&A, efficacy and durability testing of UVtx had been completed and it is anticipated that UVtx will be commercialized during the course of calendar 2016.

(In Canadian dollars, except as otherwise noted)

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. As of the date of this MD&A, efficacy and durability testing of FreshTx™ has been completed and it is anticipated that this product will be commercialized during the course of calendar 2016.

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. As of the date of this MD&A, efficacy and durability testing of DryTx™ had been completed and it is anticipated that this product will be commercialized during the course of calendar 2016.

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,	**2015**	2014	2013	2012	2011
Income Statement Data					
Revenue	**13,074,848**	13,021,482	8,165,983	6,074,766	5,660,288
Net earnings (loss) attributable to common shareholders	**(109,837)**	542,214	(144,556)	(218,680)	484,231
Net earnings (loss) per common share					
Basic	**(0.004)**	0.021	(0.006)	(0.009)	0.038
Diluted	**(0.004)**	0.020	(0.006)	(0.009)	0.038
Balance Sheet Data					
Total assets	**11,928,359**	11,559,443	9,154,711	8,454,058	8,292,672
Total non-current financial liabilities	**1,408,893**	1,952,287	2,084,741	2,801,891	3,485,694
Cash dividends declared	**-**	-	-	-	-

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED MARCH 31, 2016 AND 2015

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, 2016 and 2015:

	Three months		Six months	
For the period ended March 31,	**2016**	2015	**2016**	2015
REVENUE	**3,072,027**	3,251,478	**6,401,037**	6,293,882
COST OF SALES	**1,569,581**	1,575,889	**3,114,376**	3,218,721
GROSS PROFIT	**1,502,446**	1,675,589	**3,286,661**	3,075,161
EXPENSES				
Selling, general and administrative costs	**1,663,147**	1,448,851	**3,314,739**	2,912,803
Interest on operating line	**7,347**	6,658	**11,222**	12,178
Interest on long-term debt	**9,233**	10,844	**18,890**	22,520
Amortization of property, plant and equipment	**8,766**	9,783	**17,415**	19,566
Amortization of deferred development costs	**40,366**	40,366	**80,732**	80,732
	1,728,859	1,516,502	**3,442,998**	3,047,799
EARNINGS (LOSS) FROM OPERATIONS	**(226,413)**	159,087	**(156,337)**	27,362
OTHER EXPENSES (INCOME)				
Share-based compensation	**41,258**	100,747	**85,663**	209,376
Loss (gain) on foreign exchange	**173,125**	(186,158)	**124,342**	(251,552)
	214,383	(85,411)	**210,005**	(42,176)
EARNINGS (LOSS) BEFORE INCOME TAXES	**(440,796)**	244,498	**(366,342)**	69,538
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**(71,423)**	163,485	**5,486**	210,245
Deferred	**(45,506)**	(46,700)	**(89,357)**	(108,200)
	(116,929)	116,785	**(83,871)**	102,045
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)	**(323,867)**	127,713	**(282,471)**	(32,507)
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) ATTRIBUTABLE TO:				
iFabric Corp. shareholders	**(324,657)**	126,333	**(285,069)**	(34,572)
Non-controlling interest	**790**	1,380	**2,598**	2,065
	(323,867)	127,713	**(282,471)**	(32,507)
EARNINGS (LOSS) PER SHARE				
Basic	**(0.013)**	0.005	**(0.011)**	(0.001)
Diluted	**(0.013)**	0.005	**(0.011)**	(0.001)

SELECTED OPERATING SEGMENT DATA

Q2 2016	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	2,538,908	507,519	25,600	-	**3,072,027**
Earnings (loss) before income taxes	(289,217)	(129,166)	3,966	(26,379)	**(440,796)**

Q2 2015	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	2,970,511	256,338	24,629	-	**3,251,478**
Earnings (loss) before income taxes	584,928	(293,691)	5,880	(52,619)	**244,498**

DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2016 AND 2015

Revenue

Revenue decreased by $179,451 to $3,072,027 in Q2 2016 from $3,251,478 in Q2 2015. With respect to reportable operating segments of the Company, revenue decreased by 15% or $431,603 in its Intimate Apparel segment and revenue increased by 98% or $251,181 in its Intelligent Fabrics segment. Geographically, revenue in the United Kingdom increased in Q2 2016 versus Q2 2015, while revenue in Canada, the United States, and other regions decreased for the same comparative periods.

Overall, revenue decreased 6% during Q2 2016 in comparison to Q2 2015. However, there are a number of variables, both internal and external, which have contributed to a decrease in revenue in Q2 2016 from the comparative prior period. When expressed in their regional transactional currencies, the Company's Intimate Apparel operating segment decreased its sales in Canada by approximately 46%, decreased sales in the United States by approximately 27%, and increased sales in the UK by 117% in Q2 2016 versus Q2 2015. The majority of the Company's revenues are generated in U.S. dollars. A weakened Canadian dollar vis-à-vis the U.S. dollar and the British pound sterling during Q2 2016 translated foreign currency revenues at higher exchange rates when expressed in Canadian dollars, relative to Q2 2015. This foreign exchange impact significantly offset the decrease in US sales in the Intimate Apparel division. During Q2 2016, the Intelligent Fabrics division had commenced integration of its core products with major manufacturing clients, resulting in a significant increase in total revenue within this operating segment compared to Q2 2015.

Gross profit

Gross profit as a percentage of revenue decreased to 49% in Q2 2016 from 52% in Q2 2015. The decrease in gross profit percentage is mainly due to a steadily less favourable Canadian dollar exchange rate vis-à-vis the U.S. dollar during Q2 2016 compared to Q2 2015. Gross profit percentage also decreased in Q2 2016 from Q2 2015 due to the sales mix of products in the Intimate Apparel segment, including a higher proportion of seasonal intimate apparel and sleepwear, which typically carry lower margins than apparel accessories. Gross profit in dollars decreased by 10% or $173,143 to $1,502,446 in Q2 2016 from $1,675,589 in Q2 2015. The decrease in gross profit dollars is largely attributable to a decreased gross profit percentage, for the reasons discussed above. Similar to the changes in revenue in Q2 2016 versus Q2 2015, as discussed above in the section entitled "Revenue", reduced sales transacted in foreign currencies in Q2 2016, which contributed to a decrease in gross profit dollars, were significantly offset by a weakened Canadian dollar relative to the U.S. dollar and British pound sterling.

Selling, general and administrative costs

In Q2 2016, selling, general and administrative costs increased by 15% or $214,296 to $1,663,147 from $1,448,851 in Q2 2015. In the Intimate Apparel operating segment, the Company increased its selling, general and administrative costs for the purposes of developing and supporting a new line of sleepwear products, as part of a renewed license agreement signed in 2015. In the Intelligent Fabrics segment, the Company increased its travel, regulatory and testing costs to facilitate growth of existing products, as well as the launch of new products. Selling, general and administrative costs have also increased as a result of the Canadian dollar weakening in Q2 2016 against the U.S. dollar, as many of the Company's overhead expenses are paid for in U.S. dollars.

Interest Expense

Interest expense during Q2 2016 was $16,580 compared to $17,502 during Q2 2015. The overall change in interest expense was nominal.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $49,132 during Q2 2016 compared to $50,149 during Q2 2015.

Share-based compensation

Share-based compensation costs in Q2 2016 were $59,489 lower than in Q2 2015. The decrease in share-based compensation costs is the result of previously issued stock options vesting during 2015.

Loss (gain) on foreign exchange

In Q2 2016, the Company's loss on foreign exchange was $173,125 during Q2 2016 versus a gain of $186,158 in Q2 2015. The Company experienced a loss in Q2 2016 on foreign exchange as a result of the Canadian dollar strengthening against the U.S. dollar and British pound sterling during the quarter, as opposed to gains on foreign exchange during Q2 2015 where the Canadian dollar strengthened.

Provision for (recovery of) income taxes

The Company's total recovery of income taxes in Q2 2016 was $116,929 compared to a provision for income taxes of $127,713 in Q2 2015. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Specifically, a decrease in Q2 2016 from Q2 2015 in share-based compensation by $59,489 is the main reason for the change in the Company's effective income tax rate.

Net earnings (loss)

Net loss attributable to iFabric's shareholders during Q2 2016 was $324,657 ($0.013 per share, basic and diluted) compared to net earnings of $126,333 in Q2 2015 ($0.005 per share, basic and diluted). The reduced net earnings to a net loss position in Q2 2016 versus Q2 2015 is largely attributable to a loss on foreign exchange of $173,125 compared to a gain on foreign exchange in the prior year of $186,158, representing a net change in net earnings of $359,283. Also contributing to lower net earnings in Q2 2016 vs Q2 2015 were lower revenues, lower gross profit, and higher selling, general and administrative costs.

DISCUSSION OF THE RESULTS OF OPERATIONS – SIX MONTHS ENDED MARCH 31, 2016 AND 2015

Revenue

Revenue increased by $107,155 to $6,401,037 for the six months ended March 31, 2016 from $6,293,882 for the comparable period in 2015. With respect to reportable operating segments of the Company, revenue decreased by 2% or $140,367 in its Intimate Apparel segment and revenue increased by 60% or $230,179 in its Intelligent Fabrics segment. Geographically, for the first half of fiscal 2016, revenue in the United States and the United Kingdom increased, but decreased in Canada and other regions, versus the same period in 2015.

Overall, revenue increased 2% during the six months ended March 31, 2016 in comparison to 2015. However, there are a number of variables, both internal and external, which have contributed to a decrease in revenue for the year to date ended March 31, 2016 from the comparative 2015 period. When expressed in their regional transactional currencies, the Company's Intimate Apparel operating segment decreased its sales in Canada by approximately 30%, decreased sales in the United States by approximately 17%, and increased sales in the UK by 19% in the six months ended March 31, 2016 versus 2015. A weakened Canadian dollar vis-à-vis the U.S. dollar and the British pound sterling during Q2 2016 translated foreign currency revenues at higher exchange rates when expressed in Canadian dollars, relative to Q2 2015. This foreign exchange impact significantly offset the decrease in US sales in the Intimate Apparel division. During Q2 2016, the Intelligent Fabrics division had commenced integration of its core products with major manufacturing clients, resulting in a significant increase in total revenue within this operating segment for the six months ended March 31, 2016 compared to the same period in 2015.

Gross profit

Gross profit as a percentage of revenue increased to 51% for the six months ended March 31, 2016 from 49% in the same period of 2015. The increase in gross profit percentage for the year to date was partially offset by a decrease in gross profit percentage during Q2 2016 compared to Q2 2015. Gross profit in dollars increased by 7% or $211,500 to $3,286,661 for the year to date 2016 from $3,075,161 in the same period of 2015. The increase in gross profit dollars was partially offset by a decrease in gross profit dollars during Q2 2016 versus Q2 2015.

Selling, general and administrative costs

For the six months ended March 31, 2016, selling, general and administrative costs increased by 14% or $401,936 to $3,314,739 from $2,912,803 for the six months ended March 31, 2015. In the Intimate Apparel operating segment, the Company increased its selling, general and administrative costs for the purposes of developing and supporting a new line of sleepwear products, as part of a renewed license agreement signed in 2015. In the Intelligent Fabrics segment, the Company increased its travel, regulatory and testing costs to facilitate growth of existing products, as well as the launch of new products. Selling, general and administrative costs have also increased as a result of the Canadian dollar weakening for during the six months ended March 31, 2016 compared to 2015, against the U.S. dollar, as many of the Company's overhead expenses are paid for in U.S. dollars.

Interest Expense

Interest expense during the six months ended March 31, 2016 was $30,112 compared to $34,698 during the same period in 2015. The overall change in interest expense was nominal.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $98,147 during the six months ended March 31, 2016 compared to $100,298 during the same period in 2015.

Share-based compensation

Share-based compensation costs for the six months ended March 31, 2016 were $123,713 lower than for the same period in 2015. The decrease in share-based compensation costs is the result of previously issued stock options vesting during 2015.

Loss (gain) on foreign exchange

For the six months ended March 31, 2016, the Company's loss on foreign exchange was $124,342 versus a gain of $251,552 in the same period of 2015. The Company experienced a loss for the year to date in 2016 on foreign exchange as a result of the Canadian dollar strengthening against the U.S. dollar and British pound sterling during Q2, as opposed to gains on foreign exchange during the six months ended March 31, 2015 where the Canadian dollar weakened throughout the whole fiscal half.

Provision for (recovery of) income taxes

The Company's total recovery of income taxes for the year to date in 2016 was $83,871 compared to a provision for income taxes of $102,045 for the same period in 2015. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Specifically, a decrease in share-based compensation by $123,713 for the fiscal half of 2016 versus 2015 is the main reason for the change in the Company's effective income tax rate.

Net earnings (loss)

Net loss attributable to iFabric's shareholders during the six months ended March 31, 2016 was $285,069 ($0.011 per share, basic and diluted) compared to net loss of $34,572 for the six months ended March 31, 2015 ($0.001 per share, basic and diluted). The increased net loss for the first fiscal half of 2016 compared to 2015 is largely attributable to a loss on foreign exchange difference of $375,894, when compared year over year. Also contributing to lower net earnings for the year to date in 2016 vs Q2 2015 were higher selling, general and administrative costs.

(In Canadian dollars, except as otherwise noted)

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. Generally, the Company has experienced a higher level of revenues in the third quarter, compared to other quarterly periods, largely in part to its intimate apparel operating segment, which usually realizes a higher level of sales in the months of April to June, as its retail customers increase their respective purchases in anticipation of larger retail sales in the summer months.

SUMMARY OF QUARTERLY RESULTS

Fiscal 2016	Q1	Q2	Q3	Q4
Revenue	3,329,010	3,072,027		
Net earnings (loss) attributable to common shareholders	39,588	(324,657)		
Net earnings (loss) per common share				
Basic	0.002	(0.013)		
Diluted	0.001	(0.013)		

Fiscal 2015	Q1	Q2	Q3	Q4
Revenue	3,042,404	3,251,478	3,700,502	3,080,464
Net earnings (loss) attributable to common shareholders	(160,905)	126,333	206,806	(282,071)
Net earnings (loss) per common share				
Basic	(0.006)	0.005	0.008	(0.011)
Diluted	(0.006)	0.005	0.008	(0.011)

Fiscal 2014	Q1	Q2	Q3	Q4
Revenue	3,005,785	2,911,274	3,881,993	3,222,430
Net earnings (loss) attributable to common shareholders	212,157	278,431	245,205	(193,579)
Net earnings (loss) per common share				
Basic	0.008	0.011	0.009	(0.008)
Diluted	0.008	0.010	0.009	(0.008)

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance decreased to $515,817 as at March 31, 2016 from $852,016 as at September 30, 2015.

Total accounts receivable at the end of Q2 2016 was $2,141,360 compared to $2,143,066 as at September 30, 2015.

Total inventory decreased by $97,552 to $4,608,874 at the end of Q2 2016 from $4,706,426 at the end of fiscal 2015. Whilst the Company substantially reduced its inventory levels, in terms of quantities, the decrease in inventory value was partially offset by a weakened Canadian dollar vis-à-vis the U.S. dollar. The Company expects inventory levels to continue to decrease during Q3 2016 in an effort to increase turnover frequency.

Property, plant and equipment at the end of Q2 2016 totaled $2,472,022 compared to $2,487,880 at the end of fiscal 2015. The Company invested in nominal amounts in property, plant and equipment during Q2 2016.

Deferred development costs decreased to $517,440 at the end of Q2 2016 from $598,171 at the end of fiscal 2015. The decrease is attributed to amortization of deferred development costs.

Deferred income taxes increased to $809,640 at the end of Q2 2016 from $720,283 at the end of fiscal 2015. The increase is mostly attributable to non-capital losses incurred in the Company's Intelligent Fabrics operating segment during Q1 and Q2 2016.

Total liabilities at the end of Q2 2016 were $390,636 lower than at the end of fiscal 2015. The Company decreased its liabilities mainly with respect to its accounts payable and accrued liabilities. The decrease in total liabilities was largely offset by an increase in the Company's bank operating line.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

The Company's capital resources include a bank operating line, long-term debt, and equity attributable to the Company's shareholders.

Bank Operating Line

One of the Company's subsidiaries has a demand operating loan with a tier one Canadian bank available to a maximum of $2,000,000, against which $734,879 was outstanding as at March 31, 2016 (September 30, 2015 - nil). The loan facility bears interest at the bank's prime lending rate plus 1.75%. 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 General Security Agreements covering all the assets of two subsidiary companies, their accounts receivable insurance, an assignment of their fire insurance, and a guarantee in the amount of $1,000,000 from a third subsidiary of the Company. In addition, the Company has credit card facilities amounting to $50,000 Canadian dollars and $25,000 U.S. dollars, which are subject to the same security arrangements.

Long-term Debt

One of the Company's subsidiaries has a bank loan, payable in monthly principal payments of $10,000 plus interest, bearing interest at the bank's prime rate plus 1.25%, due May 31, 2023 and secured by a first readvanceable mortgage on the land and building owned by the subsidiary, a general security agreement over all assets of another of the Company's subsidiaries subject to priority on inventory and accounts receivable to the lender of the bank operating line described above, and a general assignment of rents. As at March 31, 2016, the total amount of this loan outstanding was $930,000 (September 30, 2015 - $980,000).

Working capital

Working capital represents current assets less current liabilities. As at March 31, 2016, the Company's working capital was $5,207,274 compared to working capital of $5,419,934 as at September 30, 2015, representing a decrease of $212,660 or 4%.

Operating activities

Cash used in operating activities during the six months ended March 31, 2016 amounted to $977,197, compared to an amount of $345,538 used in operating activities during the six months ended March 31, 2015, representing an increase in cash outflow of $631,659. The increase in operational cash flow outflow can be largely attributed to greater cash outflows with respect to accounts payable and inventory balances during the six months ended March 31, 2016 versus March 31, 2015, as well as an increase in net loss for the same two comparative periods. Increased cash inflows with regards to accounts receivable collections helped largely offset the decrease in operational cash flow.

Financing activities

Cash provided by financing activities during the six months ended March 31, 2016 amounted to $642,556, compared to $157,384 provided by financing activities during the six months ended March 31, 2015, representing an increase of $485,172 in financing cash flow. The difference can be mostly attributed to the utilization of the Company's bank operating line, which increased by $734,879 during the six months ended March 31, 2016.

Investing activities

Nominal cash was used in investing activities during the six months ended March 31, 2016. No cash was provided by or used in investing activities during the six months ended March 31, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2015, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q2 2016, there have been no significant changes in the contractual obligations from those disclosed in the Company's 2015 annual 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 2016 unaudited condensed consolidated interim financial statements for more information.

- As of the date of this MD&A, the Company is in the process of negotiating terms for renewing an exclusive license agreement, which expired in December 2015, for the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. Until such time as a new agreement is signed, the Company will continue to operate under the conditions established during the initial license term, and is required to pay a monthly royalty of 9% on its net sales as defined in the agreement, on all products sold under the licensed marks. In addition, the Company is required to pay an advertising fee of 2%, payable semi-annually, on its net sales as defined in the agreement, for the promotion of the licensed products.
- Effective January 1, 2015, the Company entered into a worldwide license agreement for the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 4-10%. Minimum annual royalties have been established for the contract periods ending December 31, 2015, 2016, 2017, and 2018 in U.S. dollar amounts of $131,000, $190,000, $288,000, and $368,000, respectively. In addition, the Company is required to pay an advertising fee of 1-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2018.

RELATED PARTY TRANSACTIONS

During the three and six month periods ended March 31, 2016, there have been no significant changes in the related party transactions from those disclosed in the Company's 2015 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 months ended March 31, 2016 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2015.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 25,929,750 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,690,000 options issued and outstanding, of which 1,640,000 were exercisable, as well as 232,133 warrants outstanding.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2015 annual MD&A. The risks and uncertainties disclosed in the 2015 annual MD&A are not exhaustive. There have been no specific additional risks or uncertainties identified during Q2 2016. 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 2016 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 2016 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 2016, 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 allowance for doubtful accounts
- Determine the allowance for discounts and rebates
- 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 2016 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, 2015.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2015 have been applied consistently in the preparation of the Q2 2016 unaudited condensed consolidated interim financial statements.

(a) Future changes in accounting standards

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

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

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

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

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, 2016. Although the Company's disclosure controls and procedures were operating effectively as of March 31, 2016, 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, 2016 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at March 31, 2016. 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, 2016 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.