The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's unaudited condensed consolidated interim statements as at and for the period ended December 31, 2015 and the audited consolidated financial statements and notes thereto for the years 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 February 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.

Initially, all products were manufactured and distributed from manufacturing facilities situated in Ontario, Canada. However, in 2005, management took a decision to wind down the Canadian manufacturing operations in favour of outsourcing manufacture to major mills located in China. The benefits of this decision were twofold:

- Lower and stable direct product costs resulting in improved margins.
- Significant savings in overheads especially in lower sales month's resultant from the seasonal nature of the apparel industry.

As a further consequence of this decision, manufacturing space in Company owned premises located in Markham, Ontario were converted to warehouse and office space and currently serves as the Company's head office as well as the product distribution centre for the Canadian market. Surplus space in its Canadian facility has been rented to third party tenants, which has reduced the carrying cost of this facility.

The division has continued to deploy the approach of outsourcing 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 highconcentration DEET and significantly greater than any other natural insect repellents. Enguard® is anticipated to be commercialized during calendar 2016.

(In Canadian dollars, except as otherwise noted)

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.

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 MONTHS ENDED DECEMBER 31, 2015 AND 2014

The following table sets forth the Company's unaudited condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) for the three months ended December 31, 2015 and 2014:

For the three months ended December 31,	2015	2014
REVENUE	**3,329,010**	3,042,404
COST OF SALES	**1,544,795**	1,642,832
GROSS PROFIT	**1,784,215**	1,399,572
EXPENSES		
Selling, general and administrative costs	**1,651,592**	1,463,952
Interest on operating line	**3,875**	5,520
Interest on long-term debt	**9,657**	11,676
Amortization of property, plant and equipment	**8,649**	9,783
Amortization of deferred development costs	**40,366**	40,366
	1,714,139	1,531,297
EARNINGS (LOSS) FROM OPERATIONS	**70,076**	(131,725)
OTHER EXPENSES (INCOME)		
Share-based compensation	**44,405**	108,629
Gain on foreign exchange	**(48,783)**	(65,394)
	(4,378)	43,235
EARNINGS (LOSS) BEFORE INCOME TAXES	**74,454**	(174,960)
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**76,909**	46,760
Deferred	**(43,851)**	(61,500)
	33,058	(14,740)
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)	**41,396**	(160,220)
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	**39,588**	(160,905)
Non-controlling interest	**1,808**	685
	41,396	(160,220)
EARNINGS (LOSS) PER SHARE		
Basic	**0.002**	(0.006)
Diluted	**0.001**	(0.006)

SELECTED OPERATING SEGMENT DATA

Q1 2016	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	3,183,307	106,029	39,674	-	**3,329,010**
Earnings (loss) before income taxes	263,752	(248,656)	7,226	52,132	**74,454**

Q1 2015	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	2,892,071	127,031	23,302	-	**3,042,404**
Earnings (loss) before income taxes	163,310	(303,177)	3,212	(38,305)	**(174,960)**

Revenue

Revenue increased by $286,606 to $3,329,010 in Q1 2016 from $3,042,404 in Q1 2015. With respect to reportable operating segments of the Company, revenue increased by 10% or $291,236 in its Intimate Apparel segment and revenue decreased by 17% or $21,002 in its Intelligent Fabrics segment. Geographically, revenue increased in the United States, but decreased in Canada and the United Kingdom. Revenue from other geographic regions was relatively unchanged.

Overall, revenue increased 9% during Q1 2016 in comparison to Q1 2015. However, there are a number of variables, both internal and external, which have contributed to an increase in revenue in Q1 2016 from the comparative prior period. The Company's Intimate Apparel operating segment decreased its sales in Canada by approximately 7%, and sales in both the United States and United Kingdom decreased, when expressed in their transactional currencies, by approximately 7% in the U.S and 23% in the UK. 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 in Q1 2016 translated foreign currency revenues into higher amounts when expressed in Canadian dollars, relative to Q1 2015. This foreign exchange impact significantly offset the decrease in foreign currency sales in the Intimate Apparel division. During Q1 2016, the Intelligent Fabrics division remained in a bulk trial phase, in terms of integrating its products into production cycles for its client base, and accordingly, revenues remained a modest portion of the Company's overall consolidated revenues.

Gross profit

Gross profit as a percentage of revenue increased to 54% in Q1 2016 from 46% in Q1 2015. The increase in gross profit percentage is mainly due to a steadily weakening Canadian dollar vis-à-vis the U.S. dollar, as the Company had purchased most of these goods sold at a lower USD/CAD exchange rate than the rate in effect at the time of sale. Gross profit percentage also increased in Q1 2016 from Q1 2015 due to the sales mix of products in the Intimate Apparel segment, including a higher proportion of apparel accessories, which typically carry higher margins, than seasonal intimate apparel and sleepwear. Gross profit percentage was also higher in Q1 2016 than in Q1 2015 due to certain products in the Intelligent Fabrics segment being sold at lower prices during Q1 2015, as an incentive for new customer adoption. These incentives were limited to trial programs for select prospective customers. Gross profit in dollars increased by 27% or $384,643 to $1,784,215 in Q1 2016 from $1,399,572 in Q1 2015. The increase in gross profit dollars is largely attributable to an increased gross profit percentage, for the reasons discussed above. Similar to the changes in revenue in Q1 2016 versus Q1 2015, as discussed above in the section entitled "Revenue", reduced sales transacted in foreign currencies in Q1 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 Q1 2016, selling, general and administrative costs increased by 13% or $187,640 to $1,651,592 from $1,463,952 in Q1 2016. 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 Q1 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 Q1 2016 was $13,532 compared to $17,196 during Q1 2015. The Company's interest expense on its long-term debt was lower in Q1 2016 than in Q1 2015, as it carried a smaller principal balance of its bank loan payable. Interest costs on the Company's operating line of credit was also lower in Q1 2016 than in Q1 2015. The overall change in interest expense was nominal.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $49,105 during Q1 2016 compared to $50,149 during Q1 2015.

Share-based compensation

Share-based compensation costs in Q1 2016 were $64,224 lower than in Q1 2015. The decrease in share-based compensation costs is the result of previously issued stock options vesting during 2015, which have resulted in lower overall expenses in accordance with the Company's accounting policies on share-based payments.

Gain on foreign exchange

In Q1 2016, the Company's gain on foreign exchange was $48,783 during Q1 2016 versus $65,394 in Q1 2015. The Company experienced gains in both periods as the result of a significant weakening of the Canadian dollar against the U.S. dollar and British pound sterling.

Provision for (recovery of) income taxes

The Company's total provision for income taxes in Q1 2016 was $33,058 compared to a recovery of income taxes of $14,740 in Q1 2015. Included in the earnings before income taxes are certain non-deductible items for tax purposes. Specifically, a decrease in Q1 2016 from Q1 2015 in share-based compensation by $64,224 is the main reason for the change in the Company's effective income tax rate.

Net earnings (loss)

Net earnings attributable to iFabric's shareholders during Q1 2016 was $39,588 ($0.002 per share, basic and $0.001 diluted) compared to net loss of $160,905 in Q1 2015 ($0.006 per share, basic and diluted). The increase in net earnings in Q1 2016 from a net loss in Q1 2015 is mostly attributable to an increase in revenue of $286,606, an increase in gross profit of $384,643 and a decrease in share-based compensation of $64,244, for the reasons discussed above.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is seasonal and results of operations for any interim period are not necessarily indicative of results of operations for the full fiscal year. 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			
Net earnings attributable to common shareholders	39,588			
Net earnings per common share				
Basic	0.002			
Diluted	0.001			

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 $821,881 as at December 31, 2015 from $852,016 as at September 30, 2015.

Total accounts receivable at the end of Q1 2016 was $1,920,668 compared to $2,143,066 as at September 30, 2015.

Total inventory increased by $584,605 to $5,291,031 at the end of Q1 2016 from $4,706,426 at the end of fiscal 2015. The increase is largely attributable to a weakened Canadian dollar vis-à-vis the U.S. dollar, as the Company's purchases are transacted in U.S. dollars. In addition, the Company increased its stock levels within its Intimate Apparel operating segment to facilitate anticipated future sales growth.

Property, plant and equipment at the end of Q1 2016 totaled $2,479,230 compared to $2,487,880 at the end of fiscal 2015. The Company did not invest in or dispose of any property, plant and equipment during Q1 2016.

Deferred development costs decreased to $557,806 at the end of Q1 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 $764,134 at the end of Q1 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 2016.

Total liabilities at the end of Q1 2016 were $46,023 higher than at the end of fiscal 2015. The Company increased its liabilities mainly with respect to its bank operating line and income taxes payable. The increase in total liabilities was largely offset by a decrease in accounts payable and accrued liabilities.

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 $709,777 was outstanding as at December 31, 2015 (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 December 31, 2015, the total amount of this loan outstanding was $950,000 (September 30, 2015 - $980,000).

Working capital

Working capital represents current assets less current liabilities. As at December 31, 2015, the Company's working capital was $5,489,035 compared to working capital of $5,419,934 as at September 30, 2015, representing an increase of $69,101 or 1%.

Operating activities

Cash used in operating activities during Q1 2016 amounted to $667,670, compared to an amount of $561,846 used in operating activities during Q1 2015, representing an increase of $105,824. The increase in operational cash flow outflow can be largely attributed to greater cash outflows with respect to accounts payable and inventory balances during Q1 2016 versus Q1 2015.

Financing activities

Cash provided by financing activities during Q1 2016 amounted to $637,535, compared to $143,197 provided by financing activities during Q1 2015, representing an increase of $494,338 in financing cash flow. The difference can be mostly attributed to the utilization of the Company's bank operating line, which increased by $709,777 during Q1 2016.

Investing activities

No cash was provided by or used in investing activities during Q1 2016 or Q1 2015.

OFF-BALANCE SHEET ARRANGEMENTS

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

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q1 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 Q1 2016 unaudited condensed consolidated interim financial statements for more information.
- Effective January 16, 2012, the Company entered into an exclusive license agreement for the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. The licensed territory includes certain worldwide areas as specified in the agreement. During the initial license term, the Company is required to pay a monthly royalty of 9% on its net sales as defined in the agreement, on all products sold under the licensed marks. Minimum annual royalties have been established for the contract periods ending December 31, 2013, 2014, and 2015 in U.S. dollar amounts of $144,000, $279,000 and $432,000 respectively. In addition, the Company is required to pay an advertising fee of 2%, payable semi-annually, on its net sales as defined in the agreement, for the promotion of the licensed products. The initial license term is in effect until December 31, 2015 and may be renewed for an additional term of three years on the condition that certain performance goals as defined in the agreement are attained. As of the date of this MD&A, the Company is in the process of negotiating terms for renewing this agreement. It is anticipated that a new agreement will be signed during Q2 2016.
- 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 month periods ended December 31, 2015 and 2014, 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 months ended December 31, 2015 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 1,465,000 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 Q1 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 Q1 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 Q1 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 Q1 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 Q1 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 Q1 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 December 31, 2015. Although the Company's disclosure controls and procedures were operating effectively as of December 31, 2015, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at December 31, 2015 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at December 31, 2015. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal period ended December 31, 2015 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.