

iFABRIC CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended September 30, 2019 and the comparative year ended September 30, 2018. The audited consolidated financial statements and accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein. This MD&A is dated December 23, 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.

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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 and breast lift product. The Division also distributes a range of apparel accessories.

The Division utilizes contract warehouse facilities located in Los Angeles, California which services its key U.S. market and, Company-owned premises located in Markham, Ontario house the bulk of the Division's workforce which comprises of, 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 96-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the Division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand.

Products are sold internationally to the Division's customer base, which includes a number of major retailers as well as specialty boutiques.

Intelligent Fabrics

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

The business of the Intelligent Fabrics Division includes the development, testing and distribution of chemicals suitable for application to textiles as well as finished performance apparel which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer. The current focus is on technologies that improve the safety and well-being of the wearer. The Division's current product offerings include ProtX2® (anti-microbial and anti-viral formulations) Enguard® (insect repellent technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellent) and DryTx (moisture-wicking technology). The Company anticipates that several new products will be added to its pipeline in the future.

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

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The following describes the functionality of the Division's current chemical portfolio:

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 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.

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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.

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SELECTED ANNUAL INFORMATION

The following table sets forth selected annual consolidated statement of earnings (loss) information and balance sheet data for each of the last five fiscal years.

For the year ended and as at September 30,	2019	2018	2017	2016	2015
Income Statement Data					
Revenue	10,435,348	15,121,370	18,856,477	13,570,365	13,074,848
Net earnings (loss) attributable to common shareholders	(1,299,863)	924,743	1,597,070	(373,977)	(109,837)
Net earnings (loss) per common share					
Basic	(0.050)	0.035	0.061	(0.014)	(0.004)
Diluted	(0.050)	0.034	0.059	(0.014)	(0.004)
Balance Sheet Data					
Total assets	11,983,802	14,179,359	14,724,528	12,296,093	11,928,359
Total non-current financial liabilities	476,747	1,818,657	586,544	1,893,809	1,408,893
Cash dividends declared	-	-	-	-	-

Three Year Overview

A discussion of the significant factors which have caused variations in the results of operations over the three most recently completed fiscal years is set out below. The selected financial information set out in this MD&A is not exhaustive and should be read in conjunction with the Company's 2019 audited consolidated financial statements and notes thereto.

Revenue

The amount of revenue reported in 2019 decreased by 31%, as opposed to a 20% decrease in 2018, and a 39% increase in 2017, as compared to each of the immediately preceding fiscal years.

Revenue decreased overall by \$4,686,022 in 2019 versus 2018. The primary source of the decrease in revenue in fiscal 2019 was lower sales in the Intimate Apparel operating segment. In the Company's Intelligent Fabrics operating segment, revenues increased from \$4,109,857 in 2018 to \$4,393,723 in 2019, representing an increase of \$283,866 or 7%. The increase in revenue in this segment was attributable to the continuance of initial performance apparel programs as well as increased chemical sales in Q4 2019. In the Intimate Apparel operating segment, revenue decreased by \$4,982,307 or 46% from \$10,909,112 in 2018 to \$5,926,805 in 2019. This decrease was mainly as a result of the discontinuance of sleepwear programs. Geographically, the Company increased its sales in Canada by 42%, and revenue decreased in the US, UK and Southeast Asia and other regions, by 51%, 38% and 2% respectively, from fiscal 2018 to fiscal 2019.

Revenue decreased overall by \$3,735,107 in 2018 versus 2017. The primary source of the decrease in revenue in fiscal 2018 was lower sales in each of the Company's primary operating segments. In the Company's Intelligent Fabrics operating segment, revenues decreased from \$4,772,590 in 2017 to \$4,109,857 in 2018, representing a decrease of \$662,733 or 14%. Most of the decrease in revenue in this segment was attributable to a major customer reorganizing its supply chain in Asia. This resulted in a delay in shipping chemicals for the future production of this customer. The decrease in chemical sales were partially offset by the first finished product performance apparel products, which commenced shipping to a major Canadian retailer at the end of third quarter of 2018. In the Intimate Apparel operating segment, revenue decreased by \$3,072,375 or 22% from \$13,981,487 in 2017 to \$10,909,112 in 2018. This decrease was mainly as a result of the phase out of sleepwear sales ahead of the Company's previously announced strategic initiatives to focus future product development into its core specialty bra and accessories business, as well as new opportunities in its Intelligent Fabrics segment, to supply finished performance apparel. Sleepwear revenue in the fourth quarter of 2017 alone, comprised approximately \$4 million of total apparel revenue, compared to \$0 in sleepwear sales for the fourth quarter of 2018. Geographically, the Company increased its sales in Canada by 48%, and revenue decreased in the US, UK and Southeast Asia and other regions, by 21%, 12% and 35% respectively, from fiscal 2017 to fiscal 2018.

Revenue increased overall by \$5,286,112 in 2017 versus 2016. The primary source of the increase in revenue in fiscal 2017 was higher sales in each of the Company's primary operating segments. In the Company's Intelligent Fabrics operating segment, revenues increased from \$2,181,527 in 2016 to \$4,772,590 in 2017, representing an increase of \$2,591,063 or 119%. The majority of the increase in revenue in this segment occurred in as a result of the division integrating its products into full-scale manufacturing of key customers. In the Intimate Apparel operating segment, revenue increased by 24% from \$11,272,334 in 2016 to \$13,981,487 in 2017, with most of the increased revenue being generated in the third and fourth quarters of fiscal 2017 and attributable to sleepwear sales. On a geographical basis, the Company increased its sales in Canada, the U.S. and Southeast Asia by 45%, 23%, and 209% respectively, and decreased its sales in the UK by 30% from fiscal 2016 to fiscal 2017.

Net (Loss) Earnings

The net loss attributable to common shareholders of the Company was \$1,299,863 in 2019, compared to net earnings of \$924,743 in 2018 and a net earnings of \$1,597,070 in 2017.

The primary reason for the decrease in net earnings in 2019 versus 2018, was a decrease in total revenue and a decrease gross profit dollars following from the elimination of sleepwear products in the Intimate Apparel operating segment.

The primary reasons for the decrease in net earnings in 2018 versus 2017, were a decrease in total revenue and a decrease gross profit dollars. Revenue decreased in both of the Company's primary operating segments, Intimate Apparel and Intelligent Fabrics. In the intimate Apparel Division decreased revenue was mainly as a result of the elimination of sleepwear products, particularly in Q3 and Q4 of 2018 compared to the same quarters in 2017. For the Intelligent Fabrics Division, most of the decrease in revenue was resultant from a major customer in Southeast Asia reorganizing its supply chain, which caused a delay in chemical deliveries for its 2018/2019 production.

The primary reasons for the increase in net earnings in 2017, from a net loss in 2016, were an increase in total revenue, an increase in gross profit dollars, and a decrease in selling, general and administrative costs. Revenue increased in both of the Company's primary operating segments, Intimate Apparel and Intelligent Fabrics. The intimate apparel division substantially increased revenue with its sleepwear line of products, particularly in Q3 and Q4 2017 compared to the same quarters in 2016. The Intelligent Fabrics division had most of its increase in revenue come from sales in Southeast Asia to major mills that had fully integrated the division's products into their manufacturing processes in 2017 compared to mainly bulk trials in 2016. While gross profit as a percentage decreased by 1% from 2016 to 2017, the overall increase in revenue generated more gross profit in dollars, year over year. In 2017, selling, general, and administrative costs decreased compared to 2016, largely due to savings derived from the Intimate Apparel Division closing its New York design office.

Key factors which have caused variations in the Company's financial position over the three most recently completed fiscal years include:

- **Changes in working capital**

During fiscal 2019, the Intimate Apparel segment fully completed its exit of the sleepwear business, with the result that sleepwear assets, mainly in the form of inventory was converted back into cash. Accordingly, the amount of inventory as at September 30, 2019, was \$2,752,089 compared to \$4,293,436 as at September 30, 2018. The net loss recorded in 2019 was the main contributor to the decrease in working capital in 2019 as opposed to earnings recorded in the 2018 and 2017 financial years, which resulted in increases in working capital for those years. The increase in ownership in the Company's property owing subsidiary at a cost of \$400,000 during fiscal 2019 was an additional contributor to the decrease in working capital in 2019. Changes in working capital are more fully discussed in the section dealing with liquidity and cash flow below.

- **Changes in property, plant, and equipment**

During fiscal 2019, the Company made acquisitions of capital assets of approximately \$75,000 as compared to fiscal 2018, where the Company undertook a minor reconfiguration of its office space at a cost of approximately \$40,000. In 2017 there were no major changes in property, plant and equipment.

- **Changes in non-current financial liabilities**

During fiscal 2019, the Company's fixed term loan became current, which is the primary reason for the decrease in non-current financial liabilities. During fiscal 2018, the Company restructured its bank loan to a fixed term loan, which resulted in \$1,258,289 of the total loan of \$1,337,251 as at September 30, 2018, being classified as non-current. This is the primary reason for the increase in non-current liabilities from 2017 to 2018. During fiscal 2017, the company replaced this bank loan with a new demand term loan, which was classified as current, while the prior loan was classified as non-current. This is the primary reason for the decrease in non-current liabilities from 2016 to 2017.

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(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS

The following table sets forth the Company's consolidated statements of earnings and comprehensive earnings:

For the year ended September 30,	2019	2018
REVENUE	10,435,348	15,121,370
COST OF SALES	6,687,652	8,017,914
GROSS PROFIT	3,747,696	7,103,456
EXPENSES		
Selling, general and administrative costs	5,118,744	5,425,859
Interest on operating line	-	9,395
Interest on bank loan	47,361	56,990
Amortization of property, plant and equipment	66,808	68,870
Amortization of deferred development costs	43,884	124,078
Share-based compensation	120,928	151,839
	5,397,725	5,837,031
(LOSS) EARNINGS FROM OPERATIONS	(1,650,029)	1,266,425
OTHER EXPENSES (INCOME)		
Gain on foreign exchange	(46,400)	(105,663)
Loss on disposal of capital assets	14,579	-
	(31,821)	(105,663)
(LOSS) EARNINGS BEFORE INCOME TAXES	(1,618,208)	1,372,088
(RECOVERY OF) PROVISION FOR INCOME TAXES		
Current	(245,761)	454,131
Deferred	(75,767)	(9,300)
	(321,528)	444,831
NET (LOSS) EARNINGS	(1,296,680)	927,257
NET (LOSS) EARNINGS ATTRIBUTABLE TO:		
iFabric Corp. shareholders	(1,299,863)	924,743
Non-controlling interest	3,183	2,514
	(1,296,680)	927,257
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Unrealized (loss) gain on translation of foreign operations	(44,204)	182,403
TOTAL COMPREHENSIVE (LOSS) EARNINGS	(1,340,884)	1,109,660
(LOSS) EARNINGS PER SHARE		
Basic	(0.050)	0.035
Diluted	(0.050)	0.034

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SELECTED OPERATING SEGMENT DATA

	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	
Operating Segments 2019					
External revenues	5,926,805	4,393,723	114,820	-	10,435,348
Earnings (loss) before income taxes	(1,075,111)	(484,603)	12,842	(71,336)	(1,618,208)
Operating Segments 2018					
External revenues	10,909,112	4,109,857	102,401	-	15,121,370
Earnings (loss) before income taxes	1,382,199	104,458	12,217	(126,786)	1,372,088

FISCAL 2019 RESULTS COMPARED WITH FISCAL 2018**Revenue**

Revenue decreased by \$4,686,022 to \$10,435,348 in 2019 from \$15,121,370 in 2018. With respect to reportable operating segments of the Company, revenue increased by \$283,866 or 7% in its Intelligent Fabrics segment and revenue decreased by \$4,982,307 or 46% in its Intimate Apparel segment.

Revenue decreased by 31% on a consolidated basis from 2019 to 2018. In the Company's Intelligent Fabrics operating segment the increase in revenue in this segment was attributable to the continuance of initial performance apparel programs as well as an increase in chemical sales in Q4 2019. In the Intimate Apparel operating segment, the decrease was mainly as a result of the discontinuance of sleepwear programs. Geographically, the Company increased its sales in Canada by 42%, and revenue decreased in the US, UK and Southeast Asia and other regions, by 51%, 38% and 2% respectively, from fiscal 2018 to fiscal 2019.

Gross profit

Gross profit as a percentage of revenue decreased to 36% in 2019 from 47% in 2018. The decrease in gross profit percentage is primarily due to a major packaging refresh and clearances of residual sleepwear in the Intimate Apparel segment, as well as a higher proportion of Intelligent Fabric segment sales at lower margins in 2019 compared to 2018. Gross profit in dollars decreased by 47% or \$3,355,760 to \$3,747,696 in 2019 from \$7,103,456 in 2018. The decrease in gross profit dollars is largely attributable a decrease in revenue and a decrease in gross margins, for the reasons discussed above.

Selling, general and administrative costs

Selling, general and administrative costs decreased by \$307,115 to \$5,118,744 in 2019 compared to \$5,425,859 in 2018, primarily due to savings in payroll expenses.

Interest Expense

Interest expense during 2019 totaled \$47,361 compared to \$66,385 during 2018. The reduction in interest expense was the result of a reduction in the Company's bank term loan balance during the year as well as interest savings on the Company's operating line, which was unutilized in fiscal 2019.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$110,692 during 2019 compared to \$192,948 during 2018. The decrease is attributable to certain deferred development costs having been fully amortized during the course of 2019.

Share-based compensation

Share-based compensation costs in 2019 were \$30,911 lower than in 2018 and amounted to \$120,928 in 2019 compared to \$151,839 in 2018. The decrease in share-based compensation costs is the result of a reduction in the amount of stock options vesting in 2019 compared to 2018.

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Loss (gain) on foreign exchange

In 2018, the Company's gain on foreign exchange was \$46,400 versus a gain of \$105,663 in 2018. This change is the result of the strength of the Canadian dollar in 2019 compared to 2018.

Provision for (recovery of) income taxes

The Company's recovery of income taxes in 2019 was \$321,528, compared to a provision for income taxes of \$444,831 in 2018. Variances in the amount of items not deductible for tax purposes is the main reason for the difference in the effective tax rate between 2019 and 2018.

Net earnings (loss)

Net loss attributable to iFabric's shareholders during 2019 was 1,299,863 (\$0.050 per share, basic and diluted) compared to net earnings of \$924,743 in 2018 (\$0.035 per share, basic and \$0.034 per share, diluted). The decrease in net earnings in 2019 is mostly attributable to a decrease in revenue of \$4,686,022 and a corresponding decrease in gross profit dollars of \$3,355,670. The impact of these decreases was partially offset by a recovery of income taxes.

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc., Intelligent Fabric Technologies (North America) Inc., and ProtX (Shanghai) Trading Co., Ltd., currently utilize the United States dollar as their functional currency due to the increasing prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. In 2019, a loss of \$44,204 was included in other comprehensive earnings (loss), in respect of the accumulated unrealized loss arising on the currency translation of foreign operations, compared to a gain of \$182,403 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. All quarterly results and figures, and their related discussion topics, are unaudited.

SUMMARY OF QUARTERLY RESULTS

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

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Q4 2019 FINANCIAL HIGHLIGHTS

	2019	2018
Revenue	3,175,167	2,491,691
Earnings (loss) from operations	174,747	(606,393)
Share based compensation	(11,739)	(22,987)
Adjusted EBITDA *(Note)	383,096	(467,219)
Net earnings (loss) before tax	333,723	(528,625)
Net earnings (loss) after tax attributable to shareholders	285,866	(221,106)
Other comprehensive earnings (loss)	(149,418)	(122,906)
Total comprehensive earnings (loss)	144,528	(344,964)
Net earnings (loss) per share		
Basic	0.011	(0.009)
Diluted	0.011	(0.009)

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

2019 FOURTH QUARTER RESULTS COMPARED WITH 2018 FOURTH QUARTER RESULTS**Revenue**

Revenue during Q4 2019 increased by 27% or \$683,476 to \$3,175,167 from \$2,491,691 during Q4 2018. With regard to its two main operating segments, revenue in its Intelligent Fabrics segment increased by \$229,924 from \$1,019,193 in Q4 2018 to \$1,249,117 in Q4 2019 whereas, revenue in its Intimate Apparel segment increased by \$423,520 from \$1,446,897 in Q4 2018 to \$1,870,417 in Q4 2019. The increase in Intelligent Fabrics segment revenue was mainly as a result of higher chemical sales in 2019 compared to 2018. In the Intimate Apparel segment the increase in revenue was mainly attributable to sales of the new patented breast lift product launched during the year, as well as new customers.

Gross profit

Gross profit as a percentage of revenue during Q4 2019 increased to 44% from 35% in Q4 2018. The increase in gross profit percentage in Q4 2019 is mostly attributable to the sales mix for the quarter, which had a greater proportion of Intimate Apparel sales at higher margins compared to Intelligent Fabric sales, when compared to Q4 2018. Gross profit in dollars during Q4 2019 increased by 60% or \$526,931 to \$1,409,559 from \$882,628 in Q4 2018. The increase in gross profit in dollars is attributable to increased revenue and the increase in gross profit percentage, as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs during Q4 2019 decreased by \$242,176, or 17%, to \$1,185,439 from \$1,427,615 in Q4 2018. Decreases were mainly from reduction in office salaries and management fees.

Interest expense

Interest expense during Q4 2019 was \$11,630 compared to \$16,465 during Q4 2018. The decrease was mainly attributable to the Company carrying a lower bank loan balances in Q4 2019 compared to Q4 2018.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$26,004 during Q4 2019 compared to \$21,954 during Q4 2018. The increase is mostly due to additional deferred development costs commencing amortization in fiscal 2019.

Net earnings

Net earnings attributable to iFabric's shareholders during Q4 2019 was \$285,866 (\$0.011 per share, basic and diluted) compared to net loss of \$221,106 (\$0.009 per share, basic and diluted) during Q4 2018 representing an increase of \$506,972 in net earnings. The increase in earnings can be mostly attributed to the higher revenues and gross profit dollars in Q4 2019 versus 2018.

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., and Protx (Shanghai) Trading Co. Ltd., utilize the United States dollar as their functional currency due to the increasing prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. For Q4 2019, there was a decrease of \$149,418 in other comprehensive earnings (loss) compared a decrease of \$122,906 in Q4 2018, in respect of unrealized losses arising on currency translation of foreign operations. The main reason for these decreases was the strengthening of the Canadian dollar towards the end of both the 2019 and 2018 financial years.

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

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's consolidated statements of financial position as at September 30, 2019 and September 30, 2018:

As at	September 30, 2019	September 30, 2018
ASSETS		
Current assets		
Cash	2,287,548	3,542,899
Accounts receivable	2,358,120	2,200,669
Inventories	2,752,089	4,293,436
Income taxes recoverable	299,640	-
Prepaid expenses and deposits	256,976	165,296
Foreign exchange forward contracts	58,830	37,055
Total current assets	8,013,203	10,239,355
Non-current assets		
Due from related parties	112,248	123,000
Property, plant and equipment	2,799,103	2,844,091
Deferred development costs	107,279	151,163
Deferred income taxes	896,919	766,700
Goodwill	55,050	55,050
Total non-current assets	3,970,599	3,940,004
Total assets	11,983,802	14,179,359
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	797,947	770,790
Income taxes payable	13,114	413,239
Current portion of contract liability	168,795	39,300
Current portion due to related parties	263	15,023
Current portion of bank loan payable	1,258,351	78,962
Total current liabilities	2,238,470	1,317,314
Non-current liabilities		
Contract liability	-	91,700
Due to related parties	476,747	468,668
Bank loan payable	-	1,258,289
Total non-current liabilities	476,747	1,818,657
Total liabilities	2,715,217	3,135,971
Commitments		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	2,963,824	2,963,824
Reserves	2,293,619	2,567,433
Retained earnings	3,860,997	5,315,707
Accumulated other comprehensive earnings	138,199	182,403
Total equity attributable to iFabric Corp. shareholders	9,256,639	11,029,367
Non-controlling interest	11,946	14,021
Total equity	9,268,585	11,043,388
Total liabilities and equity	11,983,802	14,179,359

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance decreased to \$2,287,548 as at September 30, 2019 from \$3,542,899 as at September 30, 2018, mainly as a result of an increased investment in a subsidiary as well as the losses for the year.

Total accounts receivable at the end of 2019 was \$2,358,120 compared to \$2,200,669 at the end of 2018, representing an increase of \$157,451.

Total inventories decreased by \$1,541,347 to \$2,752,089 at the end of 2019 from \$4,293,436 at the end of 2018. The decrease was mainly attributable to the discontinuance of sleepwear in the Intimate Apparel operating segment.

Property, plant and equipment at the end of 2019 totaled \$2,799,103 compared to \$2,844,091 at the end of 2018. The Company's net investments in property, plant, and equipment totaled \$36,399 in 2019, with the difference attributable to amortization.

Deferred development costs decreased to \$107,279 at the end of 2019 from \$151,163 at the end of 2018. The decrease is attributed to amortization of deferred development costs for products commercially available for sale during 2019.

Deferred income taxes increased to \$896,919 at the end of 2019 from \$766,700 at the end of 2018. The increase is mostly attributable to the losses incurred in the Company's Intelligent Fabrics operating segment during the 2019 fiscal year.

Total liabilities at the end of 2019 were \$420,754 lower than at the end of 2018 and amounted to \$2,715,217 compared to \$3,135,971 in 2018. The Company decreased its liabilities mainly with respect to income taxes 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, 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 September 30, 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. Land and buildings were valued by an independent valuator at \$6,800,000 as at September 30, 2019, representing an increase of approximately \$4,000,000 over the book value of these assets.

Bank Loan

One of the Company's subsidiaries has a fixed 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 29, 2032, maturing February 28, 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.

As at September 30, 2019, the total amount of this loan outstanding was \$1,258,351 (2018 - \$1,337,251). Management expects to renegotiate this loan at or before maturity.

Working capital

Working capital, represents current assets less current liabilities. As at September 30, 2019, the Company's working capital \$5,774,733 compared to working capital of \$8,922,041 as at September 30, 2018, representing a decrease of \$3,147,308. The decrease in working capital is mainly attributable to the bank term referred to above, being classified as non-current in 2018, and subsequently becoming current in 2019 resultant from its maturity on February 28, 2020. The acquisition of an additional 15% in property owning subsidiary 2074160 Ontario Inc. at a cost of \$400,000 and the losses during the year also contributed to the reduction in working capital.

Operating activities

Cash used in operating activities totaled \$689,167 in 2019, compared to an amount of \$3,895,074 provided by operating activities during 2018. The decrease in operational cash inflow can be largely attributed to the decrease in the Company's earnings for fiscal 2019 compared to 2018.

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MANAGEMENT'S DISCUSSION & ANALYSIS

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Financing activities

Cash used in financing activities during 2019 amounted to \$485,581, compared to \$1,163,674 used in financing activities during 2018, representing a decrease of \$678,093 in financing cash outflow. The outflow in 2019 is mainly due to the increase in ownership in the Company's property owing subsidiary at a cost of \$400,000, as detailed above. The cash outflow in 2018 is mostly attributable to the repayment of the Company's bank operating line and an accelerated payment made against the Company's term loan.

Investing activities

Cash used in investing activities totaled \$36,399 in 2019 compared to an amount of \$39,329 used in investing activities during 2018 in respect to the acquisition of capital assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2019, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

The following details the Company's contractual obligations, under various operating lease agreements as at September 30, 2019:

Contractual obligations	Payments due by fiscal year end				Subsequent years	Total
	2020	2021	2022	2023		
Operating leases	313,688	52,108	37,688	2,225	-	405,709

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 to the Company's 2019 annual consolidated 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

- (a) Key management personnel of the Company are those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the Company's Board of Directors, which includes three executive officers of the Company.

Remuneration of key management personnel of the Company was as follows:

	2019	2018
Salaries, management and professional fees, directors' fees, and short-term benefits	730,763	861,835
Share-based compensation	66,787	-
	797,550	861,835

Further information about the remuneration of certain individual executive officers and members of the Board of Directors will be provided in the Company's Management Information Circular, to be filed in respect of its fiscal 2020 shareholders' meeting.

- (b) Included in selling, general and administrative costs are management fees in the amount of \$7,150 (2018 - \$5,424) paid to a company controlled by a director of one of the Company's subsidiaries.

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(In Canadian dollars, except as otherwise noted)

- (c) Included in revenue is rental income earned in the amount of \$38,895 (2018 - \$48,284) from a company controlled by a director of one of the Company's subsidiaries.
- (d) Included in accounts payable and accrued liabilities is an amount of \$6,000 (2018 - \$9,000) due to directors and key management personnel of the Company in respect of unpaid fees.
- (e) Included in selling, general and administrative costs is an amount of \$39,560 (2018 - \$45,751) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.

FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk.

In order to mitigate its credit risk, the Company insures its trade accounts receivable with AIG Insurance Company of Canada based on specific or discretionary credit limits, dependent on the level of amounts outstanding from individual customers at that time.

The Company's maximum exposure to credit risk is \$2,358,120 (2018 - \$2,200,669). Included in selling, general and administrative costs are bad debts of \$28,870 (2018 - \$10,928) expensed during the year.

The aging of trade accounts receivable is as follows:

	September 30, 2019	September 30, 2018
Trade receivables not past due	1,330,815	1,544,795
Trade receivables past due and not impaired		
Under 31 days	633,086	385,286
31 - 60 days	164,305	135,673
61 - 90 days	32,890	100,526
Over 90 days	191,888	47,348
Trade receivables, net of allowance for doubtful accounts	2,352,984	2,213,628

Economic dependence

Approximately 37% of the Company's total sales were to two customers (2018 - 50% of sales were to two customers). At September 30, 2019, two customers accounted for 44% (September 30, 2018 - two customers accounted for 68%) of the Company's accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities. The Company is exposed to this risk mainly with respect to its bank indebtedness, accounts payable and accrued liabilities, income taxes payable, related party loans, bank loan payable, and commitments. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains an adequate line of credit to pay trade creditors and repays long term debt interest and principal as it becomes due using cash generated from operations.

	Carrying amount	Contractual cash flow	2020	2021	2022	2023	2024
Minimum guaranteed royalties	-	247,644	247,644	-	-	-	-
Operating lease obligations	-	158,065	66,044	52,108	37,688	2,225	-
Bank loan payable	1,258,351	1,257,591	1,257,591	-	-	-	-
Trade and other payables	979,856	979,856	979,856	-	-	-	-
Related party loans	477,010	477,010	263	476,747	-	-	-
	2,715,217	3,120,166	2,551,398	528,855	37,688	2,225	-

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

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Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), British Pounds Sterling ("GBP"), and New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The Company manages its currency risk with foreign exchange forward contracts. The following balances were included in the 2019 financial statements:

USD	September 30, 2019	September 30, 2018
Cash	1,378,292	1,934,790
Accounts receivable	1,061,886	1,025,951
Accounts payable and accrued liabilities	(350,645)	(286,206)
Foreign exchange forward contract margin deposit	59,970	60,050
	2,149,503	2,734,585

GBP	September 30, 2019	September 30, 2018
Cash	56,867	190,260
Accounts receivable	11,417	69,134
Accounts payable and accrued liabilities	-	1,635
	68,284	261,029

TWD	September 30, 2019	September 30, 2018
Cash	2,285,339	573,035
Accounts receivable	8,225,112	3,162,972
Accounts payable and accrued liabilities	(182,121)	(86,439)
	10,328,330	3,649,568

RMB	September 30, 2019	September 30, 2018
Cash	5,403	-
Accounts receivable	407,873	-
Accounts payable and accrued liabilities	(411,693)	-
	1,583	-

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD against the Canadian Dollar as at September 30, 2019, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$41,000 in net earnings (loss) for 2019, all other variables held constant. The effect of a 5% strengthening (weakening) of the GBP against the Canadian Dollar as at September 30, 2019, in relation to the net amount of GBP-denominated currency balances, would have resulted in an increase (decrease) of approximately \$4,000 in net earnings (loss) for 2019, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at September 30, 2019, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$16,000 in net earnings (loss) for 2018, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at September 30, 2019, in relation to the net amount of RMB-denominated currency balances, would have resulted in no effect to the net earnings (loss) for 2019, all other variables held constant.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its secured bank loan and its bank operating line, which bear interest at floating rates, since changes in market rates can cause fluctuations in cash flows.

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately \$10,000 in net earnings (loss) for 2019, all other variables held constant.

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 1,735,250 were exercisable.

Financial

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

Competition

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

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

Licensing Arrangements

The Company will be reliant on a number of key licensing and distribution agreements and its future performance could be materially affected by a termination of one or more of such agreements. Termination could arise as a result of any of the following:

- Failure to pay royalties or advertising contributions;
- Failure to meet minimum purchase obligations;
- Failure to achieve minimum sales targets;
- The breach of a material covenant;
- Failure to ship licensed products to authorized customers;
- Failure to give notice of intention to renew within the stipulated time period

Key Personnel

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. As the Company's business activities grow, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Technological Advancements

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

Intellectual Property

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

Government Regulation and Regulatory Approvals

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

With regard to its Intelligent Fabrics operating segment, the Company is dependent on regulatory approvals or registrations and the legal systems in the markets in which it operates, such as the U.S. Environmental Protection Agency ("EPA") and Health Canada. The Company currently has certain EPA registrations and is in process of securing additional approvals from both the EPA and Health Canada. There is no certainty that such approvals will be granted and regulators could, even after granting such approvals, be stringent on non-compliance with regulatory requirements or change such requirements, which could have a material adverse effect on the Company's business and result in adverse publicity.

Customer Adoption

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities at the end of the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

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

Significant assumptions about the future that management has made and that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Revenue recognition

Revenue recognized from contracts with variable consideration is based on estimates and judgments on achieving future milestones and project unit sales.

Valuation of inventories

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

Valuation of receivables

Provisions for expected credit losses are prepared by management based on historical rates of impairment.

Recoverability of deferred development costs

Management deems all such costs as recoverable based on the expectation of realizing future economic benefits through the profitable commercialization of the relevant products under development.

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(In Canadian dollars, except as otherwise noted)

Benefits of deferred income tax assets

The recognition of deferred income tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which the deferred income tax assets can be utilized is based on management's best estimate of future taxable income that the Company expects to achieve based on its internal projections. The estimate is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. Deferred income tax assets are recognized to the extent it is probable that estimated taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

Estimated useful life of property, plant and equipment

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

Share-based payment transactions

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

Actual results could differ from these estimates and may require a material adjustment to the carrying amount of affected assets and liabilities, or on the reported results of revenues, expenses, gains or losses.

ACCOUNTING POLICY DEVELOPMENTS

(a) Adoption of new or amended accounting standards

During the year ended September 30, 2019, the Company adopted IFRS 9, "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" using the cumulative method.

The adoption of IFRS 9 resulted in no impact to the net earnings or opening retained earnings of comparative periods. The Company has utilized the exemption of restating comparative information upon transition.

As a result of the adoption of IFRS 15, management reviewed the recognition of license revenue, which resulted in an adjustment to opening retained earnings, revenue, deferred income tax, and contract liability. The following table presents the impact from the adoption of IFRS 15 on the consolidated statement of comprehensive (loss) earnings.

	Year ended September 30, 2019		
	Pre-adoption of IFRS 15	IFRS 15 Adjustments	As reported
Revenue	10,297,553	137,795	10,435,348
Deferred income tax provision	(112,200)	36,433	(75,767)
Gain on foreign exchange	(48,087)	1,687	(46,400)
Total comprehensive (loss) earnings	(1,440,559)	99,675	(1,340,884)

	Balance at		Balance at
	September 30, 2018	IFRS 15 Adjustments	October 1, 2018
ASSETS			
Deferred income tax	766,700	54,452	821,152
LIABILITIES			
Contract liability	131,000	209,299	340,299
EQUITY			
Retained Earnings	5,315,707	(154,847)	5,160,860

(b) 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, 2019 or later periods. The standards 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.

Management is expecting an increase to assets and liabilities due to the requirement to record a right-of-use asset and corresponding lease liability using an initial present value of unavoidable future lease payments on the Consolidated Statement of Financial Position. It is expected that there will be a decrease to selling, general, and administrative costs, an increase to interest costs (due to the accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-to-use asset) on the Consolidated Statement of (Loss) Earnings and Comprehensive (Loss) Earnings. Actual cash flows are expected to be unaffected, cash flows from operations are expected to increase and cash flows from financing activities are expected to decrease. Leases with a low value or a duration of twelve months or less may be exempt.

- ii) IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" ("IFRIC 23"), was published in June 2017 and clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Interpretation requires"

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The interpretation requires retrospective application, with some practical expedients available on adoption. The Company is currently assessing the impact of the Interpretation 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 September 30, 2019. Although the Company's disclosure controls and procedures were operating effectively as of September 30, 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 September 30, 2019 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at September 30, 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 year ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

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ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com. Additional information can also be found on the Company's website at www.ifabriccorp.com.