



iFABRIC CORP.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form ("Annual Information Form" or "AIF") contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of iFabric Corp. ("iFabric" or the "Company"). Often, but not always, forward-looking statements 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 statements are 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 statements 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 statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors" and should be considered carefully by readers. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

Given the impacts of COVID-19 and resulting ongoing uncertainty, there can be no assurances regarding: (a) the COVID-19 related impacts on the Company's business, operations and performance, (b) the Company's ability to mitigate such impacts; (c) credit, market, currency, operational, and liquidity risks generally; and (d) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

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 statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of this Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

BUSINESS OF iFABRIC

Except as otherwise stated, the information contained in this Annual Information Form is given as of December 28, 2021. All dollar amounts are expressed in Canadian dollars.

Summary

iFabric has two key strategic divisions, which offer different products and services, and are managed separately because they require different marketing strategies. The following summarizes the business of each division:

Intimate Apparel Division

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 reversible bra, patented bandeau bra and patented breast lift product. The division also distributes a range of apparel accessories. The Division is managed by Hylton Karon, President and CEO of iFabric.

The division utilizes contract warehouse facilities located in Los Angeles, California in order to service its key US market and Company-owned premises located in Markham, Ontario house the bulk of the division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution centre for the Canadian and European markets.

All product design is handled by the Markham design team and, currently over 95% of the division's inventory production is outsourced to factories in China.

In the past several years, the Company has positioned the division's product strategy by way of leveraging a key license agreement in order to sell products under various Maidenform® brands. The Maidenform® brand was founded in 1922 and during its 99-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 major retailers, online distributors, as well as specialty boutiques.

Intelligent Fabrics Division

A second strategic division commenced operations in 2010 when the Company obtained exclusive North American distribution rights for new generations of intelligent textile technologies which can kill bacteria and viruses, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. North American distribution rights were subsequently expanded to worldwide distribution rights. The Intelligent Fabrics Division is currently the main driving force of the Company's future growth and expansion. The Intelligent Fabrics Division operates through the Company's wholly-owned subsidiary, Intelligent Fabric Technologies (North America) Inc. ("IFTNA"). The Division is managed by Giancarlo Beevis, President and CEO of IFTNA.

The business of the Intelligent Fabrics Division includes the development, testing and distribution of specialty textiles as well as chemicals suitable for application to textiles. The current focus is on technologies that improve the safety and well-being of the wearer. In addition, the division designs and manufactures finished performance apparel which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer.

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), Omega+ (joint and muscle recovery), TempTx (thermal regulator), Apollo (body odour neutralizer), DryTx (moisture-wicking technology), BioTX (metal free anti-stink solution), RepelTX Eco Plus (fluorine-free durable water repellent), IMPRINT (logo exposing moisture-wicker) and DriForce (fabric interior moisture-wicker). The Company anticipates that several new products will be added to its pipeline in the future. The right to sell and distribute these products is governed by an exclusive perpetual license agreement, the details of which can be found on pages 27 and 38 of this AIF.

The division has two supply centers in Asia (namely China and Taiwan) which service the Asian market. In addition, the division utilizes a contract warehouse located in Los Angeles, California in order to distribute finished performance apparel for the US market and a Company owned warehouse in Markham, Ontario serves as the distribution centre for the Canadian market. Technical support specialists in Asia provide guidance and support to customers and finished product suppliers, regarding the integration of the Company's chemical formulations in their products.

All performance apparel design is handled by the Markham design team and, currently over 95% of the division's production of finished performance apparel is outsourced to factories in Asia. Development, testing and improvement of the division's chemical formulations is mainly handled by the division's technical team in Asia.

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.

Products

Protx2®

Protx2® represents the Intelligent Fabrics Division's flagship technology. Protx2® has been formulated to combat harmful bacteria and viruses at the source, utilizing a unique triple attack as follows:

1) Disruption of the cell wall coupling enzyme

By blocking development of the cell wall there is no mechanism by which the cell is able to repair or replace weak wall components, so over time the cell wall will disintegrate.

2) Disruption of the cell's nutrition ability

Protx2® binds to the nutrients that the cell requires for growth, thereby preventing access to such nutrients. If the cell cannot bind to nutrients, for all intents and purposes the cell starves to death for lack of nutrition.

3) Inhibition of ATP synthesis

Every cell requires energy in order to survive, grow and multiply. Cells gain energy through the conversion of molecules into adenosine triphosphate ("ATP"), a process which requires hydrogen ions. ATP is the most commonly used "energy currency" of cells from most organisms. Protx2® prevents the uptake of hydrogen ions thereby depriving the cell of its energy source.

A substantial body of comparative testing conducted by the Company at third party United States

Environmental Protection Agency (EPA) approved laboratories over a period of approximately five years, have shown Protx2® to be consistently more effective at combating bacteria and viruses than competing technologies. In addition, Protx2® has also shown itself to be consistently more durable to washing during normal laundry cycles, with certain fabric blends yielding no loss in efficacy even after 100 washes.

The following table highlights the attributes of Protx2® compared to competing technologies when applied to textiles, based on third party laboratory testing and analysis:

	<u>Effectiveness⁽¹⁾</u>	<u>Durability to Laundering⁽²⁾</u>	<u>Discolouration Issues</u>	<u>Environmental Impact</u>
Protx2®	High	High	No	Dilutes in Water
Silver	Medium	Medium	Yes	Depletes into Effluent
Triclosan	Medium	Medium	No	Can Degrade to Toxins
Silane Quat	Low	Low	No	Bound Silane

- (1) Efficacy rating of high = bacterial kill rate of greater than 90% within 1 hour, with a sustained kill rate of greater than 90% at the end of 24 hours.
 Efficacy rating of medium = bacterial kill rate of between 30% and 70% within 1 hour, with a sustained kill rate within the same range at the end of 24 hours.
 Efficacy rating of low = bacterial kill rate of less than 30% within 1 hour with a sustained kill rate of an equivalent percentage at the end of 24 hours.
- (2) Durability to laundering high = greater than 50 washes without loss of efficacy
 Durability to laundering medium = 25 to 49 washes without loss of efficacy
 Durability to laundering low = less than 25 washes without loss of efficacy

The Company is currently targeting three key markets with regard to the distribution of Protx2®:

1) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear brands and manufactures to offer technologically enhanced products. This category of apparel is generally referred to as performance apparel. With the ability of Protx2® to combat odour causing bacteria, the Company can 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 several 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 EPA registrations, the Company can distribute Protx2® for use in all sportswear and footwear for distribution in the United States. In addition to supplying chemical formulations to major brands, the Intelligent Fabrics Division also designs, manufactures and supplies finished performance apparel to major retailers. Further, the Division will be launching its own performance apparel brands, Underit® and Versus®, in early 2022. After successful testing in May 2020, showed that Protx2® has the ability to disable the SARS-CoV-2 virus, which causes the COVID-19 disease, a number of major customers commenced integrating Protx2® in sports and medical masks and, other performance apparel garments.

In support of its performance apparel goals, the company registered a number of apparel patents and trademarks during fiscal 2019, 2020 and 2021.

The worldwide market for High Performance Apparel is expected to grow at a compound annual growth rate of roughly 9.5% over the next five years, and will reach 106 billion US\$ in 2024, from 61 billion US\$ in 2019.¹

¹ GIR (Global Info Research) study.

2) Medical

A 2009 report issued by the Centers for Disease Control and Prevention ("CDC") provides a range of estimates for the annual direct hospital cost of treating healthcare-associated infections ("HAI"s) in the United States. According to the report, the overall annual direct medical costs of HAIs in 2007 (after adjusting for inflation using the CPI for inpatient hospital services) is estimated to be between US\$35.7 billion to US\$45 billion. The report further estimates the financial benefits of prevention arising from possible infection control interventions at a low of US\$5.7 billion and a high of US\$31.5 billion.² Furthermore, the cost estimate of the current COVID-19 pandemic to world economies, is estimated at between US\$8.1 trillion and US\$15.8 trillion.³

The CDC's *Antibiotic Resistance Threats in the United States, 2019* (2019 AR Threats Report) includes the latest national death and infection estimates that underscore the continued threat of antibiotic resistance in the U.S. According to the report, more than 2.8 million antibiotic-resistant infections occur in the U.S. each year, and more than 35,000 people die as a result. In addition, 223,900 cases of *Clostridioides difficile* occurred in 2017 and at least 12,800 people died. These statistics are expected to increase exponentially in the future.

In addition, the CDC reports that there are around 20 million cases of Norovirus infections in the US each year leading to over 70,000 hospitalizations.⁴ As at the date of this AIF, worldwide infections attributable to the COVID-19 causing virus were approaching the 238 million mark and worldwide deaths are around the 4.5 million mark, with approximately 815,000 deaths recorded in the United States alone.⁵

The Protx2[®] range of products can assist in combating healthcare and community acquired bacterial infections, including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia, and by their application may greatly assist in reducing the level of such infections. In addition, Protx2[®] has displayed wide spectrum efficacy against viruses and has proven effective against SARS-CoV-2 (which causes the COVID-19 disease), as well as the Human Coronavirus, Norovirus and H1N1.

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 (or home) environment, including, scrubs, bedding, curtaining, carpeting, walls, air filters and numerous plastic components amongst others.

In order to fully enter the medical market with Protx2[®], the Company is in the process of securing a second and higher level of EPA registrations, termed public health claims, that will allow it to make applicable claims in connection with the efficacy of Protx2[®] ("kill claims") against both bacteria and viruses, for medical use. The final submissions to the EPA have been made as at the date of this AIF and approvals are currently pending. IFTNA has also filed utility patent applications in both the United States and Canada in respect of the Company's antiviral treatment of textiles (ProTX2 AV) and its stand-alone laundry additive (AVguard).

Limited entry into the medical market in the form of scrubs treated with Protx2[®] by a major customer, has already commenced at the date of this AIF, via programs for both the retail scrubs market as well as the direct to hospital market.

As a further precursor to gaining entry into the wider medical market, the Intelligent Fabrics Division has concluded arrangements to conduct clinical trials at the medical facilities of two major health care groups in the United States. These trials were initially scheduled to commence in early 2020, but have been delayed

² "The Direct Medical Costs of Healthcare-associated Infections in U.S. Hospitals and the Benefits of Prevention" March 2009, Centers for Disease Control and Prevention

³ World Economic Forum

⁴ U.S. Trends and Outbreaks – Centers for Disease Control and Prevention

⁵ World Health Organization

due to the current COVID-19 pandemic and, have since been rescheduled to commence in February 2022, conditions arising from the COVID-19 pandemic permitting.

3) Community protection

The current COVID-19 pandemic has underscored the need for individuals to protect themselves when entering closed environments such as aircraft, shopping malls, hotels, and even ones residence, as well as close proximity environments such as sports arenas, movie houses etc. With future pandemics being predicted by experts, the supply of equipment, apparel, washes and sanitizers, that can deactivate infectious bacteria and viruses, is set to become one of the fastest growing market segments. With its Protx2® technologies, IFTNA is well positioned to capitalize on the opportunity to supply its chemical treatments, finished personal protection equipment and apparel and, a laundry additive that can be utilized during a normal household laundry cycle.

Enguard® Insect Repellent Fabric

Laboratory testing conducted by the Company confirms Enguard® to be a highly effective, child safe and durable insect repellent.

The Company intends to pursue regulatory approvals for Enguard® with the EPA after the receipt of the Protx2® approvals.

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.

By providing a surface that is free from skin irritants such as laundry detergent residue and dust, Dreamskin® treated fabrics provide for a luxurious wearing experience without irritation or dryness.

In particular, athletic apparel has two key areas that can cause skin irritation, namely friction and excessive moisture. Dreamskin® targets both to help prevent irritation during sporting activities.

The roll-out of Dreamskin® to the market as a retail product commenced via finished bedding and bathroom products treated with a combination of Dreamskin® and Protx2®, which has been supplied to a customer under a strategic production, sales and marketing agreement between IFTNA and the customer. The target markets for these products is international hotel groups as well as retail customers.

UVtx™

Textiles infused with UVtx™ provide 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 do not lose efficacy over time. UVtx™ does not require regulatory approvals and is commercially available for sale.

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 are effective even when wet. FreshTx™ does not require regulatory approvals and is commercially available for sale.

Apollo

Apollo is a treatment for combating odour. With the use of an antimicrobial + neutralizer combined, a garment not only smells fresher but also combats odour causing bacteria in order to extend textile life. Apollo does not require regulatory approvals and is commercially available for sale.

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.

The main attributes of DryTx™ are its abilities to:

- Wick moisture away from the skin;
- Provide for garments that will not feel heavy or damp even during periods of high exertion by the wearer;
- Provide for garments that create less skin chafe compared to wet fabrics;
- Provide for garments that dry quicker, thereby assisting the wearer in maintaining a more even body temperature;
- Allow for fabrics to retain their natural softness.

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. DryTx™ does not require regulatory approvals and is commercially available for sale.

RepelTX™

RepelTX™ is the next generation in water repellency performance. RepelTX™ modifies fabric at the molecular level by permanently attaching hydrophobic 'hairs' to individual fibers that lift liquids, causing them to bead and roll right off the fabric surface with high durability.

Benefits:

- Repels rains, sleet and snow
- Outperforms conventional fabric treatments
- Provides long-lasting protection
- Prevents fabric stains, saves time, dries quicker & saves energy
- Preserves the quality, hand & appearance of textiles

A substantial body of testing carried out by the Company has shown that RepelTX™ and Protx2® work extremely well in conjunction with each other. Particularly in health care environments, the combination of water repellency and antimicrobial properties allows for garments that repel liquids and at the same time are able to kill bacteria. These combined attributes are optimal for the healthcare industry. The enhanced commercial benefit is increased revenue from sales involving a multiple of chemicals. RepelTx™ does not require regulatory approvals and is commercially available for sale.

TempTX

TempTX is offered in two variants:

Cool

TempTX COOL utilizes unique chemical composites in order to decrease skin surface temperature, allowing for maximum performance in the hottest conditions.

Thermo

TempTX THERMO uses an innovative thermo-conductive inner coating to absorb and retain body heat.

TempTX does not require regulatory approvals and is commercially available for sale.

BioTX

BioTX is a revolutionary durable anti-stink solution that does not use traditional heavy metals. BioTX uses a proprietary microencapsulation process that stores the active ingredient in a coated shell that is embedded into the fabric, allowing for sustained long term release, when needed. BioTX does not require regulatory approvals and is commercially available for sale.

RepelTX Eco Plus

RepelTX Eco Plus is the next generation in fluorine-free liquid repellency. A safer CO technology removes PFCs (perfluorochemicals) from the repellency equation without compromising on performance while staying sustainable and safe. RepelTX Eco Plus does not require regulatory approvals and is commercially available for sale.

OMEGA+

OMEGA+ is a natural, safe, and proprietary ingredient used to increase the level of Far Infrared (FIR) emissions (soft heat) from a broad range of medical, textile, personal care and household products. It effectively emits a mild Far Infrared energy directly to the area of discomfort and at the same time provides comfort, support and relief in minutes. OMEGA+ does not require regulatory approvals and is commercially available for sale.

IMPRINT

IMPRINT wicks moisture away from the skin utilizing gateways in the fabric exposing logos and patterns. This allows designers to create unique and interactive textiles by adding additional product features not found on ordinary garments. As soon as the fabric absorbs and wicks away moisture from the skin, it instantly reveals unique patterns, graphics and/or logos. IMPRINT does not require regulatory approvals and is commercially available for sale.

DriForce

DriForce works by absorbing and spreading moisture out across the fabric to enhance the evaporative drying rate on the inside whilst utilizing a revolutionary polymer on the outside that doesn't allow perspiration to pull moisture through the textile. DriForce is designed to transport moisture away from the skin on the inside of a garment, so that embarrassing perspiration stains are not shown on the outside of a garment. DriForce does not require regulatory approvals and is commercially available for sale.

Suppliers

The bulk of the Company's apparel, textile and chemical purchases are from suppliers in Asia.

The Company enjoys strong relationships with its suppliers, some of which have supplied the Company for many years.

The Company's arrangements with its suppliers are subject to the normal risks involved in sourcing products from abroad, including changing import duties, custom clearances and port of entry strikes or inefficiencies, late deliveries from suppliers, and fluctuations in exchange rates. The Company endeavors to minimize its potential exposure to these risks by continually monitoring duty and tariff developments, placing orders well in advance of anticipated delivery dates to its customers, and by entering into forward exchange contracts from time to time.

The majority of the Company's non-Canadian sourced products are priced and paid in U.S. Dollars. By the nature of its business, lead times for purchasing are often lengthy and as much as 50% of the value of such purchases is paid at the time of placing orders with suppliers. The Company utilizes a number of strategies designed to fix the cost of its purchases in U.S. dollars, such as maintaining U.S. Dollar bank accounts and by allowing itself the opportunity to take advantage of positive or negative swings in currencies by purchasing or selling forward from time to time.

In addition, the Company continually reviews the potential to source products from alternate suppliers, in order to guard against the possibility that any of the Company's current suppliers are unable to manufacture and deliver products.

Marketing

Intimate Apparel Division

Coconut Grove Intimates' website www.cgintimates.com contains pictures and details regarding its product offerings as well as details about where to purchase these products. The division utilizes a state of the art web portal in order to provide retail customers with catalogues and the ability to order goods. The same portal also serves as a tool to provide sales staff and sales agents with analysis of customers' past ordering trends as well as details of inventories of available for sale products. The division utilizes popular social and business networking sites such as Facebook, Twitter and LinkedIn to provide product information to consumers and has developed a number of effective tools to drive sales through the online shopping sites of major customers as well as its own sites.

The Intimate Apparel Division also utilizes a number of direct selling initiatives, whereby the product buyers of major retailers, both store and online, are targeted for the purpose of presenting current sample ranges and future product design concepts. Sales staff also attend trade shows covering the division's market segment.

Intelligent Fabrics Division

Intelligent Fabric Technologies (North America) Inc.'s website www.iftna.com contains details and technical information regarding its product offerings.

A direct selling approach is normally favored by the Intelligent Fabrics Division, whereby major retailers or market leaders in the sportswear, outerwear, footwear, plastics and medical supply markets are targeted for the purpose of presenting to them the benefits of utilizing IFTNA's technologies, or purchasing finished performance apparel under their own brands. In addition, the divisions' sales team attend major trade shows in respect of its target markets for the purpose of adding to its database of potential customers. The division

also utilizes popular social and business networking sites as a conduit to deliver information to potential customers as well as consumers.

Websites to support the marketing of the Division's own brand retail product offerings are scheduled to go live in early 2022.

Employees

As at the date of the date of this AIF the Company had 28 employees, located in North America, across all areas of its business, including management, product design, product sourcing, logistics, information technology, analysis, sales and marketing, technical services and administration.

In addition, the Company has appointed several independent sales representatives and consultants in its key U.S., Canadian, Asian and European markets.

A branch office in Taiwan employs 1 full time employee and provides logistical and sales support for customer production at various Taiwanese textile mills.

A technical team of three in Asia provides technical assistance to major mills throughout Asia in the application or integration of intelligent fabric technologies at the point of production. In addition, the Asian technical team is responsible for the bulk of the division's product development, testing and quality control, as well as the sourcing of new technologies.

Environmental Protection

The Company believes that it is in compliance with all environmental, health and safety laws. In particular, the chemical formulations marketed by the Company require strict labeling instructions in accordance with EPA and other applicable international regulatory body standards, concerning the safe handling of such products. In addition, customers are provided with detailed instructions for disposing of chemicals or chemical waste. These instructions are designed to meet all appropriate local environmental standards for the permitted levels of such chemicals in effluent.

Extensive wearer trials are conducted by the Company in order to ensure that wearers will suffer no harmful effects from the use of treated textiles.

Intangible Properties

The Company believes that its trademarks, patents and regulatory registrations are important to its competitive position. A substantial element of the Company's marketing strategy involves the creation of brand awareness in respect of its trademarks and patented products.

Where possible, trademarks are registered in all major market jurisdictions and, at least in the United States, Canada and the European Union. Where required, regulatory registrations have been made or will be pursued in all markets that the Company sells chemical formulations. All registrations are renewable, and procedures are in place to ensure timely renewal so that these registrations remain in effect.

Competitive Conditions

With regard to its Intimate Apparel Division, the Company faces direct competition from other wholesale distribution companies who offer intimate apparel and complementing accessories. The retail apparel industry is highly sensitive to economic conditions and the Company aims to differentiate its products in an effort to mitigate competitive pressures. Specifically, it has positioned itself to leverage a key license arrangement with

Maidenform®, a brand leader in the industry, and engages in cooperative marketing and advertising campaigns that support sales of its products by major retailers and online sales vendors such as Amazon.

Within its Intelligent Fabrics Division, the Company defines its competition broadly as other manufacturers and distributors of performance apparel as well as products that seek to improve the well-being of the end user through chemical enhancement. While there are other distributors offering similar technologies and products, the Company distinguishes itself from competitors by distributing proprietary products at competitive prices and, that are of the highest quality, whilst at the same time offering superior efficacy and durability, as well as being environmentally friendly. Moreover, the division targets market leaders that claim premium performance as a core marketing tactic.

New Products

As at the date of this AIF the Intimate Apparel Division had completed the design of a number of new and innovative products in its core bra and accessories business and additional products remain in the design and development phase. Due to the uniqueness of certain of these new products, a number of new patent applications have been filed in the past several years.

During fiscal 2021 the Intelligent Fabrics Division added a number of new chemical formulations to its portfolio of textile treatments. Full details of the product offerings of the Division can be found under the products section, commencing on page 5 of this AIF and on IFTNA's website at www.iftna.com.

The Company's technical team based in Asia continually strives to improve the efficacy and durability of the Intelligent Fabrics Division's chemical formulations as well as to develop new formulations in response to performance attributes demanded by the Division's customers. Due to the uniqueness of certain formulations a number of patents have been registered in the past several years.

The Intelligent Fabrics Division has filed applications with the US Environmental Protection Agency ("EPA") for the approval of high level antibacterial and antiviral efficacy claims in respect of Protx2 treated fabrics. The receipt of these approvals will allow the Company and its customers to produce new protective clothing ranges for frontline healthcare workers and others as an additional tool to combat infection from the viruses, including the COVID-19 causing virus, as well as healthcare-acquired bacterial infections.

The Markham design team is entrusted with the design of new performance apparel product ranges for major retail customers, as well as in respect of the Division's own brand retail offering which, are set to launch in early 2022.

Seasonality

Whilst, the Intimate Apparel Division's core bra and accessory ranges are generally not seasonal in nature, the division's revenues are heavily influenced by the high and low seasonal shopping variances encountered by its retail customers throughout the year. In the Intelligent Fabrics Division, the timing of chemical sales are affected by the type of products manufactured by major brand customers, who by the nature of their business offer a number of products that are seasonal in nature. With regard to finished performance apparel, a number of products, for example base layer, are seasonal in nature. In addition, the division's revenues fluctuate in accordance with the seasonality of the revenues of its retail customers.

Economic Dependence

With regard to its Intimate Apparel Division, revenues are heavily dependent on a key license agreement, with approximately 95% of the division's annual revenues being derived from the sale of licensed products. Details pertaining to this agreement are provided on page 38 of this AIF.

In the Intelligent Fabrics Division, the Company is heavily dependent on an exclusive license, supply and distribution arrangement that it has entered into with the manufacturer of its key chemical technologies. The bulk of current revenue in the Intelligent Fabrics Division is derived from either chemical sales or finished performance apparel that integrates one or more of such chemical treatments. Details pertaining to this agreement are provided on page 38 of this AIF.

The Company continually strives to maintain strong relationships with its licensors and systems are in place to ensure that there is full compliance with the terms of all license agreements.

Although the Company is attempting to diversify its customer base, both divisions are currently reliant on a small number of key customers that account for a high proportion of revenues during the last several years.

Foreign Operations

The Intimate Apparel Division is heavily reliant on export sales, with 80% of revenue being derived from customers in the United States. In order to facilitate delivery of products to customers in the US, goods are imported directly into the US and housed in a contract warehouse facility located in Los Angeles, California. Approximately 70% of the Intimate Apparel Division's inventory is located in this warehouse.

The Intelligent Fabrics Division is also reliant on export sales for a high proportion of its revenue. Major foreign markets include the United States and Southeast Asia. Products are imported directly into its major foreign market regions and are housed in contract warehouses located in the United States, China, Taiwan and Japan.

Risk Factors

A number of risk factors known and unknown may affect the operations of iFabric. One should consider the following and all of the other information included in this document and in other documents filed under the Company's profile on SEDAR when considering investing in the securities of the Company.

The following specific factors could materially adversely affect the Company and should be considered when deciding whether to make an investment in the Company. The risks and uncertainties described in this Annual Information Form and the information incorporated by reference herein are those the Company currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows and consequently the price of the common shares could be materially and adversely affected. In all these cases, the trading price of the common shares could decline, and prospective investors could lose all or part of their investment.

COVID-19 has caused significant business disruptions. In March 2020, the COVID-19 pandemic was declared to be a global pandemic by the World Health Organization. The ongoing COVID-19 situation poses various risks to the Company's business, certain of which are detailed below. Any one of these risks, or a combination of these risks and others beyond the Company's control, could result in further adverse impacts on its business, financial condition and results of operations. In addition, the following factors, categorized by the primary nature of the associated risk, could affect the Company's financial performance and cause actual results, plans and

expectations to differ materially from those expressed or implied in any of the forward-looking statements contained in this Annual Information Form.

Business Operation Risks

Competition

The Company faces significant competition in both the Intimate Apparel and Intelligent Fabrics Divisions. In the Intimate Apparel Division, the Company is in direct competition with companies that design, manufacture, or distribute intimate apparel and accessories.

In the Intelligent Fabrics Division, the Company competes with other companies that manufacture or distribute sprays, topical liquids, creams, medications, or chemicals that:

- repel insects when applied to skin or textiles;
- kill bacteria or viruses when applied to textiles;
- assist with the healing of skin and the control of skin irritations when applied to textiles;
- repel or wick moisture on textiles;
- provide ultraviolet light protection on textiles; and
- provide temperature control on textiles.

The markets in which the Company operates are highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share or a failure to grow the Company's market share, any of which could substantially harm its business and results of operations. The Company competes directly against wholesalers and direct retailers of apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of apparel, as well as against large retailers. The Company also faces competition from wholesalers and direct retailers of traditional commodity apparel. Many of the Company's competitors are large companies with strong worldwide brand recognition. Because of the fragmented nature of the industry, the Company also competes with other apparel sellers. Many of the Company's competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, store development, marketing, distribution and other resources than the Company does.

The Company's competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than the Company can. The Company's competitors may also be able to increase sales in their new and existing markets faster than it does by emphasizing different distribution channels than it does.

Economic Conditions and Consumer Spending

In the Intimate Apparel Division, the Company's customer base consists of national and international retailers, independent stores, and boutiques. The success of this Division is dependent on customers perpetually replenishing their distribution channels with the Company's year-round merchandise, as well as ongoing commitments and purchase orders for seasonal fashion goods. The Company's ability to achieve the expected volume and price points of sales indirectly depends on the retailer's continuous ability to sell the Company's merchandise to their end use consumers. The retail apparel industry is highly sensitive to adverse economic factors, such as consumer debt levels, interest rates, and unemployment rates. Any adverse effects of economic conditions on the retail industry can have a negative impact on the level of sales and gross margins that the Company expects to achieve.

Within its Intelligent Fabrics Division, the Company's primary customer base are mills and manufacturing centers that produce textiles which integrate the Company's chemical technologies. The demand for such technologies can be negatively impacted if retailers and distributors of textiles experience adverse consumer spending patterns due to weak economic conditions. This indirectly affects the Company's ability to execute sales volumes and price levels that are anticipated by management.

Licensing Arrangements

The Company is 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, among others:

- 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

Economic Dependence on Key Customers

For the year ended September 30, 2021, approximately 65% of the Company's total sales were to three customers (2020 - 58% of sales were to three customers). These customers relate to the Intelligent Fabrics Division. At September 30, 2021, three customers accounted for 76% (September 30, 2020 - three customers accounted for 77%) of the Company's accounts receivable. Approximately 67% of the Company's total purchases were from four vendors (2020 – 63% of purchases were from four vendors), one of which is related to a distributor of the Company. The loss of a key customer could materially affect the amount of future revenues and profitability

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

With regard to the Company's Intelligent Fabrics Division, 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 intellectual property. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect the Company's intellectual property rights as fully as in the United States or Canada, and it may be more difficult for the Company to successfully register its intellectual property rights or challenge the use of those rights by other parties in these countries. If the Company fails to protect and maintain its intellectual property rights, the value of its brands could be diminished and the Company's competitive position may suffer.

In the event that any of the Company's intellectual property is successfully challenged, the Company could be forced to rebrand or re-engineer its products, which could result in loss of brand recognition and could require the Company to devote resources to advertising and marketing new brands and or product development and the Company's competitive position may suffer, which could have a material adverse effect on its financial condition.

Litigation may be necessary to protect and enforce the Company's intellectual property rights, or to defend against claims brought by third parties. Although the Company is not aware of any current claims, the Company's products may, or may be in the future, be claimed to violate intellectual property rights of third parties.

Although the Company cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against the Company could result in substantial costs and diversion of resources, which could have an adverse effect on the Company's business, financial condition and results of operations. If disputes arise in the future, the Company may not be able to successfully resolve these types of conflicts to its satisfaction.

Government Regulation, Regulatory Approvals and Compliance with Laws

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 Division's technologies, the Company is dependent on regulatory approvals or registrations and the legal systems in the markets in which it operates, such as the EPA and Health Canada. The Company currently has a number 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.

The Company is subject to customs, tax, labour and employment, human rights, health and safety, cyber and data security, privacy, environmental, advertising, competition, product safety and other laws. Although the Company has taken measures designed to ensure compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which it conducts business, there is no assurance that it will be in compliance at all times. If management, employees, contractors, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, the Company could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect the Company's business. Additionally, although the Company undertakes to monitor applicable laws, it is possible changes may be implemented or new laws or regulations may be

introduced without management's knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of the Company's business more expensive or require it to change the way it does business. It is difficult for the Company to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes could be material to it.

Litigation Risk

The Company faces the risk of litigation and other claims against it. Litigation and other claims may arise in the ordinary course of business and include employee and client claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. As the Company sells products that are produced by third-party manufacturers, these products may expose the Company to various claims, including class action claims relating to merchandise that is subject to a product recall or liability claim. Litigation and other claims against the Company could result in unexpected expenses and liabilities, which could materially adversely affect the Company's operations and reputation.

Insurance Related Risks

The Company believes that it maintains insurance customary for businesses of its size and type, including liability insurance, property and business interruption insurance and directors' and officers' insurance, with deductibles, limits of liability and similar provisions. However, there is no guarantee that such insurance coverage will be sufficient, or that insurance proceeds will be paid to the Company on a timely basis. In addition, there are types of losses the Company may incur but against which it cannot be insured or which it believes are not economically reasonable to insure. If the Company incurs these losses and they are material, its business, financial condition and results of operations may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, the Company may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Customer Adoption

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

Anticipating Consumer Preferences and Developing New, Innovative and Updated Products

The Company's success depends on its ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. Many of the Company's products are subject to changing consumer preferences that cannot be predicted with certainty. If the Company is unable to introduce new products or novel technologies in a timely manner or its new products or technologies are not accepted by its customers, the Company's competitors may introduce similar products in a more timely fashion, which could have an adverse effect on the Company's performance. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales, excess inventory levels, and deterioration of operating results. Even if the Company is successful in anticipating consumer preferences, its ability to adequately react to and address those preferences will in part depend upon the Company's continued ability to develop and introduce innovative, high-quality products. The Company's failure

to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on the Company's financial condition.

Reliance on Third Parties

The Company does not manufacture its products or the raw materials for them and relies instead on third-party suppliers. The Company has no long-term contracts with its suppliers or manufacturing sources, and it competes with other companies for fabrics, raw materials, production and import quota capacity.

The Company has occasionally received, and may in the future continue to receive, shipments of products that fail to comply with its technical specifications or that fail to conform to its quality control standards. The Company has also received, and may in the future continue to receive, products that meet its technical specifications but that are nonetheless unacceptable to the Company. Under these circumstances, unless the Company is able to obtain replacement products in a timely manner, it risks the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if defects in the manufacture of the Company's products are not discovered until after such products are purchased by its customers, the Company's customers could lose confidence in the technical attributes of its products and its results of operations could suffer and its business could be harmed.

The Company may in the future experience a significant disruption in the supply of fabrics or raw materials from current sources and it may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, if the Company experiences significant increased demand, or if the Company needs to replace an existing supplier or manufacturer, it may be unable to locate additional supplies of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to the Company, or at all, or the Company may be unable to locate any supplier or manufacturer with sufficient capacity to meet its requirements or to fill its orders in a timely manner. Identifying a suitable supplier is an involved process that requires the Company to become satisfied with its quality control, responsiveness and service, financial stability and labor and other ethical practices. Even if the Company is able to expand existing or find new manufacturing or raw material sources, it may encounter delays in production and added costs as a result of the time it takes to train its suppliers and manufacturers in its methods, products and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from the Company's markets or from other participants in its supply chain. Any delays, interruption or increased costs in the supply of fabric or manufacture of the Company's products could have an adverse effect on its ability to meet customer demand for its products and could result in lower net revenue and income from operations both in the short and long term.

The Company has entered into an agreement to outsource some of its warehouse and fulfillment functions to third party providers where its inventory is held at sites managed by an independent contractor who will then perform most of its warehousing, packaging and fulfillment services. The Company depends on independent contractor fulfillers to properly fulfill customer orders in a timely manner and to properly protect its inventories. The contractor's failure to ship products to customers in a timely manner, to meet the required quality standards, to correctly fulfill orders, to maintain appropriate levels of inventory, or to provide adequate security measures and protections against excess shrinkage could cause the Company to miss delivery date requirements of its customers or incur increased expense to replace or replenish lost or damaged inventory or inventory shortfall. The failure to make timely and proper deliveries may cause the Company's customers to cancel orders, refuse to accept deliveries, impose non-compliance charges through invoice deductions or other charge-backs, demand reduced prices or reduce future orders, any of which could harm its sales, reputation and overall profitability. The Company's excess inventory held at these facilities may be damaged due to the length of time that they are at the facility, which may not be covered by the contractor or its insurance.

Imposition of Trade Restrictions or Duties

The Company's ability to source its merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome. Canada and the countries in which the Company's products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for the Company to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to the Company or may require the Company to modify its supply chain organization or other current business practices, any of which could harm its business, financial condition and results of operations.

Information Technology Systems

The Company's business is dependent on the successful and uninterrupted functioning of its information technology systems setup by third-party providers, as it outsources many of its major systems. The Company relies on the controls of these providers in lieu of controls setup by the Company. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt the Company's operations. Because the Company's information technology and telecommunications systems interface with and depend on third-party systems, the Company could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions.

Dividend Policy

The Company does not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on common shares will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. The Company's current intention is to apply net earnings, if any, in the foreseeable future to increasing its capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of common shares, and in any event, a decision to declare and pay dividends is at the sole discretion of the Company's board of directors. If the Company does not pay dividends, its common shares may be less valuable because a return on an investor's investment will only occur if its stock price appreciates.

Centralized Management

Many of the Company's business functions are centralized at its head office location. Disruptions to the operations at that location could have an adverse effect on the Company's business. The Company's head office is located in Markham, Ontario. The Company has centralized a large number of business functions at this location, including product design, client support, marketing and research and development. Most of the Company's senior management and critical resources dedicated to product development, merchandizing, financial and administrative functions, are located at the head office. If the Company were required to shut down the support office location for any reason, including fire, natural disasters, global hostilities, global health crises, disease outbreaks (including COVID-19) or civil disruptions, its management and its operations staff would need to find an alternative location, causing significant disruption and expense to the Company's business and operations.

Geo-Political Events, Natural Disasters, Extreme Weather etc.

Unstable political conditions or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, engineering hazards, human made fire, and mass power outages may disrupt commerce, the Company's supply chain operations, international trade or result in political or economic instability and could have a material adverse effect on its business and results of operations, The mentioned conditions, hazards, or events could result in a reduction in the trading price of the common shares.

The Company's offices, warehouses, distribution centers and digital operations, as well as the operations of the Company's vendors and manufacturers, are vulnerable to disruption from natural disasters, extreme and/or unusual weather, wildfires, global health crises, disease outbreaks (including COVID-19), and other unexpected events. These events could cause, and in the case of COVID-19, have already caused and are expected to continue to cause for the foreseeable future, disruptions in the operations of the Company's corporate offices and supply chain and those of the Company's vendors and manufacturers.

These events could reduce the availability and quality of raw materials used to manufacture the Company's products which could result in delays in responding to consumer demand resulting in the potential loss of customers and revenues or the Company may incur increased costs to meet demand and may not be able to pass all or a portion of higher costs on to customers, which could adversely affect gross margin and results of operations.

Counterparty Risk

The Company is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to the Company. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the Company's rights and benefits in relation to the contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on the Company's part to do so could have a material adverse effect on its business and results of operations.

Trading Price Volatility

The market price of the common shares could be subject to significant fluctuations which could materially reduce the market price of the common shares regardless of the Company's operating performance. In addition to the other risk factors described in this section of this Annual Information Form, such factors include actual or anticipated changes or fluctuations in operating results, adverse market reaction to any indebtedness the Company may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving the Company or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to the Company's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of the common shares. As a result, the market price of the common shares may fluctuate based upon factors external to the Company and that may have little or nothing to do with the Company, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about the Company, competitors or the industry and changes in general political, economic, industry and market conditions and trends.

Concentrated Share Ownership

The President and Chief Executive Officer of the Company owns approximately 64% of the outstanding common shares. This concentrated ownership results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the concentrated ownership may also discourage proxy contests and make it difficult or impossible for the Company's holders of common shares to elect directors and take other corporate actions without the approval of the President and Chief Executive Officer. Such concentration of ownership may also have a negative impact on the trading price of the common shares.

Financial Risks

The Company has risk management policies in place to identify and analyze financial risks, set appropriate limits and controls, and to monitor the risks on an ongoing basis. The risk management policies are reviewed regularly and amended as needed. The Company's financial risks include, but are not limited to, the following:

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 related party loans, bank indebtedness, loans payable and accounts payable and accrued liabilities. 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 and available credit facilities. It is likely that the Company will require additional financing to fund future expansions. 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 the delay or indefinite postponement of development of certain aspects of iFabric's business, and therefore affect its future cash flows, earnings, results of operations and financial condition. The Company believes that it has sufficient debt and equity financing opportunities available, and together with its projected future cash flows and existing unutilized credit facilities, feels that it will be able to satisfy its obligations to meet financial liabilities in the future.

The issuance of additional common shares under any equity financing may have a dilutive effect on the interests of shareholders. The number of common shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable law and the rules of the TSX, issue additional common shares from time to time (including pursuant to any equity-based compensation plans), and the interests of shareholders may be diluted as a result.

Accounting Standards

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to revenue recognition, impairment of assets, leases, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Company's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Costs of Raw Materials

The Company's sales and profitability may decline as a result of increasing product costs and decreasing selling prices. The Company's business is subject to significant pressure on pricing and costs caused by many factors, including competition, constrained sourcing capacity and related inflationary pressure, pressure from consumers to reduce the prices it charges for its products and changes in consumer demand. These factors may cause the Company to experience increased costs, reduce its sales prices to consumers or experience reduced sales in response to increased prices, any of which could cause its operating margin to decline if the Company is unable to offset these factors with reductions in operating costs and could have a material adverse effect on its financial conditions, operating results and cash flows.

Financial Controls

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, including as a result of COVID-19, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of the common shares and harm the Company's ability to raise capital in the future.

If management is unable to certify the effectiveness of the Company's internal controls or if material weaknesses in the internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence, which could harm its business and cause a decline in the price of the common shares. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis. It is also possible that individuals may become unable to perform control duties due to absences caused by COVID-19 or other pandemics or similar crises. If any existing control cannot be performed, management may need to identify alternative appropriately designed controls to compensate, which could divert management resources. All of the foregoing which could cause a decline in the price of the common shares and harm the Company's ability to raise capital.

Failure to accurately report the Company's financial performance on a timely basis could also jeopardize its listing on the TSX or any other stock exchange on which the common shares may be listed. Delisting of the common shares on any exchange would reduce the liquidity of the market for the common shares, which would reduce the price of and increase the volatility of the price of the common shares.

The Company does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud,

its reputation and operating results could be materially adversely effected, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could result in a reduction in the trading price of the common shares.

Share Sales

Sales of a substantial number of common shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of common shares intend to sell common shares, could significantly reduce the market price of the common shares and the market price could decline. The Company cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of the common shares. If the market price of the common shares was to drop as a result, this might impede the Company's ability to raise additional capital and might cause remaining shareholders to lose all or part of their investments.

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. Management of the Company monitors the credit worthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market and relationships with customers and other vendors. Further, the Company reviews forward looking information such as indications of customers going through financial difficulties that may create doubt over the receipt of funds.

Foreign Currency Risk

The Company conducts a significant portion of its operations in U.S. Dollars ("USD") and Chinese Yuan ("RMB"), and to a lesser extent, British Pounds Sterling ("GBP") and New Taiwanese Dollars ("TWD"). Fluctuations in the exchange rate between the aforementioned currencies and the Canadian Dollar may have adverse effects on the Company's gross margins. While some of these effects are mitigated by the fact that a significant portion of the Company's sales are also denominated in US Dollars and RMB, the different timing of purchasing merchandise, delivering goods to customers, and the ultimate collection of receivables may negatively affect the Company's gross margins, earnings, cash flows and financial position. The Company mitigates certain of its foreign currency risks by entering into foreign exchange forward contracts from time to time.

The table below details the foreign currency balances that were included in the Company's audited financial statements for the years ended September 30, 2021 and September 30, 2020:

USD	September 30, 2021	September 30, 2020
Cash	730,865	453,248
Accounts receivable	1,028,472	810,632
Accounts payable and accrued liabilities	(1,150,481)	(344,331)
Prepays and deposits	3,031,763	2,946,521
Foreign exchange forward contract margin deposit	-	59,970
	3,640,619	3,926,040

GBP	September 30, 2021	September 30, 2020
Cash	-	4,875
Accounts receivable	-	18,555
	-	23,430

TWD	September 30, 2021	September 30, 2020
Cash	6,277,565	1,323,541
Accounts receivable	10,807,553	10,385,001
Accounts payable and accrued liabilities	(121,924)	(188,832)
	16,963,194	11,519,710

RMB	September 30, 2021	September 30, 2020
Cash	4,158,944	1,521,130
Accounts receivable	10,885,585	10,623,615
Accounts payable and accrued liabilities	(4,410,153)	(4,112,811)
	10,634,376	8,031,934

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, 2021, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$170,000 to net earnings for 2021, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at September 30, 2021, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$28,000 to net earnings for 2021, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at September 30, 2021, in relation to the net amount of RMB-denominated currency balances, would have resulted in an increase (decrease) of approximately \$80,000 to net earnings for 2021, all other variables held constant.

Interest Rate Risk

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. Fluctuations in interest rates over the last several years have not had a material impact on the Company's financial results. 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 \$9,000 to net earnings for 2021, all other variables held constant.

Three Year History

Intimate Apparel Division

In May 2019 the Division launched its patented breast lift product to the market. This product has remained a steady seller since launch.

In June 2019 the Division completed a major packaging refresh aimed at boosting sales of key bra offerings.

On July 25, 2019 the Company registered a new trademark in the U.S and Canada, to be used for online sales of intimate apparel, specifically through Amazon.

On November 9, 2019 the Company filed a patent in the U.S. and Canada for a new wing bra design.

On July 13, 2020 the Company filed a patent in the U.S. and Canada, for a new reversible wing bra which integrates a double sided silicon adhesive.

On July 14, 2020 the Company filed a patent in the U.S. and Canada, for a silicon adhesive bandeaux wing bra.

On February 1, 2021, the Company announced that the Intimate Apparel Division had renewed its license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of Hanesbrands Inc. (“Hanes”). The agreement covers the distribution of intimate apparel accessories and specialty bra solutions which are marketed under Hanes' various Maidenform brands. The license term is in effect until December 31, 2021. The renewal of this license was key, as over 90% of the products distributed by Division are sold under Maidenform brands.

The fourth quarter of fiscal 2021 saw a rebound in intimate apparel revenues, following from the reopening of retail stores in the United States and Canada, after the relaxation of previously in effect COVID-19 restrictions covering retail store operations.

For fiscal 2021 the US market continued to be the Intimate Apparel Division's major market region, with approximately 83% of sales being made to US customers compared to 79% in fiscal 2020 and 76% in fiscal 2019.

On December 16, 2021, the Company announced that the Intimate Apparel Division had renewed its license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of Hanesbrands Inc. (“Hanes”), for a further two year term. The agreement covers the distribution of intimate apparel accessories and specialty bra solutions which are marketed under Hanes' various Maidenform brands. The new license term is in effect until December 31, 2023. The renewal of this license was key, as over 90% of the products distributed by Division are sold under Maidenform brands. For full details of the agreement refer page 38 of this AIF.

Intelligent Fabrics Division

On May 16, 2019 the Company filed a patent in the U.S. and Canada, for new men's brief design elements to be used for performance apparel.

On May 30, 2019 the Company filed its second patent in the U.S. and Canada, for new men's brief design elements to be used for performance apparel.

On August 12, 2019 the Company filed a third patent in the US and Canada, for new men's brief design elements to be used for performance apparel.

On November 11, 2019 the Company announced the renewal of its license agreement with The North Face and indicated that it will continue to look at innovative solutions to boost its business with The North Face. In

terms of the agreement, The North Face® must exclusively use Protx2® in all their products that integrate antimicrobial technologies. The agreement further provides for co-branding of products that are treated with Protx2® by inclusion of appropriate labeling to that effect.

On May 11, 2020 the Company announced details of its test results about the efficacy of Protx2® treated fabrics for inactivating the SARS-CoV-2 virus, which is the cause of COVID-19 disease. The testing was carried out by an internationally recognized, independent laboratory to establish Protx2® treated fabrics' ability to inactivate the virus at time points of 10 minutes, 1 hour, 6 hours, and 24 hours, respectively. The Laboratory reported that the treated fabrics demonstrated a greater than 99.9% reduction in active viral loads on the tested fabrics at each of the four time points. This represents a more than 1,000-fold reduction in active viral load when compared to untreated fabric.

On June 15, 2020 the Company announced the signing of an exclusive distribution agreement with Okyung International Co., Ltd ("Okyung") in respect of its Protx2® anti-microbial and anti-viral technologies, covering the territory of the Republic of South Korea. The agreement is for an initial term of three-years and provides Okyung with the exclusive right to distribute Protx2® treated products throughout South Korea, including face masks, gloves, personal protective equipment, medical wear, surgical aprons, medical dressings, military uniforms, athletic wear, bedding and linens.

On June 23, 2020 the Company announced the results of its efficacy testing of Protx2® treated fabrics in inactivating an additional Human Coronavirus (229E). The testing was carried out by an internationally recognized, independent laboratory in the United States, to establish its ability to inactivate the virus at time points of 10 minutes and 1 hour. The laboratory reported that the treated fabrics demonstrated a greater than 99.9% reduction in active viral loads on the tested fabrics at each of the two time points. This supplements prior testing to establish the efficacy of Protx2® treated fabrics against the SARS-CoV-2 which, causes the COVID-19 disease.

On July 22, 2020, IFTNA executed a license agreement (the "Technology License Agreement") with Shanghai Zhanhe Industrial Co., Ltd. (the "Licensor"), which provides IFTNA (the "Licensee"), with a perpetual, irrevocable, royalty-free, fully-paid, exclusive, worldwide license in respect to IFTNA's proprietary technologies, with no duty to account, to the Intellectual Property for unrestricted use for any purpose, either individually or in combination and both separately and as integrated into other capabilities, including without limitation the right to sublicense or otherwise authorize, implicitly or explicitly, third parties to exercise any or all such rights. As part of the exclusivity rights contained therein the Licensor confirmed that it shall not make any of the Intellectual Property or the formulations comprised therein available to any person or entity other than the Licensee without the express written consent of the Licensee. This agreement replaces a prior agreement dated December 6, 2013 and, serves to cover additional technologies developed since the initial agreement, in addition to those previously covered.

On September 17, 2020 the Company announced the signing of an agreement with Beverly Hills Investments (Pty) Ltd. ("BHI") of Johannesburg, South Africa, which provides BHI exclusive rights to sell and distribute Protx2® formulations and products containing anti-microbial and anti-viral formulations throughout the continent of Africa.

On October 26, 2020 the Company announced that the Intelligent Fabrics Division had filed utility patent applications in both the United States and Canada in respect of the Company's antiviral treatment of textiles (Protx2®) and its stand-alone laundry additive (AVguard).

On May 5, 2021, the Company announced that the Intelligent Fabrics Division had entered into a license agreement with Tumi Inc. ("TUMI") for the integration of its Protx2 antibacterial formulation in TUMI products. TUMI is a creator and distributor of world-class business, travel and performance luxury essentials. The TUMI brand is sold globally in over 75 countries with approximately 2,000 points of sale.

On May 27, 2021, The Company announced that the Intelligent Fabrics Division had received an EPA registration for its new metal-free anti-microbial technology, BioTX.

On July 28, 2021 the Company announced that the Intelligent Fabrics Division, had signed an exclusive, global license and supply agreement with Springs Window Fashions LLC (“SWF”) for its Protx2® technologies for use in window coverings. SWF is the second largest global manufacturer of custom window treatments, selling products in the residential and commercial markets under a range of brands.

On October 13, 2021, the Company announced that the Intelligent Fabrics Division and Air Quality Enhancement Corporation, had successfully completed the co-development of a Protx2® treated, antiviral post air filter, suitable for use in commercial and residential buildings.

Three Year Summary of Operating Results

Revenue

The amount of revenue reported in 2021 increased by 72%, as opposed to a 10% increase in 2020, and a 39% decrease in 2019, as compared to each of the immediately preceding fiscal years. Total revenue amounted to \$19,763,672 in 2021 compared to \$11,521,676 in 2020 and \$10,435,348 in 2019.

Revenue increased overall by \$8,241,996 in 2021 versus 2020. The primary source of the increase in revenue in fiscal 2021 was increased sales in the Intelligent Fabrics operating segment. In the Intimate Apparel operating segment, revenues increased from \$3,324,125 in 2020 to \$3,979,319 in 2021, representing an increase of \$655,194 or 20%. The increase in revenue in this segment was due to the lifting of COVID-19 restrictions in the US and the resultant normalization of retail store operations. In the Intelligent Fabrics operating segment, revenues increased by \$7,595,025 or 94% from \$8,077,444 in 2020 to \$15,672,469 in 2021. This increase was primarily due to revenue growth from the fulfillment of a PPE contract, which was previously delayed due to supplier constraints in China, increased chemical sales and new finished apparel programs. Geographically, the Company increased its sales in Canada, the US and Southeast Asia and other regions by 118%, 80% and 42% respectively, and revenue decreased in the UK by 56% from fiscal 2020 to fiscal 2021.

Revenue increased overall by \$1,086,328 in 2020 versus 2019. The primary source of the increase in revenue in fiscal 2020 was increased sales in the Intelligent Fabrics operating segment. In the Intimate Apparel operating segment, revenues decreased from \$5,926,805 in 2019 to \$3,324,125 in 2020, representing a decrease of \$2,602,680 or 44%. The decrease in revenue in this segment was attributable to the closure of retail stores in the U.S. during a portion of the year due to the COVID-19 pandemic, as well as the limitation placed by Amazon on only shipping essential goods, which resulted in product replenishment for the division being turned off by Amazon. In the Intelligent Fabrics operating segment, revenues increased by \$3,683,721 or 84% from \$4,393,723 in 2019 to \$8,077,444 in 2020. This increase was mainly resultant from initial personal protective equipment sales (PPE), increased chemical sales following the successful testing of the efficacy of Protx2® against the COVID-19 causing virus, and new finished performance apparel programs for a major Canadian retailer. Geographically, the Company increased its sales in Canada and Southeast Asia and other regions by 14% and 64% respectively, and revenue decreased in the US and UK by 15% and 81% respectively from fiscal 2019 to fiscal 2020.

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.

Net (Loss) Earnings

The net earnings after tax attributable to common shareholders of the Company was \$2,369,698 in 2021, compared to net loss of \$617,770 in 2020 and a net loss of \$1,229,863 in 2019.

The primary reason for the increase in net earnings in 2021 versus 2020, was an increase in total revenue and an increase in gross profit dollars and a reduction in share-based compensation.

The primary reason for the decrease in net loss in 2020 versus 2019, was an increase in total revenue and an increase in gross profit dollars, the benefit of which was largely offset by an increase in non-cash share based compensation as well as increased income taxes in certain subsidiaries.

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

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 2021 working capital increased by \$12,670,901 as a result of the net proceeds from an equity offering which, closed on February 22, 2021, as well as the net earnings for the year. During fiscal 2020 working capital decreased by \$52,518, as a result of the loss for the year. During fiscal 2019, the net loss recorded in this year was the main contributor to the decrease in working capital in 2019. The increase in ownership in the Company's property owning subsidiary at a cost of \$400,000 during fiscal 2019 was an additional contributor to the decrease in working capital in 2019.

Changes in property, plant, and equipment

During fiscal 2021 the Company capitalized an amount of \$253,399 in respect of upgrades to its Markham property. During fiscal 2020 the Company capitalized an amount of \$178,019 in respect of development costs for chemical formulations that are not yet available for sale due to the requirement for obtaining regulatory approvals for these products. There were no acquisitions of capital assets in 2020. During fiscal 2019, the Company made acquisitions of capital assets of approximately \$75,000.

Changes in non-current financial liabilities

During fiscal 2021, contract revenue recognized during the year resulted in a reduction in the non-current portion of the contract liability by an amount of \$122,560. During fiscal 2020 there was no material change in the amount of non-current financial liabilities. During fiscal 2019, the Company's fixed term loan became repayable within a period of 12 months and was reclassified as a current liability which, was the primary reason for the decrease of \$1,341,910 in non-current financial liabilities in that year.

Impact of the COVID-19 Pandemic on 2021 Operations

Notwithstanding continued waves of the COVID-19 pandemic, the Company saw a significant improvement in its operations during fiscal 2021 compared to 2020.

The Intimate Apparel Division in particular experienced a rebound in sales, as restrictions faced by retailers in the United States and Canada were lifted due to high vaccination rates. As a result of the normalization of retail store operations in the US and Canada, revenues for the division increased by approximately 20% in 2021.

The Intelligent Fabrics Division has also seen significant increase in sales compared to the previous year, mainly as a result of the fulfillment of a large customer contract related to personal protective equipment, increased finished apparel programs and increased chemical sales. As a consequence, revenues for this division increased by approximately 94% in 2021.

For the group as a whole, revenues increased by approximately 72% despite the on-going pandemic.

Share Capital Transactions over the 3-year period

On April, 7 2020, 200,000 options were granted to directors of the Company at an exercise price of \$2.70, expiring on April 7, 2030 and vesting immediately.

On May 4, 2020, 8,750 options were exercised at a price of \$0.40 per share for gross proceeds of \$3,500.

On May 12, 2020, 100,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$40,000.

On May 21, 2020, 12,500 options were exercised at a price of \$0.40 per share for gross proceeds of \$5,000.

On June 4, 2020, 45,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$18,000.

On June 17, 2020, 25,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$10,000.

On June 22, 2020, 75,000 options were exercised at a price of \$1.80 per share for gross proceeds of \$135,000.

On July 2, 2020, 10,000 options were granted to a consultant of the Company at an exercise price of \$6.05, expiring on June 30, 2025 and vesting immediately.

On December 10, 2020, 50,000 options were exercised at a price of \$2.40 per share for gross proceeds of \$120,000.

On December 22, 2020, 50,000 options were exercised at a price of \$2.40 per share for gross proceeds of \$120,000.

On February 22, 2021, the Company closed an offering of equity comprising 2,948,717 subscription receipts at a price per unit of \$3.90 for gross proceeds of \$11,499,996. The escrow release conditions were satisfied on March 22, 2021 at which time, funds were released and each unit was automatically converted to one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$4.60 per share for a period of two years from March 22, 2021.

As compensation for the issue, the agent received a cash fee of 6% of the gross proceeds, totaling \$690,000 as well as 176,923 compensation options receipts which were automatically converted into compensation options on March 23, 2021. Each compensation option entitles the holder to acquire one common share of the Company at a price of \$3.90 for a period of two years from March 23, 2021.

The Company incurred \$581,563 in legal costs and disbursements in connection with the issue.

On March 26, 2021, 25,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$10,000.

On July 6, 2021, 75,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$30,000.

CORPORATE STRUCTURE

Name, Address and Incorporation

iFabric Corp., formerly Leezamax Capital Corp., a capital pool company, was incorporated under the *Business Corporations Act* (Alberta) on April 9, 2007. The Company's head office and principal place of business is located at 525 Denison Street, Unit 1, Markham, Ontario, L3R 1B8. The telephone number for the Company's principal place of business is 905-752-0566. The Company's web address is www.ifabriccorp.com. The Company's registered office is, Suite 300, 14505 Bannister Road SE, Calgary, AB, T2X 3J3.

iFabric completed its Qualifying Transaction with Coconut Grove Textiles Inc. ("Coconut Grove") on June 4, 2012 and, on that date its shares began trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "IFA". iFabric acquired all of the issued and outstanding common shares of Coconut Grove from its shareholders in exchange for a total of 24,412,500 post-consolidation common shares at a deemed price of \$0.40 per share. Accordingly, the deemed value of the transaction was \$9,765,000.

Since the transaction resulted in the shareholders of Coconut Grove acquiring control of iFabric, Coconut Grove was deemed to be the acquirer for financial reporting purposes, and the share exchange constituted a reverse takeover of iFabric by the shareholders of Coconut Grove.

Further, since iFabric was a non-operating public enterprise immediately prior to the Qualifying Transaction, the closing of the Qualifying Transaction did not constitute a business for the purpose of applying business combination accounting. Therefore, the Qualifying Transaction was equivalent to the issuance of shares by Coconut Grove for the net liabilities of iFabric. As a result of the share exchange, Coconut Grove became a wholly-owned subsidiary of iFabric.

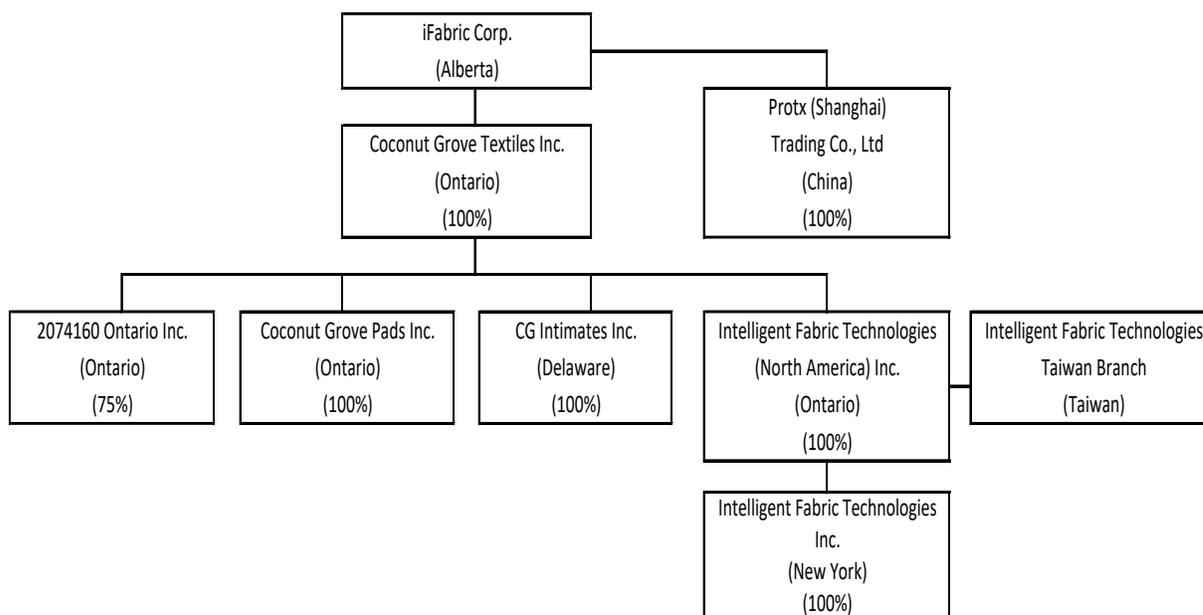
The effect of the reverse takeover is that the business and operations of iFabric are a continuation of the business and operations of Coconut Grove both before and after the reverse takeover.

Following its migration to the Toronto Stock Exchange ("TSX") in September 2015, iFabric's shares commenced trading on the TSX under the trading symbol "IFA", on September 18, 2015 and, its shares were delisted from the TSX-V after close of business on September 17, 2015.

On September 1, 2021, OTC Markets Group Inc., operator of financial markets for 11,000 US and global securities, announced that the Company had qualified to trade on the OTCQX best market. As a result, the Company upgraded to the OTCQX from the lowest tier Pink Market.

Intercorporate Relationships

The following chart illustrates the structure of the Company and its subsidiaries, their jurisdiction of incorporation, and the percentage of voting securities beneficially owned, or over which control or direction is exercised, by the Company:



GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares, without nominal or par value. The holders of the Company's common shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the common shares. All of the issued and outstanding common shares are fully paid and non-assessable.

As of the date of this AIF, the Company had 29,624,467 common shares outstanding. Furthermore, as of the date of this AIF, the Company had 1,629,000 options issued and outstanding, of which 1,579,000 were exercisable, as well as 2,948,717 common share purchase warrants and 176,923 compensation options issued pursuant to an equity offering which, closed on February 22, 2021. See "*Share Capital Transactions over the 3-year period*".

ESCROWED SECURITIES

There were no securities in escrow as at September 30, 2021 and as at the date of this AIF.

DIVIDENDS

The Company has never declared dividends on its common shares and currently plans to reinvest all its future earnings to finance the growth of its business. As a result, the Company does not intend to pay dividends in

the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, operating results and capital requirements as well as on any other factors that the board of directors may deem relevant. Other than the generally applicable corporate law provisions respecting the declaration and payment of dividends there are no constraints or restrictions that could prevent the Company from paying dividends.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

iFabric's board of directors currently consists of six directors. The directors are elected annually. The following table states the names of the current directors and executive officers, all other positions and offices with the Company now held by them, their principal occupations or employments during the past five years, the period or periods of service as directors and/or executive officers of the Company. The present term of each director will expire immediately prior to the election of directors at the next annual meeting of shareholders of the Company or upon such director's successor being elected or appointed.

Name and Municipality of Residence	Period Served as Director	Office Held	Principal Occupation	Number of Common Shares Held	Percentage of Common Shares Held
MARK COCHRAN ⁽¹⁾⁽²⁾ Maryland United States	Since May 4, 2015	Chairman of the Board	Formerly, Executive Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare.	0	0.00%
HYLTON KARON Ontario Canada	Since May 16, 2011	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Company	19,025,285	64.22%
HILTON PRICE Ontario Canada	Since May 16, 2011	Director, Chief Financial Officer and Secretary	Chief Financial Officer and Secretary of the Company	462,500	1.56%
MARK GREENSPAN ⁽¹⁾⁽²⁾ Ontario Canada	Since May 16, 2011	Director	Corporate Director	125,000	0.42%
GIANCARLO BEEVIS Ontario Canada	Since October 23, 2014	Director	President and Chief Executive Officer of Intelligent Fabric Technologies (North America) Inc. (wholly-owned subsidiary of the Company)	1,000	0.00%
CAMERON GROOME ⁽¹⁾⁽²⁾ Ontario Canada	Since March 30, 2020	Director	President and CEO of Microbix Biosystems Inc., a TSX listed company.	5,000	0.03%
				Total	
				19,618,785	66.22%

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

As of the date hereof, the directors and executive officers of the Company, as a group, own, or control or direct, directly or indirectly, 19,618,785 common shares, which represents approximately 66.22% of the total common shares outstanding.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, is as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of this portion of the AIF, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, nor
- b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to materially affect its control, has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Alberta) provides that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from

voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Alberta). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Alberta).

As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

PROMOTERS

Hylton Karon, President, CEO and a director, and Hilton Price, CFO and a director, have been promoters of the Company since its listing on June 4, 2012. The following table sets out the number and percentage of each class of securities of the Company beneficially owned, directly or indirectly, or over which control is exercised by the promoters of the Company.

Name of Promoter and Position with the Company	Number and Percentage of Voting Securities Owned, Directly or Indirectly, or Over Which Control is Exercised
Hylton Karon, President, Chief Executive Officer and Director	19,025,285 (64.22%)
Hilton Price, Chief Financial Officer and Director	462,500 (1.56%)

The following table sets out the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoters directly or indirectly from the Company or a subsidiary of the Company, and the nature and amount of any assets, services or other consideration received or to be received by the Company or a subsidiary of the Company in return.

Name of Promoter and Position with the Company	Salary	Management Fees	Other Compensation	Value of Unexercised In-the-Money Options
Hylton Karon, President, Chief Executive Officer and Director	nil	\$370,000 ⁽¹⁾	nil	nil
Hilton Price, Chief Financial Officer and Director	nil	\$236,000 ⁽¹⁾	nil	\$1,492,000 ⁽²⁾
TOTAL	nil	\$606,000	nil	\$1,492,000

(1) Hylton Karon and Hilton Price provide management services to the Company, as well as a wholly-owned subsidiary of the Company, through external management companies.

(2) Options to acquire up to 500,000 common shares of the Company at an exercise price of \$0.40 per share were granted to Hilton Price on January 16, 2013 and expire on January 16, 2023. An option to acquire a further 100,000 shares at an exercise price of \$2.40 per share was

granted to Hilton Price on June 5, 2017 and expire on June 5, 2027. In-the-money-options are those where the market value of the underlying securities exceeds the option exercise price at September 30, 2021. The closing market price of the Company's common shares on September 30, 2021, was \$3.22 per common share.

LEGAL PROCEEDINGS

The Company's subsidiary company IFTNA, has commenced legal action against a Chinese supplier of masks. IFTNA had entered into an agreement with Hunan Jiande Medical Technology in May 2020, for the supply of 1,000,000 N95 masks. The contract was partially fulfilled, and the supplier defaulted on the remainder of the contract. IFTNA's customer has taken delivery of the remainder of the order through a different supplier. IFTNA is seeking to recover its remaining deposit of approximately US \$3,000,000 plus as-yet unspecified damages, for breach of contract. Although the Company expects to recover all or a substantial portion of the deposit plus damages, there is no guarantee that it will be successful and if successful how long such recoveries may take. This dispute has proceeded before the Shanghai International Economic and Trade Arbitration Commission and the Company anticipates that the decision of the arbitrator will be received in early January 2022.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below or elsewhere in this AIF, no director of the Company, executive officer of the Company, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of the Company, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Audit Committee is attached to this AIF as Appendix A.

Composition of the Audit Committee

The Audit Committee members are Mark Greenspan (Chairman), Mark Cochran, and Cameron Groome. All members of the Audit Committee are financially literate (as determined by NI 52-110) and all members are independent.

Relevant Education and Experience

- Mark Greenspan has had a broad exposure to review and interpretation of financial statements through his position as Chief Financial Officer for The Medipattern Corporation, a TSX Venture Exchange listed medical diagnostics company, from 2002 to 2010, and 18 years at Scotiabank in various capacities, including Chief Operating Officer of Scotiabank's e-commerce subsidiary, Chief Administrative Officer, and Head of Integrated Support Services for Scotia Capital. Prior to being employed at Scotiabank, he spent eight years at KPMG specializing in business valuations and mergers and acquisitions.
- Mark Cochran has had broad experience in reading and understanding financial statements through his position as former Executive Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare. His professional experience spans the spectrum of the global health care value chain, including drug discovery, development, research and management, and venture capital initiatives.

- Cameron Groome has had broad experience in reading and understanding financial statements through his position as President and Chief Executive Officer of Microbix Biosystems Inc., a TSX listed company (symbol MBX on TSX). Before joining Microbix, he was CEO of Avivagen Inc. (symbol VIV on TSXV) and prior thereto was EVP of Bioniche Life Sciences Inc. (also TSX-listed). Before his operational roles, he headed the healthcare activities of two national investment dealers. Mr. Groome has more than 30 years of experience as a leader, executive, equity analyst, investment banker and corporate advisor.

Pre-approval Policies and Procedures

The Company's Audit Committee pre-approves every engagement by BDO Canada LLP, the Company's external auditors, to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

External Auditor Service Fees

The following table summarizes the fees billed or projected to be billed to the Company for services provided by BDO Canada LLP during the fiscal years ended September 30, 2020 and September 30, 2019:

Fiscal Year Ended	Audit Fees	Tax Fees	Other Fees
September 30, 2021	\$95,000*	\$10,000*	\$100,000*
September 30, 2020	\$89,185	\$9,540	\$5,300

*Estimated

Audit fees are for professional services provided by BDO Canada LLP for the audit of the Company's annual consolidated financial statements.

MARKET FOR SECURITIES

The common shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "IFA".

The following chart sets out the reported high and low prices and the volume of trading of the Common Shares of iFabric on the TSX for the periods indicated:

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
<u>2020</u>			
October.....	4.47	3.35	54,900
November.....	4.46	3.40	114,000
December.....	4.20	3.69	91,300
<u>2021</u>			
January.....	5.10	3.50	203,900
February.....	5.46	4.24	131,400
March.....	5.79	4.08	396,100
April.....	5.20	3.96	200,200
May.....	4.94	3.55	185,000
June.....	4.24	3.52	69,200
July.....	4.07	3.20	59,500
August.....	4.00	3.35	89,300
September.....	3.90	3.08	66,600

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar for the common shares is Computershare Trust Company of Canada, Suite 800, 324 - 8th Avenue SW, Calgary, Alberta, T2P 2Z2.

MATERIAL CONTRACTS

1. The Technology License Agreement. Refer page 27 for full details.
2. The Maidenform® license agreement pursuant to which 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 0-10%. Minimum annual royalties have been established for the contract periods ending December 31, 2022 and 2023, in U.S. dollar amounts of \$160,000 and \$200,000 respectively. In addition, the Company is required to pay an advertising fee of 1% on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2023.

INTEREST OF EXPERTS

The consolidated financial statements of the Company for the year ended September 30, 2021 have been audited by BDO Canada LLP. As at September 30, 2021, BDO Canada LLP has advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to iFabric may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the annual meeting held March 30, 2020 available on SEDAR at www.sedar.com. Additional information is provided in the Company's audited financial statements and Management Discussion and Analysis, both for the most recently completed financial year ended September 30, 2020 available on SEDAR at www.sedar.com.

APPENDIX A

iFabric Corp. Charter of the Audit Committee

Purposes

The primary function of the Audit Committee (the "Committee") is to assist the board of directors (the "Board") in fulfilling its responsibilities by reviewing the financial reports and other financial information provided by iFabric Corp. ("iFabric" or the "Company") to any regulatory body or the public, the Company's systems of internal controls regarding preparation of those financial statements and related disclosures that management and the board of directors have established and the Company's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary objectives are to:

- assist directors in meeting their responsibilities in respect of the preparation and disclosure of the financial statements of the Company and related matters;
- provide for open communication between the board of directors and external auditors;
- enhance the external auditor's independence; and
- increase the credibility and objectivity of financial reports.

Composition

The Committee is comprised of three directors. The majority of the directors are "independent" (as such term is used in National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). All of the members of the Committee shall be "financially literate" (as defined in NI 52-110) unless the board of directors shall determine that an exemption under NI 52-110 from such requirement in respect of any particular member would be applicable and is to be adopted by the Company in accordance with the provisions of NI 52-110. The members of the Committee shall be elected by the board of directors at the annual organizational meeting of the Board and remain as members of the Audit Committee until their successors shall be duly elected and qualified. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by majority vote.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its mandate to foster open communication, the Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Chief Financial Officer is required to be present at the meetings of the Audit Committee. Minutes of all meetings of the Audit Committee shall be taken and the Committee shall report the results of its meetings and reviews undertaken and any associated recommendations or resolutions to the Board. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee shall be a valid resolution of the Committee. A quorum for meetings of the Committee shall be majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board. Members of the Committee may participate in a meeting of the Committee by means of telephone or other communication device or facilities that permit all persons participating in any such meeting to hear one another.

Responsibilities and Duties

To fulfil its responsibilities and duties, the Committee shall:

A. Documents/Reports Review

1. Review and update this Committee Charter, as conditions dictate.
2. Review the financial statements, MD&A and all public disclosures containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to the Board's approval where required.
3. Review the reports to management prepared by the external auditors and management responses.
4. Review of significant auditor findings during the year, including the status of previous audit recommendations.
5. Be satisfied with and periodically assess the adequacy of procedures for the review of corporate disclosure that is derived or extracted from the financial statements.

B. External Auditors

1. Be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
2. Recommend to the Board the external auditors to be nominated for appointment by the shareholders.
3. Recommend to the board of directors the terms of engagement of the external auditor, including their compensation and a confirmation that the external auditors shall report directly to the Committee.
4. On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Company to determine the auditors' independence.
5. Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
6. Periodically consult with the external auditors about internal controls and the fullness and accuracy of the organization's financial statements.
7. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

C. Financial Reporting Processes

1. In consultation with the external auditors and management, review the integrity of the organization's financial reporting processes both internal and external. Consider judgments concerning the appropriateness of the Company's accounting policies.
2. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the external auditors or management.

D. Process Improvement

1. Review with external auditors their assessment of internal controls, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit, and upon completion of the audit, their reports upon the financial statements.

E. Ethical and Legal Compliance

1. Ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to regulatory organizations and the public satisfy legal requirements.
2. Perform any other activities consistent with this Committee Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.