The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended September 30, 2021 and the comparative year ended September 30, 2020. The audited consolidated financial statements and accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein. This MD&A is dated December 28, 2021.

All references to dollars or "$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2021" refers to the annual fiscal period ended September 30, 2021, "2020" refers to the annual fiscal period ended September 30, 2020, "2019" refers to the annual fiscal period ended September 30, 2019, "Q1" refers to the period of October 1 to December 31, "Q2" refers to the period of January 1 to March 31, "Q3" refers to the period of April 1 to June 30, and "Q4" refers to the period of July 1 to September 30.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of iFabric. 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 "Risks and Uncertainties" 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 MD&A. 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.

NON-GAAP FINANCIAL MEASURES

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are not considered generally accepted accounting principles ("GAAP") measures. Where non-GAAP measures or terms are used, definitions are provided. In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

This MD&A and certain of the Company's press releases include references to the Company's adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), adjusted EBITDA per share is a non-GAAP measure. These measure should not be considered an alternative to net earnings (loss) attributable to the owners of the Company or other measures of financial performance calculated in accordance with IFRS. Rather, this measure is provided to complement IFRS measures in the analysis of iFabric's results since the Company believes that the presentation of this measure will enhance an investor's understanding of iFabric's operating performance. For reconciliations of this non-GAAP measure to its nearest IFRS measure, refer to the Non-GAAP Performance Measure section below for a reconciliation of consolidated net earnings (loss) attributable to the owners of the Company reported under IFRS to reported adjusted EBITDA and adjusted EBITDA per share.

Adjusted EBITDA

The Company uses Adjusted EBITDA to assess its operating performance without the effects of (as applicable): current and deferred tax expense, finance costs, interest income, depreciation and amortization of plant assets, other gains and losses, impairment loss, share-based compensation and other non-recurring items. The Company adjusts for these factors as they may be non-cash, unusual in nature and do not reflect its operating performance. Adjusted EBITDA is not intended to be representative of net earnings from operations or an alternative measure to cash provided by operating activities determined in accordance with IFRS.

BUSINESS OVERVIEW

General

iFabric is a Canadian public company, incorporated under the Alberta Business Corporations Act and is domiciled in Canada. The Company is listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IFA". The head office is located at 525 Denison Street, Unit 1, Markham, Ontario, Canada.

The Company's business activities are divided into three reportable operating segments, which offer different products and services, and are managed separately because they require different marketing strategies and resource allocations. The following summarizes the operations of each segment:

- Intimate Apparel: Includes the design and distribution of women's intimate apparel and accessories.
- Intelligent Fabrics: Includes the development and distribution of innovative products and treatments that are suitable for application to textiles, plastics, liquids, and hard surfaces as well as finished performance apparel which integrate one or more such treatments. These products are designed to provide added benefits to the user.
- Other: Includes leasing of property to group companies, related parties and third parties.

NATURE OF OPERATIONS

Intimate Apparel

The Intimate Apparel division currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the division's patented reversible bra, patented bandeaux bra and patented breast lift product. The division also distributes a range of apparel accessories.

The division utilizes contract warehouse facilities located in Los Angeles, California which services its key U.S. market and Company-owned premises located in Markham, Ontario house the bulk of the division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution center 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 98-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand. Products are sold internationally to the division's customer base, which includes a number of major retailers as well as specialty boutiques.

Intelligent Fabrics

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

The business of the Intelligent Fabrics Division includes the development, testing and distribution of chemicals suitable for application to textiles as well as finished performance apparel which integrate one or more chemical enhancements, in order to achieve the performance characteristics demanded by the customer. The current focus is on technologies that improve the safety and well-being of the wearer. The division's current product offerings include Protx2® (anti-microbial and anti-viral formulations) Enguard® (insect repellant technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellant), 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 repellant), OMEGA+ (far infrared emissions enhancer), IMPRINT (logo exposing moisture-whicker) and DriForce (fabric interior moisture-whicker). The Company anticipates that several new products will be added to its pipeline in the future.

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

The following describes the functionality of the division's current product portfolio:

Protx2® Anti-Microbial and Anti-Viral Technologies

Protx2® represents IFTNA's flagship technology.

Protx2® formulations impart anti-microbial and/or anti-viral powers to fibers, plastic, paint and paper treated with these formulations. Numerous laboratory tests have shown that treated products inhibit the growth of a wide variety of infectious agents associated with healthcare and community infections, and by their application may assist in preventing the spread of such infections.

The Company is currently targeting three key markets with regard to the distribution of Protx2® chemicals or treated finished products:

1) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear manufacturers to offer technologically-enhanced products. With the ability of Protx2® to combat odor causing bacteria, the Company is able to provide manufacturers with the ability to produce apparel and footwear that stays fresher longer without the need for repeated washing or cleaning. Innovative application methodology developed by the Company over a number of years allows for Protx2® to be integrated into almost any fabric as well as all the components of footwear including foam, rubber, and plastics. With its current Environmental Protection Agency ("EPA") and European regulatory registrations, the Company can distribute Protx2® for use in all sportswear and footwear for distribution in the U.S., European and Canadian markets as well as most other international markets.

2) Medical

Protx2® is suitable for application to many areas of a hospital environment, including, scrubs, bedding, curtaining, carpeting, walls (paint), air filters, and plastic components, amongst others.

The Protx2® range of products is dedicated to combating healthcare acquired bacterial infections ("HAI's"), including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia amongst others, and by their application may greatly assist in reducing such infections. In addition, Protx2® is also laboratory proven to be a strong antiviral agent effective against the SARS-CoV-2 virus (which causes the COVID-19 disease), the Human Corona Virus (229E), Norovirus and H1N1.

In order to enter the medical market in the United States in respect of Protx2® treated products, the Company is in the process of securing a second and higher level of EPA registrations, termed public health claims, that, if granted, will allow it to make applicable claims in connection with the efficacy of Protx2® treated fabrics, against both bacteria and viruses ("kill claims"). The final submissions to the EPA have been made as at the date of this MD&A 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).

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, management believes that 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, iFabric 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.

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.

Dreamskin®

Fabrics treated with the Dreamskin® polymer are designed to encourage a healthy skin environment because of its ability to control both moisture and friction. Dreamskin® is effective during both summer and winter months as both high and low moisture environments are known causes of discomfort and irritation. In particular, athletic apparel has two key areas that can cause skin irritation, namely friction and excessive moisture. Dreamskin® targets both of these to help prevent irritation during sporting activities. Dreamskin®does not require regulatory approvals and is commercially available for sale.

Enguard® Insect Repellent Fabric

Applying Enguard® to fabrics results in a highly effective and durable insect repellent. A major strength of Enguard® is that it is safe for children. Testing carried out by the London School of Hygiene and Tropical Medicine show Enguard® to have repelling power comparable to high-concentration DEET and significantly greater than any other natural insect repellents.

The Company requires regulatory approvals in order distribute Enguard® treated products in the United States and Canada. The Company intends to pursue regulatory approvals for Enguard® with the EPA after the receipt of the Protx2® approvals referenced above.

UVtx™

Textiles infused with UVtx™ provides apparel with a built in ultraviolet ("UV") light blocker. The UVtx™ formulation contains both UV reflecting and UV absorption elements, giving apparel treated with UVtx™ the ultraviolet protection factor ("UPF") strength of up to UPF 60. This allows the wearer of UVtx™ treated apparel to enjoy permanent sun protection without the need to apply sprays or lotions to the area covered by the garment. Testing has shown that UVtx™ treated textiles never lose efficacy. 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 FreshTx™ is effective even when wet. FreshTx™ does not require regulatory approvals and is commercially available for sale.

Apollo

Apollo is the ultimate treatment for combating odour. With the use of antimicrobial + neutralization combined it 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.

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 C0 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 FIR 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.

RECENT DEVELOPMENTS

1. Impact of the COVID-19 Pandemic

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.

2. Closing of a Private Placement of Equity

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 each 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 2 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 option receipts which were automatically converted into compensation options on March 23, 2021. Each compensation option entitles the agent to acquire one common share of the Company at a price of $3.90 for a period of 2 years from March 23, 2021. In addition, the Company incurred legal and other expenses amounting to $581,563 in connection with the offering.

The Company intends on utilizing the net proceeds from the offering for expansion of the Company's distribution network to new markets, ongoing research and development, new regulatory initiatives, clinical trial contributions, and for working capital and general corporate purposes.

3. License Agreement with TUMI

On May 5, 2021, the Company announced that its wholly-owned subsidiary company, Intelligent Fabric Technologies (North America) Inc. ("IFTNA") 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.

4. Environmental Protection Agency Registration - BioTX

On May 27, 2021, The Company announced that its wholly-owned subsidiary company, IFTNA, had received a United States Environmental Agency ("EPA") registration for its new metal-free anti-microbial technology, BioTX.

5. License Agreement with Springs Window Fashions

On July 28, 2021 the Company announced that its wholly-owned subsidiary company, IFTNA, had signed an exclusive, global license and supply agreement with Springs Window Fashions LLC ("SWF") for its Protx2 technologies for use in window coverings. SFW is the second largest global manufacturer of custom window treatments, selling products in the residential and commercial markets under a range of brands.

6. Upgrade to Trade on the OTCQX

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, the OTCQX.

7. Development of Protx2 Treated Post Air Filter

On October 13, 2021, the Company announced that its wholly-owned subsidiary company, IFTNA, and Air Quality Enhancement Corporation ("AQECO"), had successfully completed the co-development of a Protx2® treated, antiviral post air filter, suitable for use in commercial and residential buildings.

8. Renewal of Maidenform License

On December 16, 2021, the Company announced that its wholly owned subsidiary company, Coconut Grove Pads Inc. ("CGP"), 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 by CGP 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, 2023. The renewal of this license was key, as over 90% of the products distributed by CGP are sold under Maidenform brands. In terms of the license agreement the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 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 the promotion of the licensed products.

(In Canadian dollars, except as otherwise noted)

SELECTED ANNUAL INFORMATION

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

For the year ended and as at September 30,	**2021**	2020	2019	2018	2017
Income Statement Data					
Revenue	**19,763,672**	11,521,676	10,435,348	15,121,370	18,856,477
Net earnings (loss) attributable to common shareholders	**2,369,698**	(617,770)	(1,299,863)	924,743	1,597,070
Net earnings (loss) per common share					
Basic	**0.084**	(0.023)	(0.050)	0.035	0.061
Diluted	**0.081**	(0.023)	(0.050)	0.034	0.059
Balance Sheet Data					
Total assets	**27,629,685**	17,514,091	11,983,802	14,179,359	14,724,528
Total non-current financial liabilities	**551,277**	650,130	476,747	1,818,657	586,544
Cash dividends declared	**-**	-	-	-	-

Three Year Overview

A discussion of the significant factors which have caused variations in the results of operations over the three most recently completed fiscal years is set out below. The selected financial information set out in this MD&A is not exhaustive and should be read in conjunction with the Company's 2021 audited consolidated financial statements and notes thereto.

Revenue

The amount of revenue reported in 2021 increased by 72% and a 10% increase in 2020, as opposed to a 31% decrease in 2019, as compared to each of the immediately preceding fiscal years.

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 re-opening 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 personal protective equipment ("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 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 PPE sales, increased chemical sales following from 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 Earnings (Loss)

The net earnings 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 the reduction in share based compensation due to reasons discussed above.

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 owing subsidiary at a cost of $400,000 during fiscal 2019 was an additional contributor to the decrease in working capital in 2019. Changes in working capital are more fully discussed in the section dealing with liquidity and cash flow below.

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

  During fiscal 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.

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS

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

For the year ended September 30,	2021	2020
REVENUE	**19,763,672**	11,521,676
COST OF SALES	**12,002,784**	7,220,724
GROSS PROFIT	**7,760,888**	4,300,952
EXPENSES		
General and administrative costs	**4,082,203**	4,010,168
Selling costs	**982,641**	787,667
Interest on bank loan	**53,402**	42,746
Depreciation of property, plant and equipment and right-of-use assets	**90,095**	87,865
Amortization of deferred development costs	**26,820**	26,820
Share-based compensation	**21,994**	581,550
	5,257,155	5,536,816
EARNINGS (LOSS) FROM OPERATIONS	**2,503,733**	(1,235,864)
OTHER INCOME		
Gain on foreign exchange	**(223,000)**	(229,495)
Government grants	**(315,360)**	(296,970)
	(538,360)	(526,465)
EARNINGS (LOSS) BEFORE INCOME TAXES	**3,042,093**	(709,399)
PROVISION (RECOVERY) OF INCOME TAXES		
Current	**378,071**	58,793
Deferred	**289,016**	(143,481)
	667,087	(84,688)
NET EARNINGS (LOSS)	**2,375,006**	(624,711)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	**2,369,698**	(617,770)
Non-controlling interest	**5,308**	(6,941)
	2,375,006	(624,711)
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Unrealized loss on translation of foreign operations	**(242,697)**	(92,053)
TOTAL COMPREHENSIVE EARNINGS (LOSS)	**2,132,309**	**(716,764)**
EARNINGS (LOSS) PER SHARE		
Basic	**0.084**	(0.023)
Diluted	**0.081**	(0.023)

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

Operating Segments 2021	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	
External revenues	3,979,319	15,672,469	111,884	-	**19,763,672**
Earnings (loss) before income taxes	(50,075)	3,435,241	24,531	(367,604)	**3,042,093**

Operating Segments 2020	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	
External revenues	3,324,125	8,077,444	120,107	-	**11,521,676**
Earnings (loss) before income taxes	(848,573)	796,599	(30,630)	(626,795)	**(709,399)**

FISCAL 2021 RESULTS COMPARED WITH FISCAL 2020

Revenue

Revenue increased by $8,241,996 to $19,763,672 in 2021 from $11,521,676 in 2020. With respect to reportable operating segments of the Company, revenue increased by $7,595,025 or 94% in its Intelligent Fabrics segment, to $15,672,469 in 2021 from $8,077,444 in 2020 and, revenue increased by $655,194 or 20% in its Intimate Apparel segment to $3,979,319 in 2021 from $3,324,125 in 2020.

Revenue increased by 72% on a consolidated basis from 2021 to 2020. In the Company's Intelligent Fabrics operating segment the increase in revenue in this segment was attributable 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. In the Intimate Apparel operating segment, the increase was mainly as a result of the lifting of COVID-19 restrictions in the US and the resultant normalization of retail store operations. Geographically, the Company increased its sales in Canada, the U.S and Southeast Asia and other regions by 118%, 80% and 42% respectively, and decreased in the U.K by 56%, from fiscal 2020 to fiscal 2021.

Gross profit

Gross profit as a percentage of revenue increased to 39% in 2021 from 37% in 2020. The increase in gross profit percentage is primarily due to the product mix, with increased intimate apparel and chemical sales with higher margins. Gross profit in dollars increased by 80% or $3,459,936 to $7,760,888 in 2021 from $4,300,952 in 2020. The increase in gross profit dollars is largely attributable to increased revenues and improved margins as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs increased by $267,009 to $5,064,844 in 2021 compared to $4,797,835 in 2020, primarily due to increase in variable costs such as bonuses, commissions, and royalties etc., resultant from the increased revenues.

Interest Expense

Interest expense during 2021 totaled $53,402 compared to $42,476 during 2020. The increase in interest expense was due to the temporary utilization of the Company's bank operating line of credit during the year.

Amortization and Depreciation

Amortization and depreciation of the Company's property, plant and equipment, right-of-use assets and deferred development costs totaled $116,915 during 2021 compared to $114,685 during 2020. The increase is due to the amortization of newly capitalized assets.

Share-based compensation

Share-based compensation costs in 2021 were $559,556 lower than in 2020 and amounted to $21,994 in 2021 compared to $581,550 in 2020. The decrease in share-based compensation costs is due to the grant of 210,000 stock options in fiscal 2020 to an existing director, a new director of the Company and a new consultant, which vested immediately.

Gain on foreign exchange

In 2021, the Company's gain on foreign exchange was $223,000 versus a gain of $229,495 in 2020. This decrease is the result of a stronger Canadian dollar in 2021 compared to 2020.

Government grants

The Company applied for multiple government programs, including the Canadian Emergency Wage Subsidy ("CEWS") and the Canada Emergency Commercial Rent Assistance ("CECRA") program due to the impact of COVID-19 on operations, particularly in its Intimate Apparel segment. In 2021, the Company received $296,003 relating to CEWS with $10,984 receivable at fiscal year-end. In 2020, the Company received $256,942 relating to CEWS, with $23,894 receivable at fiscal year-end. The Company also received $69,893 relating to CECRA. The amount is being amortized over the remaining lease term and unamortized amounts are included in deferred rent asset in accounts receivable.

Provision (recovery) of income taxes

The Company's provision of income taxes in 2021 was $667,087, compared to a recovery of income taxes of $84,688 in 2020. The increase is due to increased earnings in 2021 compared to 2020. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes, for example share based compensation. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate from 2021 to 2020.

Net earnings (loss) and EBITDA

Net earnings attributable to iFabric's shareholders during 2021 was $2,369,698 ($0.084 and $0.081 per share, basic and diluted respectively) compared to a net loss of $617,770 in 2020 ($0.023 per share, basic and diluted). The increase in the attributable net earnings of $2,987,468 in 2021 versus 2020 is largely attributable to increased revenues of $8,241,996, increased gross profit dollars of $3,459,936, and a decrease in non-cash share based compensation of $559,556. Adjusted EBITDA for fiscal 2021 amounted to $3,234,404 compared to adjusted EBITDA of $29,582 in 2020, representing an increase of $3,204,822 for the same reasons.

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc., Intelligent Fabric Technologies (North America) Inc., and Protx (Shanghai) Trading Co., Ltd., currently utilize the United States dollar as their functional currency due to the prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. In 2021, a loss of $242,697 was included in other comprehensive loss, in respect of the accumulated unrealized loss arising on the currency translation of foreign operations, compared to a loss of $92,053 included in the same period in 2020. Total comprehensive earnings amounted to $2,286,852 in 2021 compared to a total comprehensive loss $716,764 in 2020.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is seasonal and results of operations for any interim period are not necessarily indicative of results of operations for the full fiscal year. All quarterly results and figures, and their related discussion topics, are unaudited.

SUMMARY OF QUARTERLY RESULTS

Fiscal 2021	Q1	Q2	Q3	Q4
Revenue	7,520,901	2,882,660	4,155,829	5,204,282
Net earnings (loss) attributable to common shareholders	1,602,282	(141,155)	705,406	203,165
Net earnings (loss) per common share				
Basic	0.060	(0.006)	0.024	0.006
Diluted	0.058	(0.006)	0.023	0.006

Fiscal 2020	Q1	Q2	Q3	Q4
Revenue	2,596,841	2,252,090	3,057,712	3,615,033
Net earnings (loss) attributable to common shareholders	53,810	(481,746)	(546,926)	357,092
Net earnings (loss) per common share				
Basic	0.002	(0.018)	(0.021)	0.014
Diluted	0.002	(0.018)	(0.021)	0.014

(In Canadian dollars, except as otherwise noted)

Q4 2021 FINANCIAL HIGHLIGHTS

	2021	2020
Revenue	**5,204,282**	3,615,033
Earnings from operations	**161,602**	171,810
Share based compensation	**(2,998)**	(55,945)
Adjusted EBITDA *(Note)	**354,290**	480,720
Net earnings before tax	**307,915**	388,185
Net earnings after tax attributable to shareholders	**203,165**	357,092
Other comprehensive earnings (loss)	**143,348**	(89,731)
Total comprehensive earnings	**333,078**	253,164
Net earnings per share		
Basic	**0.006**	0.014
Diluted	**0.006**	0.014

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

2021 FOURTH QUARTER RESULTS COMPARED WITH 2020 FOURTH QUARTER RESULTS

Revenue

Revenue during Q4 2021 increased by 44% or $1,589,249 to $5,204,282 from $3,615,033 during Q4 2020. With regard to its two main operating segments, revenue in its Intelligent Fabrics segment increased by 53% or $1,354,181 to $3,920,318 in Q4 2021 from $2,566,137 in Q4 2020 whereas, revenue in its Intimate Apparel segment increased by 40% or $360,695 to $1,255,993 in Q4 2021 from $895,298 in Q4 2020. The increase in Intimate Apparel operating segment revenue in Q4 2021 versus Q4 2020 was primarily attributable to the lifting of COVID-19 restrictions in the US and the resultant normalization of retail store operations. For the Intelligent Fabrics segment increased revenues were attributable to increased chemical sales and new finished performance apparel programs for a major Canadian retailer.

Gross profit

Gross profit as a percentage of revenue during Q4 2021 decreased to 32% from 43% in Q4 2020. The decrease in gross profit percentage in Q4 2020 is mostly attributable to the sales mix for the quarter, which had a greater proportion of Intelligent Fabric finished apparel sales which are at lower margins, when compared to Q4 2020. Gross profit in dollars during Q4 2021 increased by 6% or $98,977 to $1,668,142, from $1,569,165 in Q4 2020. The increase in gross profit in dollars is attributable to increased revenue as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs during Q4 2021 increased by $155,345 or 12%, to $1,460,165 from $1,304,820 in Q4 2020, mainly attributable to an increase in bonuses granted to the Company's management.

Interest expense

Interest expense during Q4 2021 was $10,142 compared to $7,919 during Q4 2020.

Amortization and Depreciation

Amortization and depreciation of the Company's property, plant and equipment and deferred development costs totaled $33,235 during Q4 2021 compared to $28,672 during Q4 2020. The increase is due to new assets acquired in the current quarter.

Government grants

During the quarter, the Company applied for multiple programs, including CEWS and CECRA due to the impact of COVID-19 on operations particularly in its Intimate Apparel segment. In 2021, the Company received $28,813 with $10,984 receivable at quarter-end relating to CEWS. In 2020, the Company received $135,136 with $23,894 receivable at quarter-end relating to CEWS. The Company also received $34,946 relating to CECRA which is being amortized over the remaining lease term with unamortized amounts included as a deferred rent asset in accounts receivable.

Provision (recovery) of income taxes

The Company's provision of income taxes in Q4 2021 was $118,185, compared to a provision of income taxes of $45,290 in Q4 2020. The increase is due to increased earnings in 2021 compared to 2020. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes, for example share based compensation. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate from 2021 to 2020.

Net earnings and EBITDA

Net earnings after tax attributable to iFabric's shareholders during Q4 2021 was $203,165 ($0.006 and $0.006 per share, basic and diluted) compared to net earnings of $357,092 ($0.014 per share, basic and diluted) during Q4 2020. Adjusted EBITDA for Q4 2021 amounted to $354,290 compared to adjusted EBITDA of $480,720 in 2020.

Other comprehensive earnings (loss)

The Company's subsidiaries Coconut Grove Pads Inc. and, Intelligent Fabric Technologies (North America) Inc., and Protx (Shanghai) Trading Co. Ltd., utilize the United States dollar as their functional currency due to the prevalence of United States dollar denominated transactions in their operations. Accordingly, all unrealized exchange differences resultant from the translation of balances from the functional currency (US dollars) to the presentation currency (Canadian dollars) are recognized in other comprehensive income. For Q4 2021, there was an increase of $143,348 in other comprehensive earnings compared to a decrease of $89,731 in Q4 2020, in respect of unrealized losses arising on currency translation of foreign operations. The main reason for these increase was the weakening of the Canadian dollar towards the end of 2021 compared to the strengthening of the Canadian dollar towards the end of 2020.

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's consolidated statements of financial position as at September 30, 2021 and September 30, 2020:

As at	**September 30, 2021**	September 30, 2020
ASSETS		
Current assets		
Cash	**8,901,718**	1,160,428
Accounts receivable	**6,452,896**	4,442,787
Inventories	**3,015,010**	3,138,128
Income taxes recoverable	**90,521**	265,982
Prepaid expenses and deposits	**4,734,352**	4,106,986
Foreign exchange forward contracts	-	126,994
Total current assets	**23,194,497**	13,241,305
Non-current assets		
Due from related parties	**131,404**	112,248
Property, plant and equipment	**2,942,104**	2,744,875
Right-of-use assets	**54,168**	61,735
Deferred development costs	**231,658**	258,478
Deferred income taxes	**1,020,984**	1,040,400
Goodwill	**55,050**	55,050
Total non-current assets	**4,435,368**	4,272,786
Total assets	**27,629,865**	17,514,091
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**2,941,445**	1,771,983
Customer deposits	**151,315**	3,909,093
Income taxes payable	**256,426**	324,775
Deferred revenue	**25,609**	57,770
Current portion of contract liability	**180,509**	165,611
Current portion of lease liability	**30,613**	30,037
Current portion due to related parties	-	38
Current portion of bank loan payable	**1,215,464**	1,259,783
Total current liabilities	**4,801,381**	7,519,090
Non-current liabilities		
Non-current portion of contract liability	-	122,560
Non-current portion of lease liability	**20,855**	25,398
Due to related parties	**530,422**	502,172
Total non-current liabilities	**551,277**	650,130
Total liabilities	**5,352,658**	8,169,220
Commitments		
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	**13,585,774**	3,282,276
Reserves	**3,264,746**	2,768,217
Retained earnings	**5,612,925**	3,243,227
Accumulated other comprehensive earnings	**(196,551)**	46,146
Total equity attributable to iFabric Corp. shareholders	**22,266,894**	9,339,866
Non-controlling interest	**10,313**	5,005
Total equity	**22,277,207**	9,344,871
Total liabilities and equity	**27,629,865**	17,514,091

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to $8,901,718 as at September 30, 2021 from $1,160,248 as at September 30, 2020, mainly as a result of net proceeds of $10,228,433 received from a private placement equity offering which closed on February 22, 2021.

Total accounts receivable at the end of 2021 was $6,452,896 compared to $4,442,787 at the end of 2020, representing an increase of $2,010,109. This increase is attributable to increased chemical sales in Asia, as well as new programs for finished performance apparel in Canada which, shipped during the current quarter.

Total inventories decreased by $123,118 to $3,015,010 at the end of 2021 from $3,138,128 at the end of 2020. The decrease was mainly attributable to increased demand for goods following from the relaxation of COVID-19 restrictions and the reopening of retail stores in the US and Canada.

Prepaid expenses and deposits increased by $627,366 to $4,734,352 at September 30, 2021, from $4,106,986 at September 30, 2020, as a result of increased orders for replenishment inventory in respect of new and existing programs.

Property, plant and equipment at the end of 2021 totaled $2,942,104 compared to $2,744,875 at the end of 2020, representing an increase of $197,229. The difference is attributable to the capitalization of upgrades to the Company's Markham premises, net of depreciation.

Right-of-use assets decreased to $54,168 at the end of 2021 compared to $61,735 at the end of 2020 with the difference attributable to depreciation.

Deferred development costs decreased to $231,658 at the end of 2021 from $258,478 at the end of 2020 with the difference attributable to amortization.

Deferred income taxes decreased to $1,020,894 at the end of 2021 from $1,040,400 at the end of 2020. The decrease is mostly attributable to the utilization of a portion of the non-capital losses previously incurred in the Intelligent Fabrics operating segment.

Total liabilities at the end of 2021 were $2,816,562 lower than at the end of 2020 and amounted to $5,352,658 compared to $8,169,220. This decrease was mainly due to the fulfillment of a customer contract in 2021 for which advanced deposits had been received in 2020.

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

The Company's capital resources include a bank operating line, bank loan, and equity attributable to the Company's shareholders.

Bank Operating Line

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of $3,750,000, against which $0 was outstanding as at September 30, 2021 (September 30, 2020 – $0). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of $3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

Bank Loan

One of the Company's subsidiaries has a variable-rate demand term loan amounting to $1,215,464 (2020 - $1,259,783). The loan is payable in monthly payments of $10,331 comprising principal and interest at the bank's prime interest rate plus 0.75% per annum, amortized over a fifteen-year period ending February 28, 2032, and secured by a first-ranking all-indebtedness collateral mortgage in the amount of $3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies. $120,000 of the loan is funded by the Canada Emergency Business Account ("CEBA") which is interest free until December 31, 2022 and one third of the balance forgiven if repaid by December 31, 2022. Management expects to pay the minimum monthly payments on the bank loan, and two thirds of the balance of $120,000 of CEBA within the next 12 months.

Working capital

Working capital, represents current assets less current liabilities. As at September 30, 2021, the Company's working capital was $18,393,116, compared to working capital of $5,722,215 as at September 30, 2020, representing an increase of $12,670,901. This increase is attributable to the proceeds of an offering of shares during the year as well as the net earnings for the year.

Operating activities

Cash used in operating activities totaled $2,221,671 in 2021, compared to an amount of $1,062,202 used in operating activities during 2020. The increase in operational cash outflow can be largely attributed to the carrying of increased receivables following from increased revenues.

(In Canadian dollars, except as otherwise noted)

Financing activities

Cash provided by financing activities during 2021 amounted to $10,459,057, compared to $205,154 provided by financing activities during 2020, representing an increase of $10,253,903 in financing cash inflow. The difference can be mostly attributed to the net proceeds from a private placement of equity in the period as discussed above.

Investing activities

Cash used in investing activities totaled $253,399 in 2021 compared to an amount of $178,019 used in investing activities during 2020 with the increase attributable to the capitalization of upgrades to the Company's Markham property.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2021, with the exception of the minimum guaranteed royalties and operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

The following details the Company's contractual obligations, under various operating lease agreements as at September 30, 2021:

	Payments due by fiscal year end					
Contractual obligations	2022	2023	2024	2025	Subsequent years	**Total**
Minimum guaranteed royalties & leases	34,569	14,011	14,011	3,503	-	**66,094**

The Company's other commitments are outlined below:

- The Company enters into foreign exchange forward contracts from time to time to manage the risks associated with exchange rate fluctuations. See note 7 to the Company's 2021 annual consolidated financial statements for more information.

- In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 0-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2021 in a U.S. dollar amount of $122,500. In addition, the Company is required to pay an advertising fee of 1-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2021. This agreement was subsequently renewed for a two year term ending December 31, 2023.

RELATED PARTY TRANSACTIONS

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

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

	2021	2020
Salaries, management and professional fees, directors' fees, and short-term benefits	**933,213**	**829,193**
Share-based compensation	**21,994**	**40,349**
	955,207	869,542

Further information about the remuneration of certain individual executive officers and members of the Board of Directors will be provided in the Company's Management Information Circular, to be filed in respect of its fiscal 2021 shareholders' meeting.

(b) Included in selling, general and administrative costs are management fees in the amount of $25,000 (2020 - $22,500) paid to a company controlled by a director of one of the Company's subsidiaries.

(In Canadian dollars, except as otherwise noted)

(c) Included in revenue is rental income earned in the amount of $34,200 (2020 - $21,375) from a company controlled by a director of one of the Company's subsidiaries.

(d) Included in accounts payable and accrued liabilities is an amount of $222,000 (2020 - $13,000) due to directors and key management personnel of the Company in respect of unpaid fees.

(e) Included in selling, general and administrative costs is an amount of $32,333 (2020 - $58,957) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.

(f) There is an amount of $131,404 due from executive officers (2020 - $112,248) in respect to company loans and an amount of $530,422 due to a director of one of the Company's subsidiaries (2020 - $502,172) in respect to unpaid fees.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 29,624,467 common shares outstanding. Furthermore, as of the date of this MD&A, 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.

RISKS

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 Management Discussion & Analysis 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 rapidly evolving 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 Management Discussion & Analysis.

Financial Risks

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.

The Company's maximum exposure to credit risk is $6,452,896 (2020 - $4,442,787). Included in selling, general and administrative costs are bad debts of $0 (2020 - $208,000) expensed during the year.

The aging of trade accounts receivable is as follows:

	September 30, 2021	September 30, 2020
Trade receivables not past due	**4,178,421**	3,340,562
Trade receivables past due and not impaired		
Under 31 days	**940,264**	630,421
31 - 60 days	**513,530**	31,831
61 - 90 days	**448,772**	8,400
Over 90 days	**353,610**	353,549
Trade receivables, net of expected credit loss allowance	**6,434,597**	4,364,763

Economic dependence

Approximately 63% 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 segment. 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.

Liquidity risk

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

	Carrying amount	Contractual cash flow	2022	2023	2024	2025
Minimum guaranteed royalties	-	-	-	-	-	-
Lease obligations	51,468	66,094	34,569	14,011	14,011	3,503
Bank loan payable	1,215,464	1,215,464	1,215,464	-	-	-
Trade and other payables	2,941,445	2,731,445	2,731,445	-	-	-
Related party loans	530,422	530,422	-	530,422	-	-
	4,738,799	4,543,425	3,981,478	544,433	14,011	3,503

Market risk

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

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), British Pounds Sterling ("GBP"), and New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The Company manages its currency risk with foreign exchange forward contracts. The following balances were included in the 2021 financial statements:

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)
Prepaids 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 in net earnings (loss) 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 in net earnings (loss) 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 $77,000 to the net earnings (loss) for 2021, all other variables held constant.

The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Interest rate risk

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

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately $9,000 in net earnings (loss) for 2021, all other variables held constant.

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

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 U.S. Environmental Protection Agency ("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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Revenue recognition

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

Valuation of inventories

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

Valuation of receivables

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

Recoverability of deferred development costs

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

Benefits of deferred income tax assets

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

Estimated useful life of property, plant and equipment

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

Share-based payment transactions

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

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

ACCOUNTING POLICY DEVELOPMENTS

(a) Adoption of new or amended accounting standards

During the year ended September 30, 2021 the Company did not amend any of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on October 1, 2020.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of September 30, 2021. Although the Company's disclosure controls and procedures were operating effectively as of September 30, 2020, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at September 30, 2021 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at September 30, 2021. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal year ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

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