



iFABRIC CORP.

ANNUAL INFORMATION FORM

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form ("Annual Information Form" or "AIF") contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of iFabric Corp. ("iFabric" or the "Company"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results that "may", "could", "would", "might" or "will" be taken, to occur or to be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors" and should be considered carefully by readers. Such risks and other factors may include, but are not limited to: the extent and impact of health pandemic outbreaks on our business; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; the ability to obtain and maintain required permits and approvals, the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals. 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.

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

BUSINESS OF iFABRIC

Except as otherwise stated, the information contained in this Annual Information Form is given as of March xx, 2024. All dollar amounts are expressed in Canadian dollars.

Summary

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

Intimate Apparel Division

The Intimate Apparel Division commenced operations in 1992 and currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the division's patented reversible bra, patented bandeaux bra and patented breast lift product. The division also distributes a range of apparel accessories. The Division is managed by Hylton Karon, President and CEO of iFabric.

The division utilizes contract warehouse facilities located in Houston, Texas which services its key U.S. market and a Company-owned warehouse located in Markham, Ontario houses inventory for the Canadian and European markets. The Company's management, designers, administrative, product sourcing and logistical staff occupy rented premises in an office block located in close proximity to the Markham warehouse.

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.

For a number of 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 100-year plus history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand.

Products are sold internationally to the division's customer base, which includes major retailers, online distributors, as well as specialty boutiques.

Intelligent Fabrics Division

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

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

The division's current product offerings include Protx2® and bioACTIV AM (anti-microbial and anti-viral formulations), Enguard® (insect repellent technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellent), Omega+ (joint and muscle recovery), TempTx (thermal regulator), Apollo (body odour neutralizer), DryTx (moisture-wicking technology), BioTX (metal free anti-stink solution), RepelTX Eco Plus (fluorine-free durable water repellent), IMPRINT (logo exposing moisture-wicker) and DriForce (fabric interior moisture-wicker). The Company anticipates that several new formulations and new generations of existing formulations will be added to its pipeline in the future.

The right to sell and distribute these products is governed by an exclusive perpetual license agreement, the details of which can be found on page 39 of this AIF.

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. Additionally, a supply center in Houston, Texas, services the U.S., Central and South American markets and, the Markham, Ontario warehouse services the Canadian market. 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 to customers and consumers. In addition, the division produces performance and protective apparel under its own brands. All chemical formulations and apparel, is produced or manufactured at various facilities in Asia.

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

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

Products

Protx2®

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

1) Disruption of the cell wall coupling enzyme

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

2) Disruption of the cell's nutrition ability

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

3) Inhibition of ATP synthesis

Every cell requires energy in order to survive, grow and multiply. Cells gain energy through the conversion of

molecules into adenosine triphosphate (“ATP”), a process which requires hydrogen ions. ATP is the most commonly used “energy currency” of cells from most organisms. Protx2® prevents the uptake of hydrogen ions thereby depriving the cell of its energy source.

A substantial body of comparative testing conducted by the Company at third party United States Environmental Protection Agency (EPA) approved laboratories over a period of approximately twenty years, has shown Protx2® to be consistently more effective at combating bacteria and viruses than competing technologies. In addition, Protx2® has also shown itself to be consistently more durable to washing during normal laundry cycles, with certain fabric blends yielding no loss in efficacy even after 100 washes.

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

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

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

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

1) Sports apparel, outerwear and footwear

There is an increasing trend amongst major sports apparel, outerwear and footwear brands, as well as manufactures to offer technologically enhanced products. This category of apparel is generally referred to as performance apparel. With the ability of Protx2® to combat odour causing bacteria, the Company can provide manufacturers with the ability to produce apparel and footwear that stays fresher longer without the need for repeated washing or cleaning. Innovative application methodology developed by the Company over many years allows for Protx2® to be integrated into almost any fabric as well as all the components of footwear including foam, rubber, and plastics. With its current EPA registrations, the Company can distribute Protx2® for use in all sportswear and footwear in the United States. In addition to supplying chemical formulations to major brands, the Intelligent Fabrics Division also designs, manufactures and supplies finished performance apparel to major retailers. Further, the Division has launched its own performance apparel brands, Underit® and Versus All®. After successful testing in May 2020, showed that Protx2® has the ability to disable the SARS-CoV-2 virus, which causes the COVID-19 disease, a number of major customers commenced integrating Protx2® in sports and medical masks and, other performance apparel garments.

In support of its performance apparel goals, the Company registered a number of apparel patents and trademarks.

The worldwide market for Sport and High-Performance Apparel is expected to grow at a compound annual growth rate of roughly 5.53% and reach 279.20 billion USD\$ in 2029, from 181.51 billion USD\$ in 2021.¹

2) Medical

A 2019 report prepared for the Infusion Nurses Society in the United States, provides a cost estimate of USD\$10 billion in respect of the economic burden on healthcare providers in treating healthcare-associated infections ("HAI"s) in the United States. In addition, the report provides an estimate of USD\$200 billion, in respect of the resulting cost to society in the U.S. from HAI's.² Furthermore, the cost estimate of the COVID-19 pandemic to world economies, is estimated to exceed USD\$12.5 trillion through 2024.³

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

In addition, the CDC reports that there are around 20 million cases of Norovirus infections in the U.S. each year leading to over 70,000 hospitalizations.⁴ As at the date of this AIF, reported worldwide deaths attributable the COVID-19 causing virus were just over 7 million, with 1.2 million deaths recorded in the United States alone.⁵ The true (unreported) death toll could be as high as 28 million worldwide.⁶

The Protx2® range of products is dedicated to combating HAIs, including *Methicillin-resistant Staphylococcus aureus*, *Clostridium difficile*, *Vancomycin-resistant enterococci* and *Klebsiella pneumoniae* 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.

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

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, subject to the completion and submission of a leaching study, which is currently in process. In addition, IFTNA has been granted utility patents in both the United States and Canada in respect of the Company's antiviral treatment of textiles (ProTX2 AV) and its stand-alone laundry additive (AVguard). Limited entry into the medical market in the form of scrubs treated with Protx2® by a major customer, has already commenced at the date of this AIF, via programs for both the retail scrubs market as well as the direct to hospital market.

¹Data Bridge Market Research Market Analysis Study 2022.

² "Understanding the Economic Impact of Health Care-Associated Infections: A Cost Perspective Analysis" by R. Douglas Scott II PhD, Steven D Culler PhD and Kimberly J. Rask, MD, PhD

³ The International Monetary Fund January 20, 2022

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

⁵ World Health Organization

⁶ "The pandemic's true death toll". The Economist.

As a further precursor to gaining entry into the wider medical market, the Intelligent Fabrics Division conducted a clinical trial in respect of medical garments (i.e. “scrubs”) treated with the Company’s ProTX2 antimicrobial and RepelTX water-repellent technologies. The trial commenced in July, 2022 and was conducted at MemorialCare Medical Group – Irvine, in the United States and comprised scrubs supplied in three forms: One treated with ProTX2 antimicrobial technology, another with a combination of ProTX2 and RepelTX (durable water-repellant technology), and a third (control) group of untreated scrubs. The trial comprised 125 nurses recruited for 3 shifts per nurse, equating to a total of 375 regular staff-shifts. At the start of each shift, nurses were provided new and unmarked scrubs from one of the three groups, which were swabbed twice, once prior to the commencement of the shift and a second time at the end of the shift. The principal endpoint of the trial was to compare bacterial loads on the scrubs treated with the Company’s technologies compared to the untreated scrubs. A pathogen load reduction is key to enhancing the protection of the wearer and those with which they encounter during their workday. The spread of infection from surface contact is a major concern in the healthcare industry.

On July 5, 2023, the Company announced that it had achieved a successful outcome with regard to its clinical trial. The summary of the trial findings was that both the PROTX2 and the PROTX2 with RepelTX treated scrubs demonstrated statistically significant reductions in bacterial loads on the surfaces of scrubs, as compared to untreated scrubs. The term statistically significant is used to describe a result that is highly unlikely to occur by chance alone in a natural environment. The results achieved in the study demonstrate that the Company’s proprietary technologies were uniquely responsible for the reduction in bacterial loads witnessed throughout the trial. As at the date of this AIF the Company had submitted the trial study to a recognized medical journal for peer review. This represents the final phase of the trial and it is anticipated that the review will be published during the course of calendar 2024.

3) Community protection

The recent COVID-19 pandemic has underscored the need for individuals to protect themselves when entering closed environments such as aircraft, shopping malls, hotels, and even one’s residence, as well as close proximity environments such as sports arenas, movie houses etc. With future pandemics being predicted by experts, the Company 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, IFTNA is well positioned to capitalize on the opportunity to supply its chemical treatments, finished personal protection equipment and apparel and, a laundry additive that can be utilized during a normal household laundry cycle.

IFTNA has received a United States Environmental Agency ("EPA") registration for PROTX2® as a “Continually Self-Sanitizing Textile”. This registration allows textiles treated with the PROTX2 technology, to make public health claims for use in non-apparel products, which includes, curtains, carpeting and home furnishing fabrics, amongst others.

The permitted public health claims pursuant to this registration are that PROTX treated textiles:

Kills 99.99% of bacteria in 10 mins, with nonstop disinfection for 24 hours;

Kills pathogenic bacteria;

Kills 99.99% of bacteria non-stop for 24 hours; and

Continuously disinfects bacteria after 24 hours of continuous use without washing.

The ability to make public health claims on non-apparel products are considered an important catalyst in attracting new customers representing significant market segments within home, office and healthcare settings.

Enguard® Insect Repellent Fabric

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

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

Dreamskin®

Fabrics treated with the Dreamskin® polymer are designed to encourage a healthy skin environment because of its ability to control both moisture and friction. Dreamskin® is effective during both summer and winter months as both high and low moisture environments are known causes of discomfort and irritation.

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

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

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

UVtx™

Textiles infused with UVtx™ provide apparel with a built in ultraviolet (“UV”) light blocker. The UVtx™ formulation contains both UV reflecting and UV absorption elements, giving apparel treated with UVtx™ the ultraviolet protection factor (“UPF”) strength of up to UPF 60. This allows the wearer of UVtx™ treated apparel to enjoy permanent sun protection without the need to apply sprays or lotions to the area covered by the garment. Testing has shown that UVtx™ treated textiles do not lose efficacy over time. UVtx™ does not require regulatory approvals and is commercially available for sale.

FreshTx™

FreshTx™ is a state of the art odour-absorbing technology, which is easily infused into textile products. FreshTx™ offers permanent protection against odours without the need to use sprays or perfumes. FreshTx™ uses naturally-occurring elements for effective results that are non-toxic and safe. Extremely durable, once applied, the properties of FreshTx™ are renewed with each wash, and are effective even when wet. FreshTx™ does not require regulatory approvals and is commercially available for sale.

Apollo

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

DryTx™

DryTx™ moisture wicking technology provides treated apparel with the ability to quickly draw moisture away from the skin and disperse perspiration across the fabric surface for faster evaporation.

The main attributes of DryTx™ are its abilities to:

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

An additional significant attribute of DryTx™ is its ability to be integrated into apparel in combination with the division's other product offerings, resulting in unique garments that provide superior performance characteristics for athletic apparel. DryTx™ does not require regulatory approvals and is commercially available for sale.

RepelTX™

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

The main benefits of RepelTX™ are:

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

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

TempTX

TempTX is offered in two variants:

Cool

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

Thermo

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

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

BioTX

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

RepelTX Eco Plus

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

OMEGA+

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

IMPRINT

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

DriForce

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

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

bioACTIV AM

bioACTIV AM, is novel 4-in-1 formulation that marries anti-bacterial and anti-viral efficacy with deodorization and UV protection in a single textile finishing application. bioACTIV AM represents the first technology of its kind that offers multiple performance attributes within a single formulation, which creates process and cost efficiencies for the Company's customers while delivering enhanced multimodal capabilities.

Suppliers

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

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

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

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

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

Marketing

Intimate Apparel Division

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

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

Intelligent Fabrics Division

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

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

With respect to own brand sales, the Intelligent Fabrics Division, online sales are driven by a comprehensive social media campaigns supported by a dedicated website.

Employees

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

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

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

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

Environmental Protection

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

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

Intangible Properties

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

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

Competitive Conditions

With regard to its Intimate Apparel Division, the Company faces direct competition from other wholesale distribution companies who offer intimate apparel and complementing accessories. The retail apparel industry is highly sensitive to economic conditions and the Company aims to differentiate its products in an effort to mitigate competitive pressures. Specifically, it has positioned itself to leverage a key license arrangement with Maidenform®, a brand leader in the industry, and engages in cooperative marketing and advertising campaigns that support sales of its products by major retailers and online sales vendors such as Amazon.

Within its Intelligent Fabrics Division, the Company defines its competition broadly as other manufacturers and distributors of performance apparel as well as products that seek to improve the well-being of the end user through chemical enhancement. While there are other distributors offering similar technologies and products,

the Company distinguishes itself from competitors by distributing proprietary products at competitive prices that are of the highest quality, whilst at the same time offering superior efficacy and durability, as well as being environmentally friendly. Moreover, the division targets market leaders that claim premium performance as a core marketing tactic.

New Products

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

During fiscal 2023 the Intelligent Fabrics Division added a number of new chemical formulations to its portfolio of textile treatments. The Division has also broadened its ranges of apparel and swimwear offerings. Full details of the product offerings of the Division can be found under the products section, commencing on page 5 of this AIF and on IFTNA's websites at www.iftna.com and www.verzus.com.

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

The Intelligent Fabrics Division has filed applications with the EPA for the approval of high level antibacterial and antiviral efficacy claims in respect of ProtX2 treated fabrics. The receipt of these approvals will allow the Company and its customers to produce new protective clothing ranges for frontline healthcare workers and others as an additional tool to combat infection from viruses and healthcare-acquired bacterial infections.

The Markham design team is entrusted with the design of new performance apparel product ranges and swimwear for major retail customers, as well as in respect of the Division's own brand, VERZUS ALL.

Seasonality

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

Economic Dependence

With regard to its Intimate Apparel Division, revenues are heavily dependent on a key license agreement, with approximately 75% of the division's annual revenues being derived from the sale of licensed products. Details pertaining to this agreement are provided on page 39 of this AIF.

In the Intelligent Fabrics Division, the Company is heavily dependent on an exclusive license, supply and distribution arrangement that it has entered into with the manufacturer of its key chemical technologies. The bulk of current revenue in the Intelligent Fabrics Division is derived from either chemical sales or finished performance apparel that integrates one or more of such chemical treatments. In addition, the Division is also heavily reliant on the Roots license agreement in respect of the sale of swimwear to a major retailer. Details pertaining to these agreements are provided on page 39 of this AIF.

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

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

Foreign Operations

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

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

Risk Factors

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

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

In addition, the following factors, categorized by the primary nature of the associated risk, could affect the Company's financial performance and cause actual results, plans and expectations to differ materially from those expressed or implied in any of the forward-looking statements contained in this Annual Information Form.

Business Operation Risks

Competition

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

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

- repel insects when applied to skin or textiles;
- kill bacteria or viruses when applied to textiles;

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

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

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

Economic Conditions and Consumer Spending

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

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

Licensing Arrangements

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

- Failure to pay royalties or advertising contributions;
- Failure to meet minimum purchase obligations;
- Failure to achieve minimum sales targets;
- The breach of a material covenant;
- Failure to ship licensed products to authorized customers;

- Failure to give notice of intention to renew within the stipulated time period

Economic Dependence on Key Customers and Suppliers

For the fifteen months ended December 31, 2023 approximately 61% of the Company's total sales were to four customers (year ended September 30, 2022 - 61% of sales were to four customers). At December 31, 2023, four customers accounted for 78% (September 30, 2022 - four customers accounted for 78%) of the Company's accounts receivable. In 2023, approximately 73% of the Company's total purchases were to four vendors (2022 – 73% of purchases were to four vendors), one of which is related to a distributor of the Company.

The loss of any one of these key customers or suppliers can have a material impact on revenues, earnings, cash flows, and the financial position of the Company.

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. 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.

Current and future global economic and political volatility and uncertainty may negatively impact our financial performance and results of operations as well as our ability to predict future spending requirements and growth, if any

Current and future global economic, health, political and social conditions remain volatile and uncertain, particularly in certain parts of the world. Further, acts of terrorism, labor activism or unrest, and other geopolitical unrest, including global events such as the Russian invasion of Ukraine, could cause disruptions in our business or the businesses of our partners or the economy as a whole. If any of the following international business risks were to materialize or become worse, they could have a material adverse effect on our business, financial condition and results of operations:

- social and political instability and, potential terrorist attacks, in a number of countries around the world, including continued hostilities and civil unrest in the Middle East and Ukraine. This instability may have a negative effect on our business, financial condition and operations via our customers and global supply chain;
- epidemics and pandemics, such as the coronavirus outbreak, which may adversely affect our workforce, as well as our suppliers and customers;
- adverse changes in government policies, especially those affecting trade and investment; and
- volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, particularly in China.

As a result, it is difficult to estimate the level of growth or contraction for the global economy as a whole. It is even more difficult to estimate economic growth or contraction in various sectors and regions, including the

markets in which we operate. Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the markets we serve and the demand for our products and services, the prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. Adverse changes may occur as a result the war in Ukraine or the continued prevalence of public health crises, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, stagnant economic conditions, increasing nationalism and protectionism, trade tensions and tariff uncertainty, political deadlock, war, financial and trade sanctions, social unrest or other factors affecting economic conditions generally. These changes may negatively impact our ability to meet our targets for revenue, Adjusted EBITDA and cash from operating activities.

Natural Disasters, Extreme Weather etc.

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, and other unexpected events. These events could cause 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 63% 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 or trading liquidity of the common shares.

Financial Risks

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities. The Company is exposed to this risk mainly with respect to its related party loans, bank indebtedness, loans payable and accounts payable and accrued liabilities. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains an adequate line of credit to pay trade creditors and repays long term debt interest and principal as it becomes due using cash generated from operations and available credit facilities. It is likely that the Company will require additional financing to fund future expansions. There can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of development of certain aspects of iFabric's business, and therefore affect its future cash flows, earnings, results of operations and financial condition. The Company believes that it has sufficient debt and equity financing opportunities available, and together with its projected future cash flows and existing unutilized credit facilities, feels that it will be able to satisfy its obligations to meet financial liabilities in the future.

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

Accounting Standards

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

Costs of Raw Materials

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

Financial Controls

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

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

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

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

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

Share Sales

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

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk. Management of the Company monitors the credit worthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market and relationships with customers and other vendors. Further, the Company reviews forward looking information such as indications of customers going through financial difficulties that may create doubt over the receipt of funds.

Foreign Currency Risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), New Taiwanese Dollars ("TWD") and Chinese Yuan ("RMB"). The following balances were included in the 2023 financial statements:

USD	December 31, 2023	September 30, 2022
Cash	111,355	84,799
Accounts receivable	3,725,053	1,548,004
Accounts payable and accrued liabilities	(722,814)	(1,190,712)
Prepays and deposits	374,059	3,586,587
	3,487,653	4,028,678

TWD	December 31, 2023	September 30, 2022
Cash	1,352,102	2,537,417
Accounts receivable	20,212,208	17,802,959
Accounts payable and accrued liabilities	139,168	(91,930)
	21,703,478	20,248,446

RMB	December 31, 2023	September 30, 2022
Cash	615,954	1,210,179
Accounts receivable	7,847,275	6,158,745
Accounts payable and accrued liabilities	(3,513,238)	(1,225,126)
	4,949,991	6,143,798

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 December 31, 2023, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$170,000 to net comprehensive earnings for 2023, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at December 31, 2023, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately \$34,000 to net comprehensive earnings for 2023, all other variables held constant. The effect of a 5% strengthening (weakening) of the RMB against the Canadian Dollar as at December 31, 2023, in relation to the net amount of RMB-denominated currency balances, would have resulted in an increase (decrease) of approximately \$34,000 to net comprehensive earnings for 2023, 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

The Company is exposed to interest rate risk on its secured bank loan and its bank operating line, which bear interest at floating rates, since changes in market rates can cause fluctuations in cash flows. Fluctuations in interest rates over the last several years have not had a material impact on the Company's financial results.

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately \$7,000 to net earnings for 2023, all other variables held constant.

Three Year History

Intimate Apparel Division

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

In early 2022, the Company completed the move of its United States based inventory from its contract warehouse located in Los Angeles, California to a new contract warehouse located just outside of Houston, Texas. The move was motivated by a number of factors, principally, the extreme port congestion in Los Angeles, resulting in delays in the delivery of products to customers and rising costs in California, which substantially exceed the average for most other U.S. states. As a result of the move, the Company anticipates achieving savings in warehouse costs of around 50%, with a resultant improvement of around 5% in U.S. gross margins over time.

On October 6, 2023, the Intimate Apparel Division renewed its license and distribution agreement with MFB International Holdings S.a.r.l., a subsidiary of Hanesbrands Inc. ("Hanes"), for a further two-year term. The agreement covers the distribution of intimate apparel accessories and specialty bra solutions which are marketed under Hanes' various Maidenform brands. The new license term is in effect until December 31, 2025. The renewal of this license was key, as over 90% of the products distributed by Division are sold under Maidenform brands. For full details of the agreement refer page 38 of this AIF.

For the period ended December, 2023 the U.S. market continued to be the Intimate Apparel Division's major market region, with approximately 70% of sales being made to U.S. customers compared to 83% in fiscal 2022 and 79% in fiscal 2021.

Intelligent Fabrics Division

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

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

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

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

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

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

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

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

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

On May 31, 2022, the Company announced the execution of a license agreement between Roots Corporation ("Roots") and IFTNA. The license provides IFTNA with the right to use Roots trademarks in connection with the manufacture and distribution of men's, women's, and children's swimwear, to retailers and distribution channels approved by Roots, including Roots stores. In October 2022 the Company announced that initial confirmed orders by major retailers for Roots branded swimwear, amounted to approximately \$3.2 million. Products designed, manufactured, and distributed utilizing Roots trademarks are expected to bolster revenues in the Company's second and third quarters, which are traditionally weaker quarters for the Company. For full details of the agreement refer page 39 of this AIF.

On July 5, 2022, the Company announced that IFTNA had signed a new license agreement with The North Face® ("TNF"), a division of VF Outdoor LLC. The agreement provides TNF with a license to use RepelTX ecoPEL in outdoor apparel, footwear and equipment manufactured and distributed by TNF. Accordingly, TNF became the first major customer to adopt the use of RepelTX ecoPEL in a wide range of their products.

Also, on July 5, 2022 the Company announced the launch of its new direct-to-consumer brand – VERZUS ALL. The brand was developed to showcase the dynamic range of the Company's class-leading fabric technologies, applied to premium and luxury fabrics. The VERZUS ALL range of products was designed by the Company's in-house design team and is manufactured by its production partners in Asia. VERZUS ALL products are being marketed on-line at a newly launched website at www.verzus.com, as well as through a company-branded retail location at the 140-store Markville Shopping Centre near the Company's head office in Markham, Ontario, Canada. Direct-to-consumer sales provide the highest margin point for iFabric products

On July 21, 2022, Company announced that phase one of its trial in respect of medical garments (i.e. "scrubs") treated with the Company's ProTX2 antimicrobial and RepelTX water-repellent technologies had been completed. The trial was conducted at MemorialCare Medical Group – Irvine, in the United States and comprised scrubs supplied in three forms: One treated with ProTX2 antimicrobial technology, another with a combination of ProTX2 and RepelTX (durable water-repellant technology), and a third (control) group of untreated scrubs. The trial comprised 125 nurses recruited for 3 shifts per nurse, equating to a total of 375 regular staff-shifts. At the start of each shift, nurses were provided new and unmarked scrubs from one of the three groups, which were swabbed twice, once prior to the commencement of the shift and a second time at the end of the shift. The principal endpoint of the trial is to compare bacterial loads on the scrubs treated with the Company's technologies compared to the untreated scrubs. A pathogen load reduction is key to enhancing the protection of the wearer and those with which they encounter during their workday. The spread of infection from surface contact is a major concern in the healthcare industry. As at the date of this AIF the Company had also completed the second, laboratory-based testing phase of the trial, which involved testing for bacterial loads and has moved to the third phase, comprising the analyses of the trial data under a set of criteria established prior to the commencement of the trial. The fourth and final step will be providing the analyses to a recognized medical journal for peer review and publishing.

On October 27, 2022 the Company to announced the launch of its new direct-to-consumer brand – VERZUS ALL. The brand was developed to showcase the dynamic range the Company's class-leading fabric technologies, applied to premium and luxury fabrics. The VERZUS ALL range of products was designed by the Markham in-house design team and is manufactured by the Company's production partners in Asia. VERZUS ALL products are being marketed on-line via a newly launched website located at www.verzus.com.

On January 31, 2023 the Company announced that IFTNA had received a United States Environmental Agency ("EPA") registration for its innovative new multifunctional technology, bioACTIV AM, which combines anti-microbial, anti-viral, deodorant and UV Protection into a single formulation.

bioACTIV AM, represents the culmination of a lengthy period of development and testing to create a novel 4-in-1 formulation that marries anti-bacterial and anti-viral efficacy with deodorization and UV protection in a

single textile finishing application. bioACTIV AM represents the first technology of its kind that offers multiple performance attributes within a single formulation, which creates process and cost efficiencies for the Company's customers while delivering enhanced multimodal capabilities.

On, May 2, 2023, the Company announced that IFTNA had received a United States Environmental Agency ("EPA") registration for PROTX2® as a "Continually Self-Sanitizing Textile". This registration allows textiles treated with the PROTX2 technology, to make public health claims for use in non-apparel products, which includes, curtains, carpeting and home furnishing fabrics, amongst others.

The permitted public health claims pursuant to this registration are that PROTX treated textiles:

- Kills 99.99% of bacteria in 10 mins, with nonstop disinfection for 24 hours;
- Kills pathogenic bacteria;
- Kills 99.99% of bacteria non-stop for 24 hours; and
- Continuously disinfects bacteria after 24 hours of continuous use without washing.

The ability to make public health claims on non-apparel products are considered an important catalyst in attracting new customers representing significant market segments within home, office and healthcare settings.

On, June 13, 2023, the Company announced that IFTNA had been granted a utility patent by the United States Patent and Trademark Office, in respect of an Antiviral Composition for textile use, predicated on the company's innovative PROTX2 AV Anti-bacterial and Anti-viral technology.

On July 5, 2023, the Company provided an update on the outcome of the clinical trial conducted by IFTNA.

The objective of the trial was to empirically demonstrate the reduction in bacterial loads on PROTX2 treated scrubs vs standard off the shelf untreated scrubs, when used in a healthcare environment.

The trial was conducted at MemorialCare Medical Group – Irvine, in the United States and comprised scrubs supplied in three forms: One treated with ProTX2 antimicrobial technology, another with a combination of ProTX2 and RepelTX' durable water-repellant technology ("DWR"), and a third (control) group of untreated scrubs. The trial comprised 125 nurses recruited for 3 shifts per nurse, equating to a total of 375 regular staff-shifts. At the start of each shift, nurses were provided new and unmarked scrubs from one of the three groups, which were swabbed twice, once prior to the commencement of the shift and a second time at the end of the shift. The principal endpoint of the trial is to compare bacterial loads on the scrubs treated with the Company's technologies compared to the untreated scrubs. A pathogen load reduction is key to enhancing the protection of the wearer and those with which they encounter during their workday. The spread of infection from surface contact is a major concern in the healthcare industry.

The summary of the trial findings is that both the PROTX2 and the PROTX2 with DWR treated scrubs demonstrated statistically significant reductions in bacterial loads on the surfaces of scrubs, as compared to untreated scrubs. The term statistically significant is used to describe a result that is highly unlikely to occur by chance alone in a natural environment. The results achieved in the study demonstrate IFTNA's proprietary technologies were uniquely responsible for the reduction in bacterial loads witnessed throughout the trial. The final phase of the trial is a peer review of the study by recognized medical journal and publication of the findings. The review is in process as at the date of this AIF.

On August 31, 2023, the Company provided an update on the status of IFTNA's submission to the USA Environmental Protection Agency (EPA) for the receipt of authorization to make public health claims ("kill claims") in respect of Protx2 treated apparel for medical use.

In this regard, ongoing communications with the EPA culminated in their request for a final dataset regarding the leaching nature of textiles treated with Protx2. A testing protocol for a leaching study has been agreed with the EPA and the study is being carried out at an independent laboratory under Good Laboratory Practices ("GLP") standards. Prior testing has shown that the leaching of Protx2 is well within the acceptable safety

norms and it is anticipated that the current study will yield similar results and thus be the final step in the EPA approval process for public health claims on apparel. As at the date of this AIF, the study was in process.

Three Year Summary of Operating Results

Revenue

With effect from October 1, 2022, the Company changed its financial year end to December 31 from September 30. Accordingly, the Company's 2023 results encompass a period of fifteen months compared to twelve months in both 2022 and 2021.

The amount of revenue reported for the fifteen months ended December in 2023 totalled \$28,398,742 compared to \$19,743,008 for the year ended September 30, 2022 and, \$19,763,672 for the year ended September 30 2021.

On a proportionate basis, revenue increased by \$2,975,986 in 2023 compared to 2022 or 15%. Revenue decreased overall by \$20,664 in 2022 versus 2021.

In terms of revenue contribution by the two operating segments of the Company, revenue in the Intimate Apparel segment decreased on a proportionate basis by \$173,107 or 2% and amounted to \$8,504,393 for the fifteen months ended December 31, 2023 and, increased by 75% or \$2,997,302 to \$6,976,621 in 2022 from \$3,979,319 in 2021. In the Intelligent Fabrics segment revenue increased on a proportionate basis by \$3,223,455 or 25% and amounted to \$19,852,953 in 2023 and, revenue decreased by \$3,013,562 or 19% to \$12,658,907 in 2022 from \$15,672,469 in 2021. In the Intimate Apparel operating segment revenues were flat in 2023 due to a slow down in retail sales in its major market regions. In 2022 the increase was mainly as a result of the lifting of COVID-19 restrictions in the U.S. and Canada and the resultant normalization of retail store operations. In the Company's Intelligent Fabrics operating segment, the increase in revenues in 2023 was attributable new performance apparel and swimwear programs. The decrease in revenue in 2022 compared to 2021 was the fulfillment of a contract for the delivery of KN95 masks which generated additional revenue of \$3,812,302 in 2021, which did not reoccur in 2022. Geographically, on a proportionate basis, the Company increased its revenues in Canada and the UK by 102% and 64% respectively and, revenues decreased in the US and Southeast Asia and other regions by 21% and 30% respectively, in 2023 compared to fiscal 2022 and, the Company increased its revenues in Canada, the UK and Southeast Asia and other regions by 18%, 596% and 12% respectively, and revenue decreased in the U.S. by 29%, in fiscal 2022 compared to fiscal 2021.

The primary source of the increase in revenue in fiscal 2021 compared to 2020, 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 U.S. and the resultant normalization of retail store operations. In the Intelligent Fabrics operating segment, revenues increased by \$7,595,025 or 94% from \$8,077,444 in 2020 to \$15,672,469 in 2021. This increase was primarily due to the fulfillment of a personal protective equipment (PPE) sales 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 U.S. and Southeast Asia and other regions by 118%, 80% and 42% respectively, and revenue decreased in the UK by 56% in fiscal 2021 compared to fiscal 2021.

Net (Loss) Earnings

The net loss after tax attributable to iFabric's shareholders for the fifteen months ended December 31, 2023, was \$2,107,522 compared to a net loss after tax of \$454,998 in fiscal 2022 and net earnings after tax of \$2,369,698 in fiscal 2021. The increase in the attributable net loss in 2023 versus 2022 is largely attributable to an impairment provision amounting to \$2,823,982 net of tax, pursuant to a claim relating on an ongoing legal action (refer page 37 of the AIF for full details).

The primary reason for the decrease in net earnings in 2022 versus 2021, was increased freight costs, increased administrative and selling expenses, as well as clinical trial costs and an increase in share-based compensation costs.

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

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 the period ended December 31, 2023, working capital decreased by \$3,134,051, mainly attributable to the impairment provision referenced above. During fiscal 2022 working capital increased by \$311,795, attributable to the earnings for the year adjusted for non-cash items. 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.

Changes in property, plant, and equipment

During the period ended December 31, 2023 alterations to the Company's Markham warehouse comprised the main reason for the \$172,973 increase in the cost of the Company's property plant and equipment. During fiscal 2022 the Company capitalized an amount of \$242,756 in respect of upgrades to its Markham property for the purposes of providing additional warehouse space. During fiscal 2021 the Company capitalized an amount of \$253,399 in respect of upgrades to its Markham property.

Changes in non-current financial liabilities

During the period ended December 31, 2023 the recognition of a lease liability amounting to \$397,482 in respect of Company's recently rented administrative premises, and the repayment of a portion of a related party loan were the main reasons for the increase of \$292,092 in the amount of non-current financial liabilities. During fiscal 2022, a car loan was the main reason for the increase of \$63,383 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.

Share Capital Transactions over the 3-year period

On February 22, 2021, the Company closed an offering of equity comprising 2,948,717 subscription receipts at a price per unit of \$3.90 for gross proceeds of \$11,499,996. The escrow release conditions were satisfied on March 22, 2021 at which time, funds were released and each unit was automatically converted to one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$4.60 per share for a period of two years from March 22, 2021. As compensation for the issue, the agent received a cash fee of 6% of the gross proceeds, totaling \$690,000 as well as 176,923 compensation options receipts which were automatically converted into compensation options on March 23, 2021. Each compensation option entitles the holder to acquire one common share of the Company at a price of \$3.90 for a period of two years from March 23, 2021. The Company incurred \$581,563 in legal costs and disbursements in connection with the issue. The warrants expired on March 23, 2023 and were extended for a further period of twelve months until March 23, 2024.

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

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

On February 9, 2022, 150,000 options were granted to a director of the Company at an exercise price of \$3.50 per share, expiring on February 9, 2027 and vesting immediately.

On March 1, 2022, 50,000 options were granted to a director of the Company at an exercise price of \$3.10 per share, expiring on March 1, 2027 and vesting immediately.

On May 3, 2022, 100,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$40,000.

On July 8, 2022, 100,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$40,000.

On January 3, 2023, 475,000 options were exercised at a price of \$0.40 per share for gross proceeds of \$190,000.

On February 9, 2022, 150,000 options were granted to a director of the Company at an exercise price of \$3.50 per share, expiring on February 9, 2027 and vesting immediately.

On March 9, 2023, the expiry date of 2,943,717 warrants, which were due to expire on March 23, 2023 was extended for a further period of one year, to March 23, 2024.

On May 15, 2023, 10,000 options were granted to a director of the Company at an exercise price of \$1.29 per share, with 5,000 options vesting immediately and expiring on May 15, 2028 and, 5,000 options vesting on August 15, 2023 and expiring on August 15, 2028.

On July 25, 2023, a total of 300,000 options were granted to three members of the executive management team of the Company at an exercise price of \$1.44 per share. From this grant 75,000 options vested immediately and expire on July 25, 2028, 75,000 options vested on October 25, 2023 and expire on October 25, 2028, 75,000 options vested on January 25, 2024 and expire on January 25, 2029 and, 75,000 options will vest on April 25, 2024 and expire on April 25, 2029.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

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

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

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

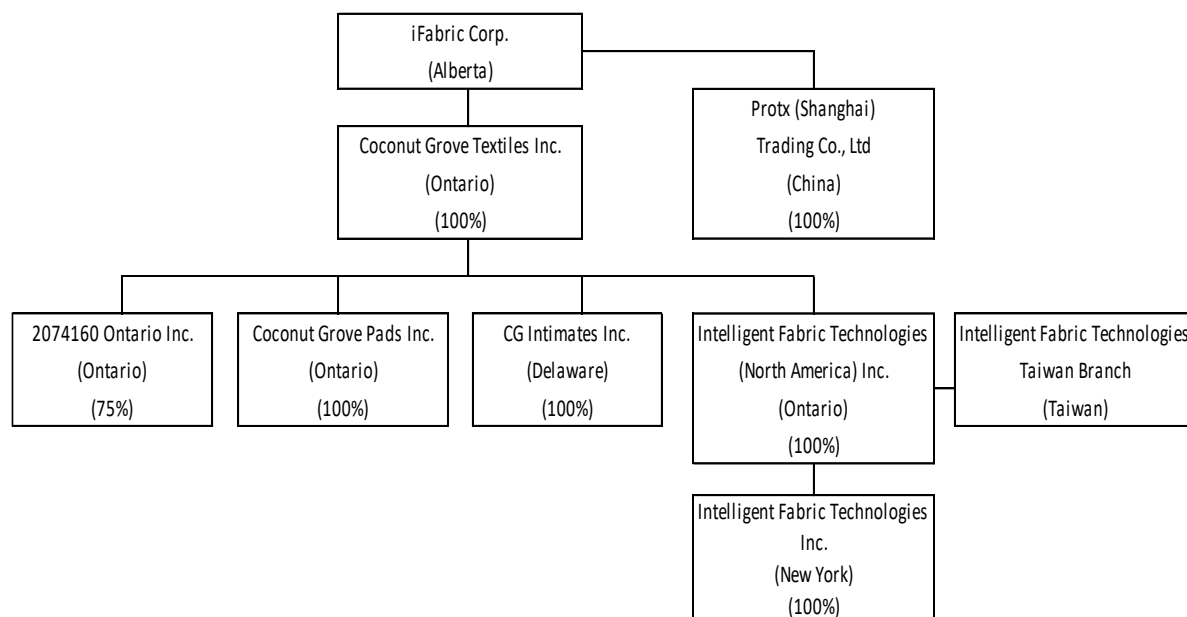
The effect of the reverse takeover is that the business and operations of iFabric are a continuation of the business and operations of Coconut Grove both before and after the reverse takeover.

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

On September 1, 2021, OTC Markets Group Inc., operator of financial markets for 11,000 U.S. and global securities, announced that the Company had qualified to trade on the OTCQX best market. As a result, the Company upgraded to the OTCQX from the lowest tier Pink Market. The Company’s shares are traded under the trading symbol “IFAXF”.

Intercorporate Relationships

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



GENERAL DESCRIPTION OF CAPITAL STRUCTURE

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

As of the date of this AIF, the Company had 30,299,467 common shares outstanding. Furthermore, as of the date of this AIF, the Company had 1,345,000 options issued and outstanding, of which 1,120,000 were exercisable, as well as 2,943,717 common share purchase warrants pursuant to an equity offering which, closed on February 22, 2021. See "Share Capital Transactions over the 3-year period".

ESCROWED SECURITIES

There were no securities in escrow as at December 31, 2023 and as at the date of this AIF.

DIVIDENDS

The Company has never declared dividends on its common shares and currently plans to reinvest all its future earnings to finance the growth of its business. As a result, the Company does not intend to pay dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, operating results and capital requirements as well as on any other factors that the board of directors may deem relevant. Other than the generally applicable corporate law provisions respecting the declaration and payment of dividends there are no constraints or restrictions that could prevent the Company from paying dividends.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

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

MARK COCHRAN ⁽¹⁾⁽²⁾ Maryland United States	Since May 4, 2015	Chairman of the Board	Formerly, Executive Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare.	0	0.00%
HYLTON KARON Ontario Canada	Since May 16, 2011	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Company.	19,040,285	62.84%
HILTON PRICE Ontario Canada	Since May 16, 2011	Director, Chief Financial Officer and Secretary	Chief Financial Officer and Secretary of the Company.	962,500	3.18%
RICHARD MACARY ⁽¹⁾⁽²⁾ New York United States	Since February 8, 2012	Director	Chief Strategy Officer of Delos Living LLC and former President of Delos Ventures.	125,000	0.41%
GIANCARLO BEEVIS Ontario Canada	Since October 23, 2014	Director	President and Chief Executive Officer of Intelligent Fabric Technologies (North America) Inc. (wholly-owned subsidiary of the Company).	76,000	0.25%
CAMERON GROOME ⁽¹⁾⁽²⁾ Ontario Canada	Since March 30, 2020	Director	President and CEO of Microbix Biosystems Inc., a TSX listed company.	25,000	0.13%
				Total	
				20,228,785	66.76%

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

As of the date hereof, the directors and executive officers of the Company, as a group, own, or control directly or indirectly, 20,228,785 common shares, which represents approximately 66.76% of the total common

shares outstanding.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

Conflicts of Interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject

to conflicts of interest. The *Business Corporations Act* (Alberta) provides that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Alberta). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Alberta).

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

PROMOTERS

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

Name of Promoter and Position with the Company	Number and Percentage of Voting Securities Owned, Directly or Indirectly, or Over Which Control is Exercised
Hylton Karon, President, Chief Executive Officer and Director	19,040,285 (62.84%)
Hilton Price, Chief Financial Officer and Director	562,500 (3.18%)

The following table sets out the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoters directly or indirectly from the Company or a subsidiary of the Company for the fifteen months ended December 31, 2023, and the nature and amount of any assets, services or other consideration received or to be received by the Company or a subsidiary of the Company in return.

Name of Promoter and Position with the Company	Salary	Management Fees	Other Compensation	Value of Unexercised In-the-Money Options
Hylton Karon, President, Chief Executive Officer and Director	nil	\$622,500 ⁽¹⁾	\$102,920	nil
Hilton Price, Chief Financial Officer and Director	nil	\$267,800 ⁽¹⁾	\$102,920	nil
TOTAL	nil	\$890,300	\$205,840	nil

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

LEGAL PROCEEDINGS

The Company's subsidiary company IFTNA, has an ongoing legal action against a Chinese supplier of masks. IFTNA had entered into an agreement with Hunan Jiande Medical Technology in May 2020, for the supply of 1,000,000 N95 masks. The contract was partially fulfilled, and the supplier defaulted on the remainder of the contract. IFTNA's customer has taken delivery of the remainder of the order through a different supplier and IFTNA's obligation to its customer was met in full.

This dispute with its supplier proceeded before the Shanghai International Economic and Trade Arbitration Commission and on December 21, 2021, a favourable ruling was received by IFTNA from the Commission, stipulating the repayment of IFTNA's deposit of USD \$2,905,000, plus liquidated damages of USD \$146,942, interest at the rate of 12% per annum calculated from the date of payment of the deposit, and reimbursement of the arbitration cost of RMB 445,902. In December 2023, the Company's claim was registered with the competent court in China and the Company is currently following a court supervised process in order to recover all amounts owing to it. Given the uncertain recovery timeline and its inability to fully assess the degree of recoverability at the date of the 2023 financial statements, the Company has made full provision for the impairment of its claim. Any future recoveries of amounts owed by the supplier will be treated as income in the period received.

Whilst the Company anticipates recovering a substantial portion of its claim, such a recovery cannot be guaranteed.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

AUDIT COMMITTEE

Audit Committee Charter

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

Composition of the Audit Committee

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

Relevant Education and Experience

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

- Mark Cochran has had broad experience in reading and understanding financial statements through his position as former Executive Director at Johns Hopkins Healthcare Solutions, an operating division of Johns Hopkins Medicine/HealthCare. His professional experience spans the spectrum of the global health care value chain, including drug discovery, development, research and management, and venture capital initiatives.
- Rich Macary has had a broad exposure to review and interpretation of financial statements through his position as the current Chief Strategy Officer of Delos Living LLC ("Delos") (since May 2017) and between May 2012 and May 2017 the President of Delos Ventures. Rich provides Delos, a wellness real estate and technology company, with senior level business development skills and a wealth of relevant experience on key value driving areas including business development, product innovation, concept/IP licensing, strategic partnerships, collaborations and joint ventures. Prior to joining Delos, Rich was Vice President of Business Development for Sarepta Therapeutics, a leader in RNA based therapies targeting rare and infectious diseases. Rich spent the prior 20 years as a corporate consultant, advisor and analyst to both institutional and high-net-worth investors as well as a consultant, advisor, investor and board member to several public and private early to mid-stage companies operating in a diverse range of industries including technology, biotechnology, medical devices, health & wellness, real estate, retail concepts and consumer products among others. His research and opinions have appeared in many media outlets including Forbes, The Wall Street Journal, Wired, CNN, Barron's, Global Finance Magazine, Reuters and Bloomberg.

Pre-approval Policies and Procedures

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

External Auditor Service Fees

The following table summarizes the fees billed or projected to be billed to the Company for services provided by BDO Canada LLP during the fiscal years ended September 30, 2022 and September 30, 2021:

Fiscal Period Ended	Audit Fees	Tax Fees	Other Fees
December 31, 2023	\$140,000*	\$2,500*	\$7,500*
September 30, 2022	\$103,726	\$2,408	\$19,610

*Estimated

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

MARKET FOR SECURITIES

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

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

<u>Period</u>	<u>High</u> (S)	<u>Low</u> (S)	<u>Volume</u>
<u>2022</u>			
October.....	1.05	0.69	364,800
November.....	0.71	0.59	669,600
December.....	0.77	0.54	607,700
<u>2023</u>			
January.....	0.93	0.70	181,500
February.....	0.93	0.81	105,500
March.....	0.93	0.79	69,700
April.....	1.22	0.83	110,700
May.....	1.60	0.95	298,400
June.....	1.53	1.22	89,900
July.....	1.74	1.35	79,100
August.....	1.60	1.23	74,000
September.....	1.25	1.09	105,000
October.....	1.25	1.09	64,100
November.....	1.36	1.10	121,100
December.....	1.26	1.03	152,200

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

2. The Maidenform® license agreement pursuant to which the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 0-10%. Minimum annual royalties have been established for the balance of the contract period ending December 31, 2024 and 2025 in U.S. dollar amounts of \$220,000 and \$240,000 respectively. In addition, the Company is required to pay an advertising fee of 1%-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2025.

3. The Roots® license agreement pursuant to which the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 10-12%. Minimum annual royalties have been established for the contract periods ending December 31, 2022, 2023 and 2024, in U.S. dollar amounts of \$15,000, \$125,000 and \$175,000 respectively. The license term

is in effect until December 31, 2024.

4. The Ruland Properties Inc. lease agreement. On October 16, 2023, the Company executed a lease agreement for the rental of 5,202 square feet of office space in Markham, Ontario, at a location in close proximity to its current warehouse location. These premises will be utilized to house the Company's Canadian management and administrative staff. The lease agreement is for a period of 5 years commencing on April 1, 2024 and expiring March 31, 2029, with the option of renewal for a further period of 5 years. Basic rent payable is \$17.95 per square foot for years 1-3 of the lease amounting to \$93,376 per annum and \$18.95 per square foot for years 4-5, amounting to \$98,578 per annum. Additional rent will be calculated each year and, is estimated at \$17.96 per square foot for the first year of the lease, or \$93,428 per annum.

INTEREST OF EXPERTS

The consolidated financial statements of the Company for the year ended September 30, 2022 have been audited by BDO Canada LLP. As at September 30, 2022, BDO Canada LLP has advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to iFabric may be found on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the annual meeting held March 31, 2022 available on SEDAR+ at www.sedarplus.ca. Additional information is provided in the Company's audited financial statements and Management Discussion and Analysis, both for the most recently completed financial year ended September 30, 2022 available on SEDAR+ at www.sedarplus.ca.

APPENDIX A

iFabric Corp. Charter of the Audit Committee

Purposes

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

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

Composition

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

Meetings

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

Responsibilities and Duties

To fulfil its responsibilities and duties, the Committee shall:

A. Documents/Reports Review

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

B. External Auditors

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

C. Financial Reporting Processes

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

D. Process Improvement

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

E. Ethical and Legal Compliance

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