

Management's Discussion and Analysis

For the year ended

April 30, 2021

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INSCAPE CORPORATION

Management's Discussion and Analysis

For the year ended April 30, 2021

The following Management's Discussion and Analysis ("MD&A") of operating results and financial condition of Inscape Corporation and its subsidiaries ("Inscape" or "the Company") for the year ended April 30, 2021 should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended April 30, 2021 and 2020.

The discussion and analysis are as of July 15, 2021 unless otherwise stated.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com or on our website www.myinscape.com.

Non GAAP Measures

In this MD&A, reference is made to EBITDA, which is not a measure of financial performance under International Financial Reporting Standards ("IFRS"). Inscape calculates EBITDA as earnings or loss before interest, taxes, depreciation and amortization. Management believes EBITDA is a useful measure that facilitates period-to-period operating comparisons and we believe some investors and analysts use it as well. This measure, as calculated by Inscape, does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other issuers.

Reference is also made to both adjusted net income or loss before taxes and adjusted EBITDA. Adjusted net income or loss before taxes excludes derivative fair value adjustments, unrealized exchange gains or losses, share-based compensation, severance and other non-recurring expenses such as gains or losses on disposal of capital assets and intangibles, restructuring expenses and proceeds from government subsidies and grants. Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization with the exclusion of derivative fair value adjustments, unrealized exchange gains or losses, share-based compensation, severance and other non-recurring expenses such as gains or losses on disposal of capital assets and intangibles, restructuring expenses and proceeds from government subsidies and grants. Management believes adjusted net income and loss before taxes and adjusted EBITDA are useful measures that facilitate period-to-period operating comparisons. The adjusted net loss before taxes and adjusted EBITDA are a non-GAAP measure, which does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

Forward-looking Statements

This report includes certain forward-looking statements that are based on the Company's best information and judgments as at the date of this report. Readers are cautioned not to place undue reliance on forward-looking statements found throughout this document. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the rate of economic growth in North America, growth expectations for the contract office furniture business and currency fluctuations.

These forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion (see "Risks and Uncertainties" for more information).

While management believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise

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revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

Company Profile and Core Business

Inscape Corporation (the "Company") is a limited company incorporated in Ontario, Canada, with Class B common shares listed on the Toronto Stock Exchange (TMX). The Company's registered office is at 67 Toll Road, Holland Landing, Ontario, Canada.

Since 1888, Inscape has been designing products and services that are focused on the future, so businesses can adapt and evolve without investing in their workspaces all over again. Our versatile portfolio includes systems furniture, storage, and walls – all of which are adaptable and built to last. Inscape's wide dealer network, showrooms in the United States and Canada, along with full service and support for all of our clients, enables us to stand out from the crowd. We make it simple. We make it smart. We make our clients wonder why they didn't choose us sooner.

The Company reports in two reportable operating segments. The Office Furniture segment includes storage, benching, systems and seating solutions products. The Walls segment includes architectural and movable walls. The Company's products are manufactured in two facilities: a 308,000 square foot plant in Holland Landing, Ontario, and a 30,000 square foot plant in Jamestown, New York.

Vision and Strategy

Management has reviewed and refined its key strategic initiatives during the past fiscal year to assure a flexible operational foundation and broaden opportunities for growth. These are:

1. Develop our Brands – Inscape and Office Specialty
2. Refine our Product Offering
3. Multiply our Distribution Channels
4. Regional Focus
5. Lever Technology

Develop our Brands: *Both the Inscape brand and the Office Specialty brand offer strong opportunities to deliver a differentiated offering. Emphasis now is on exploiting the strengths of each and exploring where opportunities exist to best broaden our market share for each individual brand.*

Refine our Product Offering: *Market forces have changed the demand profile. Inscape and Office Specialty offerings must play to the Company's core strengths and adapt to new market opportunities for growth. Storage solutions are a key component of such offerings.*

Multiply our Distribution Channels: *Widening the sales opportunity funnel by actively broadening the number of distribution channels for the Company's products is critical. This includes dealer channels; independent rep channels; inside sales team development, and ecommerce channels.*

Regional Focus: *Focus remains on investment in high opportunity and high margin markets. Re-establishing certain offerings nationally while supporting others regionally will create a wider, more sustainable and more robust sales base.*

Lever Technology: *Enable the Company through strategic investments in technology-driven capital equipment and technology-based systems and processes to unlock potential, improve growth, competitiveness, operating performance, and speed to market.*

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Overview

Fiscal Year 2021 Compared to Fiscal Year 2020

Fiscal year 2021 sales decreased by \$37.6 million or 49.6% compared to the prior year. Both the Furniture and Walls business units contributed to the decline in sales which stemmed from a general reduction in customer demand, as well as, both shipment delays and pushouts of major projects to future quarters resulting from the economic impact of COVID-19.

In fiscal year 2021, the Company incurred a net loss of \$0.9 million or 6 cents per share, compared to a net loss of \$5.4 million, or 38 cent per share a year ago. In Fiscal 2021, the Company's sales were significantly lower due largely to the impact of the COVID-19 pandemic, however there were significant unrealized gains related to derivative contracts, other income from Tranche 2 forgivable government loan proceeds, and a deferred tax recovery related to assets held for sale, which had a significant impact on the reported net loss. With the exclusion of these items in addition to other items such as stock-based compensation and severance expenses, fiscal year 2021 had an adjusted net loss before taxes of \$13.0 million compared with last year's adjusted net loss before taxes of \$5.2 million. As of April 30, 2021, there were \$1.5 million of inventory write-downs, which resulted in lower margins and net income, as well as, lower EBITDA and Adjusted EBITDA.

Financial Highlights

(in thousands, except for per share amounts)

	Three Months Ended April 30,	
	2021	2020
Sales	\$ 8,051	\$ 14,443
Net income (loss)	\$ 499	\$ (5,196)
Basic and diluted income (loss) per share	\$ 0.03	\$ (0.36)
Adjusted net loss before taxes	\$ (4,906)	\$ (2,288)
Adjusted EBITDA	\$ (3,876)	\$ (1,038)

	Years Ended April 30,	
	2021	2020
Sales	\$ 38,203	\$ 75,818
Net loss	\$ (891)	\$ (5,406)
Basic and diluted loss per share	\$ (0.06)	\$ (0.38)
Adjusted net loss before taxes	\$ (12,952)	\$ (5,163)
Adjusted EBITDA	\$ (8,714)	\$ (1,381)

	As at April 30,	
	2021	2020
Total assets	\$ 41,972	\$ 37,804
Total liabilities	\$ 28,136	\$ 29,127
Cash	\$ 3,736	\$ 5,885
Restricted cash	\$ 2,764	\$ -
Weighted average number of shares for basic and diluted EPS	14,380,701	14,380,701

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Results of Operations

Sales

(in thousands)	Fiscal 2021	Fiscal 2020	Change
Three Months Ended April 30	\$ 8,051	\$ 14,443	(44.3%)
Years Ended April 30	\$ 38,203	\$ 75,818	(49.6%)

Sales in the fourth quarter and fiscal 2021 were 44.3% and 49.6% lower than the same periods of the previous year primarily related to the economic impact of the COVID-19 pandemic, which resulted in both shipment delays and customer order pushouts in some of our major markets. In addition, during the fourth quarter the Walls plant was moved from Falconer, New York to Jamestown New York, resulting in a shut down for close to a month which impacted sales and shipments.

Gross Profit

(in thousands)	Fiscal 2021	% of sales	Fiscal 2020	% of sales
Three Months Ended April 30	\$ 614	7.6%	\$ 3,877	26.8%
Years Ended April 30	\$ 6,934	18.2%	\$ 20,791	27.4%

Gross profit margin for the fourth quarter and fiscal 2021 decreased by 19.2 and 9.2 percentage points, respectively, over the same periods last year as a result of the lower sales volume due to the economic impact of the COVID-19 pandemic. In addition, for the fourth quarter and twelve months ending April 30, 2021, inventory totaling \$0.2 million and \$1.5 million, respectively, relating to discontinued product lines and obsolescence were written off. The Company continues to identify initiatives to achieve cost efficiencies and improved margins as sales levels return to normal. However, gross profit margins without the effects of the excess inventory write-offs would have been 9.7% for the fourth quarter and 22.1% for the twelve months ending April 30, 2021.

Selling, General & Administrative Expenses (SG&A)

(in thousands)	Fiscal 2021	% of sales	Fiscal 2020	% of sales
Three Months Ended April 30	\$ 5,925	73.6%	\$ 6,565	45.5%
Years Ended April 30	\$ 20,536	53.8%	\$ 26,382	34.8%

SG&A for the fourth quarter and fiscal 2021 were 73.6% and 53.8% of sales, compared to 45.5% and 34.8% for the same periods of last year. Despite the higher ratio percentages, the \$0.6 million and \$5.8 million actual decrease in SG&A resulted from workforce reductions, decrease in marketing initiatives and lower selling, travel and entertainment expenses, partially offset by the non-recurring severance expense of \$0.5 million. Collectively, these actions are largely the results of measures adopted by management to manage expenses during COVID-19. In the current fiscal, lower sales volumes impacted the overall higher SG&A to sales ratio.

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Net Income (Loss)				
(in thousands)	Fiscal 2021	% of sales	Fiscal 2020	% of sales
Three Months Ended April 30	\$ 499	6.2%	\$ (5,196)	(36.0%)
Years Ended April 30	\$ (891)	(2.3%)	\$ (5,406)	(7.1%)

The fourth quarter net income of \$0.5 million is greater than the net loss of \$5.2 million in the same quarter of last year, primarily due to \$1.9 million of other income in the form of government grants and subsidies, \$0.6 million gain on the revaluation of derivative contracts, \$0.4 million gain on foreign exchange, and a \$2.9 million deferred tax recovery related to assets held for sale.

Fiscal year 2021 ended with a net loss of \$0.9 million compared to a net loss of \$5.4 million in fiscal year 2020. This is primarily due to a \$4.0 million gain on the revaluation of derivative contracts, \$5.3 million of other income in the form of government grant and subsidies, and income tax recovery related to assets held for sale.

The adjusted net (loss) income before taxes and adjusted EBITDA are non-GAAP measures, which do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

The following is a reconciliation of net loss before taxes calculated in accordance with GAAP to adjusted net loss before taxes, the non-GAAP measure:

(in thousands)	Three Months Ended April 30		Years Ended April 30	
	2021	2020	2021	2020
Net loss before taxes	\$ (2,356)	\$ (5,237)	\$ (3,717)	\$ (5,391)
Adjust non-operating or unusual items:				
Unrealized (gain) loss on derivatives	(581)	3,032	(3,997)	1,994
Unrealized (gain) loss on foreign exchange	(488)	224	(377)	289
Loss (gain) on disposal of PP&E and intangibles	23	(188)	(209)	(1,957)
Other income – government grant	(1,916)	(517)	(5,308)	(517)
Stock based compensation	(110)	(102)	90	(379)
Severance obligation	522	500	566	798
Adjusted net loss before taxes	\$ (4,906)	\$ (2,288)	\$ (12,952)	\$ (5,163)

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The following is a reconciliation of net loss before taxes calculated in accordance with GAAP to EBITDA and adjusted EBITDA, the non-GAAP measures:

(in thousands)	Three Months Ended April 30		Years Ended April 30	
	2021	2020	2021	2020
Net loss before taxes	\$ (2,356)	\$ (5,237)	\$ (3,717)	\$ (5,391)
Interest	149	191	303	184
Depreciation	496	602	1,972	2,158
Amortization	385	457	1,963	1,440
EBITDA	\$ (1,326)	\$ (3,987)	\$ 521	\$ (1,609)
Adjust non-operating or unusual items:				
Unrealized (gain) loss on derivatives	\$ (581)	\$ 3,032	\$ (3,997)	\$ 1,994
Unrealized (gain) loss on foreign exchange	(488)	224	(377)	289
Loss (gain) on disposal of PP&E and intangibles	23	(188)	(209)	(1,957)
Other income – government grant	(1,916)	(517)	(5,308)	(517)
Stock based compensation	(110)	(102)	90	(379)
Severance obligation	522	500	566	798
Adjusted EBITDA	\$ (3,876)	\$ (1,038)	\$ (8,714)	\$ (1,381)

Income Tax

In accordance with IFRS requirements (IAS 12), deferred income tax assets relating to tax loss carry-forwards were recognized during fiscal 2021 due to probable future taxable income against which to realize them. See the notes to the consolidated financial statements which include a reconciliation of the income tax provision and reversal of valuation allowance.

Summary of Quarterly Results

Selected unaudited quarterly financial information for the previous eight quarters from July 31, 2019 through April 30, 2021 is provided below:

Selected Quarterly information¹ (in thousands, except per share amounts) (Unaudited)

	Quarters Ended			
	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020
Sales	\$ 8,051	\$ 11,625	\$ 7,157	\$ 11,370
Gross profit	\$ 614	\$ 2,658	\$ 232	\$ 3,430
Gross profit %	7.6%	22.9%	3.2%	30.2%
Net income (loss)	\$ 499	\$ (1,038)	\$ (3,732)	\$ 3,380
Basic and diluted income (loss) per share	\$ 0.03	\$ (0.07)	\$ (0.26)	\$ 0.24
Adjusted net loss before taxes	\$ (4,906)	\$ (2,191)	\$ (4,659)	\$ (1,197)
Adjusted EBITDA	\$ (3,876)	\$ (1,179)	\$ (3,630)	\$ (185)

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		Quarters Ended			
		April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019
Sales	\$	14,443	\$ 17,376	\$ 23,322	\$ 20,677
Gross profit	\$	3,877	\$ 4,371	\$ 6,765	\$ 5,778
Gross profit %		26.8%	25.2%	29.0%	27.9%
Net (loss) income	\$	(5,196)	\$ 142	\$ 392	\$ (744)
Basic and diluted (loss) income per share	\$	(0.36)	\$ 0.01	\$ 0.03	\$ (0.05)
Adjusted net (loss) income before taxes	\$	(2,288)	\$ (1,591)	\$ 230	\$ (1,515)
Adjusted EBITDA	\$	(1,038)	\$ (738)	\$ 1,076	\$ (680)

¹Quarterly earnings per share may not add up to year-to-date earnings per share due to rounding

Liquidity and Capital Resources

Cash Flow Summary (in thousands)

Three Months Ended April 30,	2021	2020
Net cash flow (used in) generated from:		
Operating activities before changes in working capital	\$ (3,654)	\$ (1,549)
Net change in working capital	(1,101)	4,093
Investing activities	(2,044)	(81)
Financing activities	9,352	454
Foreign exchange (loss) gain on cash	(45)	246
Net increase in cash	2,508	3,163
Cash, beginning of period	1,227	2,722
Cash, end of period	\$ 3,736	\$ 5,885

The fourth quarter cash outflow from operations (before changes in working capital) was \$3.7 million compared to the previous year's outflow of \$1.5 million. The movement is primarily due to low sales volume, interest rates, exchange rate and share price fluctuations, related to the economic impact of the COVID-19 pandemic, which affected the valuation of derivative contracts and remeasurement of share-based compensation offset by financing activities and government grants and subsidies during the quarter.

Net decrease in working capital was \$1.1 million in the current quarter compared to a net increase of \$4.1 million in the fourth quarter of last year. The net decrease resulted primarily from the settlement of accounts payable and restricted cash held as collateral security for the derivative contracts.

Cash outflow in investing activities for the fourth quarter related to \$2.0 million in property, plant and equipment additions compared to \$0.1 million for the same period in the prior year. The current quarter included major capital investments in a new fully automated combination laser/turret press and leasehold expenses for the new plant and offices in Jamestown, New York.

Net cash inflow from financing activities of \$9.4 million, primarily related to the proceeds received from the revolving credit facility and forgivable government loan and Canadian Emergency Wage Subsidy ("CEWS") program, less principal repayments for lease contracts.

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Cash Flow Summary (in thousands)			
Years Ended April 30,	2021		2020
Net cash flow (used in) generated from:			
Operating activities before changes in working capital	\$	(6,219)	\$ (2,144)
Net change in working capital		(1,013)	402
Investing activities		(2,589)	3,799
Financing activities		7,967	454
Foreign exchange (loss) gain on cash		(295)	109
Net (decrease) increase in cash		(2,149)	2,620
Cash, beginning of period		5,885	3,265
Cash, end of period	\$	3,736	\$ 5,885

As of April 30, 2021, the cash outflow from operations (before changes in working capital) was \$6.2 million compared to the previous year's outflow of \$2.1 million. The movement is primarily due to the net loss related to the economic impact of the COVID-19 pandemic, the valuation of derivative contracts and deferred income tax recovery.

Net decrease in working capital was \$1.0 million as of April 30, 2021, compared to a net increase of \$0.4 million for the same period last year. The net decrease related primarily to lower inventory levels of \$2.1 million, lower accounts receivable of \$3.9 million, partially offset by the increase in restricted cash. As of April 30, 2021, decreased inventory levels were largely due to discontinued product lines and obsolescence, as well as management SKU rationalization initiatives. The lower sales volume, due to the impact of the COVID-19 pandemic, drove accounts receivable to decrease by \$3.9 million as of April 30, 2021. Restricted cash, held as collateral security for the derivative contracts, was a positive \$2.8 million influx of cash, partially offsetting inventory, and accounts receivable as at fiscal 2021.

Net cash outflow for investing activities of \$2.6 million compared to a net cash inflow of \$3.8 million in the prior year. The current year cash outflow included the first tranche of a major re-tooling investment into laser machinery. The prior year's cash inflow of \$3.8 million from investing activities consisted of \$4.4 million proceeds from the sale and leaseback and sale of the DC Rollform business.

Net cash inflow from financing activities of \$8.0 million, primarily related to the proceeds received from the revolving credit facility.

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Retirement Benefit Obligation

As of April 30, 2021, the defined benefit obligation recognized a remeasurement gain of \$6.5 million in other comprehensive income, primarily related to the favourable returns on the fair value of the plan assets of \$4.7 million and actuarial gains which reduced benefits obligation of \$1.8 million. The underlying drivers being the recovery of the economic indicators as the global economy prepares for post-pandemic growth.

	As at April 30, 2021	As at April 30, 2020
Remeasurements of the net defined benefit liabilities		
Actuarial gain (loss) due to actuarial experience	\$ 886	\$ (59)
Actuarial gain (loss) due to financial assumption changes	815	(2,050)
Actuarial gain due to demographic assumption changes	61	27
Return on plan assets greater (less) than discount rate	4,704	(1,058)
Remeasurements effects recognized in other comprehensive income (loss)	\$ 6,466	\$ (3,140)

Credit Facility

On April 29, 2021 the Company closed a new revolving committed credit facility with FrontWell Capital Partners Inc., with credit availability of the lesser of \$15.0 million and availability pursuant to the Borrowing Base calculation representing accounts receivable, inventory, land and building, with a maturity date which is the earlier of (i) April 29, 2022, and (ii) the completion of the sale of the property classified as assets held for sale. The interest rate on the demand operating credit facility is Prime Rate plus 8.75% for Canadian dollar loans, US Base Rate plus 8.75% for US dollar loans. The agreement is secured by the Company's accounts receivable, inventory, land and building (borrowing base), which is \$6.2 million as at April 30, 2021.

As at April 30, 2021, the Company has drawn \$8.0 million on the demand operating credit facility of which \$5.2 million is a Canadian dollar loan and \$2.3 million is a US dollar loan (\$2.8 million CDN) (2020 – not drawn), with related deferred financing charges in the amount of \$0.1 million and foreign currency translation of \$16 thousand, included in current liabilities. In addition, as at the date of this report the Company met all the required credit facility covenants.

Contractual Obligations

The following is a summary of the Company's contractual obligations as at April 30, 2021:

(in millions)	Payments due by period			
	Total	1 year or less	1-5 years	After 5 years
Lease liabilities	\$ 10.0	\$ 0.7	\$ 3.8	\$ 5.5
Revolving credit facility	8.0	8.0	-	-
Foreign exchange contracts	0.6	0.6	0.0	-
	\$ 18.6	\$ 9.3	\$ 3.8	\$ 5.5

Lease contracts are primarily in respect of the Company's three showrooms and its US manufacturing facilities. See "Financial Instruments" discussed below for the Company's obligations for foreign exchange contracts.

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Share Capital

During fiscal 2021, share transactions were as follows (thousands):

	Class A		Class B		Total	
	Multiple Voting Shares		Subordinate Voting Shares			
	Number of shares	Share Capital ⁽²⁾	Number of shares	Share Capital	Number of shares	Share Capital
Balance, April 30, 2020	3,346	\$ 237	11,035	\$ 52,631	14,381	\$ 52,868
Conversion of multiple voting shares into subordinate voting shares ⁽¹⁾	(3,346)	(237)	3,346	237	-	-
Balance, April 30, 2021	-	\$ -	14,381	\$ 52,868	14,381	\$ 52,868

(1) On October 30, 2020, the Class A multiple voting shares of the Company, previously held by Bhayana Management Ltd. and The Madan and Raksha M. Bhayana Family Foundation (collectively, the "Bhayana Family"), were converted into Class B subordinate voting shares. Subsequently, by way of a private placement, Pender Growth Fund ("PGF"), an unrelated party, entered into a Share Purchase Agreement (the "Purchase Agreement") with the Bhayana Family pursuant to which PGF purchased a total of 6,886,981 Class B subordinate voting shares. On November 18, 2020, PGF completed the second and final tranche of the share purchase transaction, and holds in aggregate with other funds advised by PenderFund Capital Management Ltd. 7,927,321 subordinate voting shares of the Company, or approximately 55.12% of the total issued and outstanding subordinate voting shares of the Company, making PenderFund Capital Management Ltd. its ultimate parent.

Related Party Transactions

The following was the remuneration of directors and other members of key management personnel, including the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Brand Officer, SVP Sales and Distribution, VP Manufacturing & Supply Chain and VP Human Resources.

(in thousands)	Three Months Ended April 30,		Years Ended April 30,	
	2021	2020	2021	2020
Salaries and short-term benefits	\$ 288	\$ 410	\$ 1,691	\$ 2,163
Post-employment benefits	6	8	22	42
Share-based compensation	(137)	656	62	379
	\$ 157	\$ 1,074	\$ 1,775	\$ 2,584

Other Related Party Transactions

As a result of the October 30, 2020 purchase agreement between the Bhayana Family and PGF, PGF became the parent company of Inscape Corporation and holds and/or controls 55.12% of the total issued and outstanding subordinate voting shares of Inscape.

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Change In Accounting Policies

In 2021, there were no change in accounting policies which impacted on the Company's business.

Significant Accounting Judgements, Estimates and Assumptions

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant Estimates and Judgments in Applying Accounting Policies

The following are estimates and judgments that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Significant Judgments

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized costs, including other receivables. For trade and other receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires the expected lifetime losses (based on management's judgement and review of known exposures, credit worthiness, and collection experience) to be recognized from initial recognition of the receivables.

Provision for inventories is based on the aging of inventories and management's judgement of product life cycles in identifying obsolete items.

Provision for warranty is based on management's judgment and review of any known exposures and historical claim experience.

Percentage of completion percentages are based on the Company's onsite project management estimate of job progress.

Identification of cash generating units for the purposes of performing impairment test of assets is based on management's judgment of what constitutes the lowest group of assets that can generate cash flows largely independent of other assets.

Determination to not recognize deferred tax assets is based on management's judgment of the ability of the Company to achieve sufficient taxable income to use the deferred tax assets.

COVID-19 Pandemic

The COVID-19 pandemic has continued to disrupt global health and the economy in 2021 and has created an indeterminate period of volatility in the markets in which the Company operates. The Company continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on the business operations, supply chain, and most importantly the health and safety of its employees.

As an evolving risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly affect the Company's operations, financial results and condition in future periods. Therefore, the amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared, reflecting the information and conditions to date. However, given the level of uncertainty caused by COVID-19, these assumptions and

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estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Asset Held for Sale

The Company's accounting policies relating to assets held for sale are described above. In applying this policy, judgment is required in determining whether sale of certain assets is highly probable, which is a necessary condition for being presented within assets held for sale.

Government Assistance

Government assistance, including the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"), are recorded in the consolidated financial statements as described above, significant accounting policies. In applying this policy, judgment is required in determining whether government grants will be received and that the Company will comply with conditions attached.

Going Concern

Significant judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern.

The Company uses a forecasted cash flow to assess the Company's ability to continue as a going concern. Significant judgment is required to forecast the amount of new sales orders and total revenue and the timing of the related cash flows.

Significant Estimates

Estimated useful lives and residual values of intangible assets, property, plant and equipment are based on management's experience, the intended usage of the assets and the expected technological advancement that may affect the life cycle and residual values of the assets.

Defined benefit pension obligations are based on management's best estimates on the long-term investment return on pension fund assets, the discount rate of obligations, mortality and the future rate of salary increase.

Liability for the Company's performance and restricted share units is based on management's best estimate of the Company's financial performance during the vesting period of the performance and restricted share units.

Determination of the company's fair value of the principal assets of each CGU less the costs to sell the assets is used to perform an impairment test of the assets.

New Accounting Standards Adopted

The following amendments to standards and interpretations became effective for the annual periods beginning on or after May 1, 2020. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 1 and IAS 8 clarify the definition of materiality and seek to align the definition used in the Conceptual Framework with that in the standards themselves as well as ensuring the definition of materiality is consistent across all IFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and

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the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Financial Instruments

The Company's activities expose it primarily to the financial risks of changes in the US dollar exchange rates. The Company enters into a variety of derivative financial instruments to hedge the exchange rate risk arising on the anticipated sales to the US. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Board on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As at April 30, 2021, the Company had outstanding US dollar hedge contracts with settlement dates from May 2021 to May 2022. The total notional amounts under the contracts are US\$14,000 to \$22,050 (2020 - \$40,000 to \$50,000). Dependent on the spot CAD/US rate on each settlement date, the Company can sell US dollars at rates ranging from \$1.27 CAD/US to \$1.35 CAD/US (2020 - \$1.28 CAD/US to \$1.50 CAD/US). These contracts had a mark-to-market unrealized gain of \$606 (US\$493) as at April 30, 2021 (2020 – unrealized loss of \$3,391 or US\$2,437), which was recognized on the consolidated statement of financial position as derivative asset. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the US currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year. There were realized gains of \$135 on the settlement of contracts during fiscal year 2021 (2020 – losses \$275).

Risks and Uncertainties

The following risks and uncertainties may adversely affect the Company's business, operating results, cash flows and financial condition. These may not be the Company's only risks and uncertainties. Other unknown or currently insignificant risks and uncertainties not discussed below can have an adverse impact on the Company's business and financial performance.

Natural Disasters

Extraordinary weather conditions, or natural disasters, such as hurricanes, tornadoes, floods, droughts, tsunamis, typhoons, and earthquakes and pandemics could disrupt operations at our facilities or those of our suppliers and customers and increase our cost of sales and other operating expenses.

General Economic and Market Conditions

Demand for office furniture is sensitive to general economic conditions such as the white-collar employment rate, corporate growth and profitability, government spending, office relocations and commercial property development. The Company manages to moderate the impact of this risk by increasing the differentiation of our products to attract new customers, the launching of new products to gain market share and enhancing the coverage of customers and designers.

Competitive Environment

Office furniture is a mature and highly competitive industry. Our main competitors include global companies with strong brand name recognition and capability to utilize offshore outsourcing. This competitive environment results in price pressure and limits certain distributors' ability to carry Inscape products along with those of the competitors. The Company competes on product design, functionality, innovation and customer service. Our success will depend on building a distribution network that is aligned with Inscape, targeting committed dealers who lead with Inscape's product lines and automating processes to keep improving our productivity, quality and customer service.

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Raw Material and Commodity Costs

Fluctuations in raw material and commodity prices could have a significant impact on the Company's cost of sales and operating results. Since most of the raw materials and commodities used by the Company are not unique to the office furniture industry, their costs are often affected by supply and demand in other industries and countries. As a result, the Company may experience rising raw material and commodity costs that cannot be recovered from customers in a highly competitive environment. The Company manages its manufacturing costs by locking in supply contract prices, improving production yields, reducing spoilage, focusing on quality control and overseas sourcing, where appropriate.

US Dollar Exchange Rate

The US is the main market for the Company. Fluctuations in the US/Canadian dollar exchange rate have a significant impact on the operating results, cash flows and financial condition of the Company. One method the Company uses to manage its foreign currency exposure is through the use of US dollar hedge instruments. The hedge instruments provide the Company with an opportunity to lock in the US currency conversion rate at a prevailing hedge rate to facilitate the business planning process with pre-determined exchange rate exposure. However, the instruments do not completely eliminate the effects of exchange rate fluctuations. To minimize the effect of exchange rate fluctuations, the Company endeavors to create natural hedges through increasing US suppliers where appropriate and seeks to increase Canadian dollar sales.

Access to the US Markets

The Company depends heavily on unrestricted access to the US markets as a significant portion of the Company's sales is derived from there. The Company's business, operating results, cash flows and financial condition will be seriously affected if access to the US markets is restricted due to political, social, economic or regulatory reasons. Buy America sentiment and regulations may deny the Company's chance in bidding contracts, especially with the government. The Company needs to monitor closely developments in various US statutes, regulations, procurement requirements and border crossing restrictions. Where appropriate, the Company publicizes its extensive investment in the US and contribution to the economy by operating a production plant in New York State, providing employment opportunities in different states and purchasing from US suppliers.

Effectiveness of Market Representatives

The Company relies on the effectiveness of independent market representatives to market our products to customers. A market representative may choose to terminate its relationship with us or the effectiveness of a market representative may decline. Disruption of the relationship or transition of an underperforming representative could have an adverse impact on our business in the affected market. The Company manages this risk by maintaining strong connection to performing representatives at the regional senior management level. The Company also assesses the effectiveness of the representatives on a regular basis.

Effectiveness of Growth Strategy Implementation

The Company seeks to grow its business and market share by building committed distribution, developing products and applications to meet customer needs, and providing visualization tools to assist designers and clients with solutions for workspaces. Effective implementation of these strategies is essential to the future growth of the Company. The Company's sales and results of operations will be adversely affected if there are delays or difficulties in carrying out the strategies.

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Controls and Procedures

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design and operating effectiveness of DC&P and have found that the Company's DC&P are effective at the financial year-end.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design the Company's ICFR.

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design and operating effectiveness of ICFR and have found that the Company's ICFR is effective in design and operation at the financial year end.

During the year ended April 30, 2021, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

The Certifying Officers believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. 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. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.