

The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's unaudited condensed consolidated interim statements as at and for the period ended December 31, 2019 and the audited consolidated financial statements and notes thereto for the year ended September 30, 2019 and the comparative year ended September 30, 2018. All financial information in this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes thereto were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A is dated February 12, 2020.

All references to dollars or "\$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2020" refers to the annual fiscal period ended September 30, 2020, "2019" refers to the annual fiscal period ended September 30, 2019, "2018" refers to the annual fiscal period ended September 30, 2018, "Q1" refers to the period of October 1 to December 31, "Q2" refers to the period of January 1 to March 31, "Q3" refers to the period of April 1 to June 30, and "Q4" refers to the period of July 1 to September 30.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results that "may", "could", "would", "might" or "will" be taken, to occur or to be achieved. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking information involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is reflected as at the date of the MD&A. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on the forward-looking information. The Company does not undertake to update any forward-looking information except as required by applicable securities laws.

BUSINESS OVERVIEW

General

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

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

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

NATURE OF OPERATIONS

Intimate Apparel

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

The division utilizes contract warehouse facilities located in Los Angeles, California which services its key U.S. market and Company-owned premises located in Markham, Ontario house the bulk of the division's workforce which comprises, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space which serves as the distribution centre for the Canadian market. All product design is handled by the Markham design team and, currently over 95% of the division's inventory production is outsourced to factories in China.

In the past several years, the Company has positioned the division's product strategy by way of leveraging a key license agreement in order to sell products under various Maidenform® brands. The Maidenform® brand was founded in 1922 and during its 94-year history has grown to become one of the most recognizable and respected brands in the intimate apparel industry. In addition, the division develops and supplies products for sale under the private label brands of certain major retailers as well as the Company's own brand. Products are sold internationally to the division's customer base, which includes a number of major retailers as well as specialty boutiques.

Intelligent Fabrics

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

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

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

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

Protx2® Anti-Microbial Technologies

Protx2® formulations impart anti-microbial and/or anti-viral powers to fibers, plastic, paint and paper treated with these formulations. Numerous laboratory tests have shown that treated products inhibit the growth of a wide variety of infectious agents associated with Healthcare-Associated Infections ("HAI"), including MRSA, C-Difficile, VRE, and H1N1, and by their application may assist in preventing the spread of such infections.

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

a) Sports apparel, outerwear and footwear

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

b) Medical

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

The Protx2® range of products is dedicated to combating hospital acquired bacterial infections, including MRSA, Clostridium Difficile, VRE, Klebsiella Pneumonia, and by their application may greatly assist in reducing such infections. In addition, Protx2® is also a strong antiviral agent effective against, Norovirus and H1N1.

Dreamskin®

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

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

Enguard® Insect Repellent Fabric

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

UVtx™

Textiles infused with UVtx™ provides apparel with a built in ultraviolet ("UV") light blocker. The UVtx™ formulation contains both UV reflecting and UV absorption elements, giving apparel treated with UVtx™ the ultraviolet protection factor ("UPF") strength of up to UPF 60. This allows the wearer of UVtx™ treated apparel to enjoy permanent sun protection without the need to apply sprays or lotions to the area covered by the garment. Testing has shown that UVtx™ treated textiles never lose efficacy.

FreshTx™

FreshTx™ is a state of the art odour-absorbing technology, which is easily infused into textile products. FreshTx™ offers permanent protection against odours without the need to use sprays or perfumes. FreshTx™ uses naturally-occurring elements for effective results that are non-toxic and safe. Extremely durable, once applied, the properties of FreshTx™ are renewed with each wash, and is effective even when wet.

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

(In Canadian dollars, except as otherwise noted)

DryTx™

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

An additional significant attribute of DryTx™ is its ability to be integrated into apparel in combination with the division's other product offerings, resulting in unique garments that provide superior performance characteristics for athletic apparel.

RepelTX™

RepelTX™ offers the next generation in water repellency performance. RepelTX™ is an environmentally friendly coating that is resistant to moisture. The RepelTX™ coating can be used on various surfaces including electronics and fabrics, which are then protected against moisture absorption.

Combining RepelTX™ and Protx2® results in benefits that are optimal for healthcare facilities, as this allows for the production of garments that both repel liquids and kill bacteria.

SELECTED ANNUAL INFORMATION

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

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

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

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018

The following table sets forth the Company's unaudited condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) for the three months ended December 31, 2019 and 2018:

For the three months ended December 31,	2019	2018
REVENUE	2,596,841	2,471,881
COST OF SALES	1,504,622	1,590,273
GROSS PROFIT	1,092,219	881,608
EXPENSES		
Selling, general and administrative costs	1,200,687	1,330,233
Interest expense	12,218	12,359
Amortization of property, plant and equipment and right-of-use assets	21,966	17,211
Amortization of deferred development costs	6,705	10,971
Share-based compensation	11,739	73,378
	1,253,315	1,444,152
EARNINGS (LOSS) FROM OPERATIONS	(161,096)	(562,544)
OTHER EXPENSES (INCOME)		
(Gain) loss on foreign exchange	(232,888)	64,610
	(232,888)	64,610
EARNINGS (LOSS) BEFORE INCOME TAXES	71,792	(627,154)
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	(32,551)	(53,391)
Deferred	48,119	(16,900)
	15,568	(70,291)
NET EARNINGS (LOSS)	56,224	(556,863)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	53,810	(557,122)
Non-controlling interest	2,414	259
	56,224	(556,863)
OTHER COMPREHENSIVE EARNINGS		
Unrealized (loss) gain on translation of foreign operations	(226,781)	125,085
	(226,781)	125,085
TOTAL COMPREHENSIVE EARNINGS (LOSS)	(170,557)	(431,778)
EARNINGS (LOSS) PER SHARE (note 13)		
Basic	0.002	(0.021)
Diluted	0.002	(0.021)

iFABRIC CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

Three months ended December 31, 2019	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External Revenue	1,129,707	1,435,051	32,083	-	2,596,841
Earnings (loss) before income taxes	113,621	15,165	13,805	(70,799)	71,792

Three months ended December 31, 2018	Intimate Apparel	Intelligent Fabrics	Other Segments	Items and Eliminations	Consolidated
External Revenue	1,304,322	1,141,959	25,600		2,471,881
Earnings (loss) before income taxes	(405,655)	(169,334)	2,753	(54,918)	(627,154)

Revenue by geographic regions:

Three months ended December 31,	2019	2018
External sales revenue		
Canada	538,199	693,141
United States	1,011,891	1,031,787
United Kingdom	27,010	170,150
Southeast Asia and other	1,019,741	576,803
Total	2,596,841	2,471,881

Q1 2020 FINANCIAL HIGHLIGHTS

Three months ended December 31,	2019	2018
Revenue	2,596,841	2,471,881
Earnings (loss) from operations	(161,096)	(489,166)
Share based compensation	(11,739)	(73,378)
Adjusted EBITDA *(Note)	124,420	(513,235)
Net earnings (loss) after tax	56,224	(556,863)
Net earnings (loss) after tax attributable to shareholders	53,810	(557,122)
Net earnings (loss) per share		
Basic	0.002	(0.021)
Diluted	0.002	(0.021)

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

DISCUSSION OF THE RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018**Revenue**

Revenue increased by \$124,960 to \$2,596,841 in Q1 2020 from \$2,471,881 in Q1 2019. With respect to the reportable operating segments of the Company, revenue decreased by 13% or \$174,615 in its Intimate Apparel segment to \$1,129,707 in Q1 2020 from \$1,304,322 in Q1 2019 and revenue increased by 26% or \$293,092 in its Intelligent Fabrics segment to \$1,435,051 in Q1 2020 from \$1,141,959 in Q1 2019. Geographically, revenue increased in Southeast Asia and other areas but decreased in the UK, US and Canada in Q1 2020 versus Q1 2019.

Overall, revenue increased by 5% during Q1 2020 in comparison to Q1 2019. In the Intelligent Fabrics operating segment, revenue growth was mainly attributable to increased chemical sales. In the Intimate Apparel operating segment, the decrease in revenue during Q1 2020 from Q1 2019 was primarily attributable to seasonal fluctuations as well as the clearance of residual sleepwear inventory during Q1 2019 which was not repeated Q1 2020, as the sleepwear category had been fully eliminated by the end of the 2019 financial year.

Gross profit

Gross profit as a percentage of revenue increased to 42% in Q1 2020 from 36% in Q1 2019. The increase in gross profit percentage is due to a number of factors. In the first instance, chemical margins in the Intelligent Fabrics segment continue to reflect substantial improvements resultant from chemical cost reductions. With regard to the Intimate Apparel segment, the elimination of the sleepwear category has resulted in reduced end of season clearances of merchandise at reduced margins, which has in turn resulted in the margins for this segment returning to historic levels. Gross profit in dollars increased by 24% or \$210,611 to \$1,092,219 in Q1 2020 from \$881,608 in Q1 2019. The increase in gross profit dollars is largely attributable to the increase in revenues in Q1 2020 compared to 2019, as well as the additional factors discussed above.

Selling, general and administrative costs

In Q1 2020, selling, general and administrative costs decreased to \$1,200,687 compared to \$1,330,233 in Q1 2019. The decrease of \$129,546 in costs is mainly attributable to decreased staffing costs in Q1 2020 versus Q1 2019 resultant from the elimination of the sleepwear category as discussed above.

Interest Expense

Interest expense during Q1 2020 was \$12,218 compared to \$12,359 during Q1 2019.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled \$28,671 during Q1 2020 compared to \$28,182 during Q1 2019.

Share-based compensation

Share-based compensation costs in Q1 2020 were \$11,739 compared to \$73,378 in Q1 2019 resulting in a decrease of \$61,639. The decrease in share-based compensation costs is due to a reduction in the vesting of previously issued stock options.

Gain (loss) on foreign exchange

In Q1 2020, the Company's gain on foreign exchange was \$232,888 versus a loss of \$64,610 in Q1 2019. The primary reason for the increased exchange gains is the weakening of the U.S. Dollar during Q1 2020, compared to the strengthening of the U.S dollar during Q1 2019.

Provision for (recovery of) income taxes

The Company's recovery of income taxes in Q1 2020 was \$32,551 compared to a recovery of income taxes of \$53,391 in Q1 2019. Deferred tax reduced by \$48,119 in Q1 2020 compared to an increase of \$16,900 in Q1 2019, as a result of the utilization of tax losses. Included in the earnings (loss) before income taxes are certain non-deductible items for tax purposes. Differences in the amounts of non-deductible expenses is the primary reason for the change in the Company's effective income tax rate from Q1 2020 to Q1 2019.

Net earnings (loss) and EBITDA

Net earnings attributable to iFabric's shareholders during Q1 2020 was \$53,810 (\$0.002 per share basic and diluted) compared to a net loss of \$557,122 in Q1 2019 (\$0.021 per share, basic and diluted). The \$610,932 increase net earnings in Q1 2020 versus Q1 2019 is largely attributable to the increase in revenues, improved gross margins and exchange gains. Adjusted EBITDA for Q1 2020 amounted \$124,420 compared to negative adjusted EBITDA of \$513,235 in Q1 2019 representing an increase of \$637,655 for the same reasons.

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

(In Canadian dollars, except as otherwise noted)

Other comprehensive earnings (loss)

For the three months ended December 31, 2019 a loss of 226,781 was included in other comprehensive earnings, in respect of the unrealized loss arising on currency translation of foreign operations at the end of Q1 2020 compared to \$125,085 included in other comprehensive earnings for Q1 2019. The primary reason for this unrealized loss was the strengthening of the Canadian dollar during Q1 2020.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is seasonal and results of operations for any interim period are not necessarily indicative of results of operations for the full fiscal year.

SUMMARY OF QUARTERLY RESULTS

Fiscal 2020	Q1	Q2	Q3	Q4
Revenue	2,596,841			
Net earnings (loss) attributable to common shareholders	53,810			
Net earnings (loss) per common share				
Basic	0.002			
Diluted	0.002			
Fiscal 2019	Q1	Q2	Q3	Q4
Revenue	2,471,881	2,503,793	2,284,507	3,175,167
Net earnings (loss) attributable to common shareholders	(557,122)	(386,487)	(642,120)	285,866
Net earnings (loss) per common share				
Basic	(0.021)	(0.015)	(0.024)	0.011
Diluted	(0.021)	(0.015)	(0.024)	0.011
Fiscal 2018	Q1	Q2	Q3	Q4
Revenue	3,102,120	4,255,192	4,888,400	6,610,765
Net earnings (loss) attributable to common shareholders	(125,375)	488,321	264,213	969,911
Net earnings (loss) per common share				
Basic	(0.005)	0.019	0.010	0.037
Diluted	(0.005)	0.018	0.010	0.036

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

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's unaudited condensed consolidated statements of financial position as at December 31, 2019 and September 30, 2019:

As at	December 31, 2019	September 30, 2019
ASSETS		
Current assets		
Cash	2,943,348	2,287,548
Accounts receivable	1,916,218	2,358,120
Inventories	2,801,973	2,752,089
Income taxes recoverable	62,974	299,640
Prepaid expenses and deposits	271,238	256,976
Foreign exchange forward contracts	114,252	58,830
Total current assets	8,110,003	8,013,203
Non-current assets		
Due from related parties	112,248	112,248
Property, plant and equipment	2,785,546	2,799,103
Right-of-use assets	86,963	-
Deferred development costs	236,793	107,279
Deferred income taxes	848,800	896,919
Goodwill	55,050	55,050
Total non-current assets	4,125,400	3,970,599
Total assets	12,235,403	11,983,802
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,142,249	797,947
Income taxes payable	43,563	13,114
Current portion of contract liability	133,904	168,795
Current portion of lease liability	30,037	-
Current portion due to related parties	10,117	263
Current portion of bank loan payable	1,238,268	1,258,351
Total current liabilities	2,598,138	2,238,470
Non-current liabilities		
Due to related parties	479,572	476,747
Lease liability	47,926	-
Total non-current liabilities	527,498	476,747
Total liabilities	3,125,636	2,715,217
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	2,963,824	2,963,824
Reserves	2,305,358	2,293,619
Retained earnings	3,914,807	3,860,997
Accumulated other comprehensive (loss) earnings	(88,582)	138,199
Total equity attributable to iFabric Corp. shareholders	9,095,407	9,256,639
Non-controlling interest	14,360	11,946
Total equity	9,109,767	9,268,585
Total liabilities and equity	12,235,403	11,983,802

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to \$2,943,348 as at December 31, 2019 from \$2,287,548 as at September 30, 2019 representing an increase of \$655,800. This increase was mainly attributable to a recovery of income taxes overpaid and a reduction in accounts receivable.

Total accounts receivable at the end of Q1 2020 was \$1,916,218 compared to \$2,358,120 as at September 30, 2019. The reduction in accounts receivable is attributable to collections from customers during Q1 2020.

Total inventory increased by \$49,884 to \$2,801,973 at the end of Q1 2020 from \$2,752,089 at the end of fiscal 2019.

Property, plant and equipment at the end of Q1 2020 totaled \$2,785,546 compared to \$2,799,103 at the end of fiscal 2019, with the difference attributable to amortization.

Right-of-use assets of \$86,963 was recorded due to the adoption of IFRS 16 resulting in capitalization of operating leases.

Deferred development costs increased to \$236,793 at the end of Q1 2020 from \$107,279 at the end of fiscal 2019. The increase is attributed to regulatory, testing, clinical trials and other development costs incurred ahead of entry into the medical market.

Deferred income taxes decreased to \$848,800 at the end of Q1 2020 from \$896,919 at the end of fiscal 2019. The decrease is mostly attributable to utilization of a portion of the non-capital losses previously incurred in the Company's Intelligent Fabric operating segment during the first quarter of 2020.

Total liabilities at the end of Q1 2020 were \$410,419 higher than at the end of fiscal 2019 and amounted to \$3,125,636 at the end of the quarter compared to \$2,715,517 at September 30, 2019. The main increases in liabilities were with respect to the adoption of IFRS 16 with effect from October 1, 2019, resulting in the recording of lease liabilities, as well increased accounts payable.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

The Company's capital resources include a bank operating line, long-term debt, and equity attributable to the Company's shareholders.

Bank Operating Line

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of \$3,750,000, against which \$0 was outstanding as at December 31, 2019 (September 30, 2019 - \$0). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

Fixed Rate Term-Loan

One of the Company's subsidiaries has a fixed rate term loan, payable in monthly payments of \$10,522 comprising principal and interest at a fixed rate of 3.64% per annum, amortized over a fifteen-year period ending February 29, 2032, maturing March 5, 2020 and secured by a first-ranking all-indebtedness collateral mortgage in the amount of \$3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and three of its subsidiary companies.

As at December 31, 2019, the total amount of this loan outstanding was \$1,238,268 (September 30, 2019 - \$1,258,351). Management expects to renegotiate this loan for a further term at or before maturity.

Working capital

Working capital represents current assets less current liabilities. As at December 31, 2019, the Company's working capital was \$5,511,865 compared to working capital of \$5,774,733 as at September 30, 2019, representing a decrease of \$262,868 or 5%.

Operating activities

Cash provided by operating activities during the three months ended December 31, 2019 amounted to \$1,034,448 compared to an amount of \$221,729 provided by operating activities during the three months ended December 31, 2018, representing an increase in cash flow of \$812,719. The increase in operational cash flow can be largely attributed to the collection of accounts receivable and income taxes recovered.

Financing activities

Cash used in financing activities during the three months ended December 31, 2019 amounted to \$15,648, compared to \$416,494 used in financing activities during the three months ended December 31, 2018, representing a decrease of \$400,846 in financing cash outflow. The difference can be mostly attributed to the increase in investment in subsidiary in Q1 2019.

Investing activities

An amount of \$136,219 was used in investing activities during the three months ended December 31, 2019 compared to an amount of \$60,000 used in investing activities during the three months ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 31, 2019.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

During Q1 2020, there have been no significant changes in the contractual obligations from those disclosed in the Company's 2019 annual MD&A.

The Company's other commitments are outlined below:

- a) The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 of the Company's Q1 2020 unaudited condensed consolidated interim financial statements for more information.
- b) In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 4-10%. Minimum annual royalties have been established for the balance of the contract periods ending December 31, 2020 in U.S. dollar amounts of \$187,000. In addition, the Company is required to pay an advertising fee of 1-2%, depending on the distribution channel, payable quarterly, on its net sales as defined in the agreement, for promotion of the licensed products. The license term is in effect until December 31, 2020.

RELATED PARTY TRANSACTIONS

During the three month period ended December 31, 2019, there have been no significant changes in the related party transactions from those disclosed in the Company's 2019 audited consolidated financial statements and the 2019 annual MD&A.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended December 31, 2019 from those described in the Company's audited annual consolidated financial statements for the year ended September 30, 2019.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 26,209,500 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,888,250 options issued and outstanding, of which 1,735,250 were exercisable.

RISKS & UNCERTAINTIES

The Company is exposed to various operational risks and uncertainties which are described in the Company's 2019 annual MD&A. The risks and uncertainties disclosed in the 2019 annual MD&A are not exhaustive. There have been no specific additional risks or uncertainties identified during Q1 2020. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business, performance, condition, results, operations or strategies and plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon the Q1 2020 unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting". The preparation of the Q1 2020 unaudited condensed consolidated interim financial

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

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

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

Significant assumptions about the future that management has made could result in a material adjustment to the carrying amounts of assets and liabilities, or on the reported results of revenues, expenses, gains, or losses, in the event that actual results differ from assumptions made. The methods used to calculate critical accounting estimates are consistent with prior periods.

During Q1 2020, there were no significant changes to methods used to:

- Cost inventory or determine provisions for obsolete or slow-moving inventory
- Determine impairment of deferred development costs
- Determine impairment of deferred income tax assets
- Determine impairment or estimated useful lives of property, plant and equipment
- Determine the fair value of share-based payment transactions

For further details concerning the use of estimates, judgments and assumptions in the preparation of the Company's Q1 2020 unaudited condensed consolidated interim financial statements, along with details of the significant accounting policies used in the preparation of such interim financial statements, specific reference should be made to note 3 of the Company's audited annual consolidated financial statements for the fiscal year ended September 30, 2019.

ACCOUNTING POLICY DEVELOPMENTS

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 30, 2019 have been applied consistently in the preparation of the Q1 2020 unaudited condensed consolidated interim financial statements, except as detailed below.

(a) Adoption of new or amended accounting standards**IFRS 16 – Leases**

Effective October 1, 2019 the Company adopted IFRS 16, 'Leases', issued in January 2016, which replaces IAS 17 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company has adopted IFRS 16 using a modified retrospective approach. Upon initial application, right-of-use assets and lease liabilities were recorded, with no impact to the opening retained earnings of comparative periods. The following table summarizes the impact on the consolidated statement of financial position:

	Balance at September 30, 2019	IFRS 16 Initial Applicaton	Balance at October 1, 2019
ASSETS			
Right-of-use assets	-	95,372	95,372
Prepaid expense and deposits	256,976	(9,900)	247,076
LIABILITIES			
Lease liability	-	85,472	85,472

MANAGEMENT'S DISCUSSION & ANALYSIS

(In Canadian dollars, except as otherwise noted)

In applying IFRS 16 for adoption, the Company has used the following practical expedients permitted by the Standard:

- i. Leases with a remaining term six months or less from the date of application have been accounted for as short-term leases;
- ii. Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial applications;
- iii. Leases with low value have been excluded

When measuring lease liabilities, the Company discounted lease payments using the implicit lease rates where indicated, or the weighted average incremental borrowing rate of 3.95% if not indicated in the lease terms.

The following table reconciles the Company's operating lease commitments at September 30, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at October 1, 2019.

Operating lease commitments at September 30, 2019	119,450
Discounted using incremental borrowing rates	(10,891)
Recognition exemption for short-term leases	(23,087)
Lease liabilities recognized at October 1, 2019	85,472

The Company has revised the description of its accounting policy for the Company as a lessee to reflect the new standard as follows:

At the commencement date of the lease, the Company recognizes a lease liability comprising of fixed payments less incentive receivables, variable payments, residual value guarantees, exercise price of purchase options and termination penalties, which is discounted at the implicit lease rate or, if the rate cannot be determined, the Company's incremental borrowing rate. At the same time, the right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the amount of lease liability, initial direct costs, costs of removal and restoring, payments made prior to commencement less any incentives received, is recognized. Subsequently, the lease liability is reduced by lease payments less finance charges, which are expensed as part of financing cost while the right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term.

The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis, and thus not recognize a lease liability and a right-of-use asset at the date of initial application. Short-term leases are leases with a lease term of 12 months or less.

IFRIC 23 – Uncertainty over Income Tax Treatments

Effective October 1, 2019, the Company adopted IFRIC 23 'Uncertainty over Income Tax Treatments' issued in June 2017, which clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The Company has adopted IFRIC 23 using the retrospective approach with no impact to the opening retained earnings of comparative periods.

The Company has added the following description of its accounting policy for income taxes to reflect the new standard:

When there is uncertainty over income tax treatments, the Company considers the treatments either separately or as a group based on which provides better predictions of the resolution. The Company also considers if it is probable that the tax authorities will accept the uncertain tax treatment. If it is not probable, the Company measures the tax uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of December 31, 2019. Although the Company's disclosure controls and procedures were operating effectively as of December 31, 2019, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at December 31, 2019 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at December 31, 2019. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal period ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, consolidated audited annual financial statements, and unaudited condensed consolidated interim financial statements, is available on SEDAR at www.sedar.com. Additional information can also be found on the Company's website at www.ifabriccorp.com.