The following Management's Discussion and Analysis ("MD&A") of iFabric Corp. and its subsidiaries ("iFabric" or the "Company") is based upon and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended September 30, 2018 and the comparative year ended September 30, 2017. The audited consolidated financial statements and accompanying notes were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein. This MD&A is dated December 21, 2018.

All references to dollars or "$" are to Canadian dollars, the Company's presentation currency, unless otherwise noted. In the discussion that follows, "2018" refers to the annual fiscal period ended September 30, 2018, "2017" refers to the annual fiscal period ended September 30, 2017, "2016" refers to the annual fiscal period ended September 30, 2016, "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 and Manchester, England in order to service its key U.S. and European markets and, Company-owned premises located in Markham, Ontario house the bulk of the Division's workforce which comprises of, management, designers, administrative, product sourcing and logistical staff. The Markham premises also includes warehouse space, which serves as the distribution center 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 96-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 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 repellant technology), Dreamskin® (skin polymer), UVtx (ultraviolet light blocker), FreshTx (odour-absorbing technology), RepelTX (durable water repellant) and DryTx (moisture-wicking technology). The Company anticipates that several new products will be added to its pipeline in the future.

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

The following describes the functionality of the Division's current chemical 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.

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 of these to help prevent irritation during sporting activities.

A further targeted market for Dreamskin® is as a device to aid sufferers of eczema, psoriasis and other types of irritating skin disorders. The friction caused by clothing is currently a major source of irritation for sufferers of such disorders and the ability of Dreamskin® to substantially reduce the amount of friction serves as a useful tool to alleviate irritation.

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.

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.

RepelTX™

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.

RepelTX™ offers 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. It features a hydrocarbon polymer which is both more ecologically friendly and economically smart compared to competing technologies. The result is a market leading performance, liquid repellency that is breathable, durable and fast drying.

A substantial body of testing carried out by the Company have shown that RepelTX™ and Protx2® work extremely well in conjunction with each other. Particularly in health care environments, the combination of water repellency and an antimicrobial allows for garments that repel liquids (for example, blood) and at the same time can kill bacteria. These combined attributes are optimal for the healthcare industry. The additional benefit to iFabric is the increased revenue from every sale involving a multiple of chemicals.

RECENT DEVELOPMENTS

Intimate Apparel

On April 24, 2018 the Company announced the renewal of its Maidenform® license agreement which has been extended to December 31, 2020. The renewal of this agreement is key for the Apparel Division as over 80% of products sold by the Division are distributed under various Maidenform® brands. Whilst the Division retained an exclusive license in respect of its core bra and accessory offerings, at the Company's request, the sleepwear component of the license was converted from an exclusive license to a non-exclusive license. The main effect of a non-exclusive sleepwear licence is the avoidance of the requirement to pay minimum royalties on sleepwear sales whilst still retaining the right to produce sleepwear for select customers, at the Company's option.

Due to the entry of a number of additional large manufacturers in the sleepwear market, there is currently substantial downward pressure on wholesale sleepwear prices and margins. Accordingly, the Company envisages that the bulk of its sleepwear offerings will be phased out by the end of calendar 2018. Instead the Company has commenced and will continue to invest additional resources into product development in is core specialty bra and accessories business, which has historically underpinned the revenues and profitability of the Company's Apparel Division.

As at the date of this MDA the Division had completed the design of a number of new and innovative products, with yet further products still in the design phase. The first of these products, a patent pending breast lift offering, is currently in the test marketing phase with a major retailer ahead of the official market launch scheduled for spring 2019. Additional products are being scheduled for a phased roll out during the course of the next twelve to twenty-four months. Due to the uniqueness of certain of these new products, additional patent applications are currently being considered.

Intelligent Fabrics

During the third quarter of 2018 the Intelligent Fabrics Division completed development on a range of performance apparel that integrate combinations of the Divisions chemical enhancements.

The first finished product performance apparel program for a major Canadian retailer commenced shipping at the end of the third quarter. The retailer in question has committed to a number of additional programs and commitments in respect of yet further programs are anticipated. As at the date of this MDA, negotiations were also in process with three major US retailers.

The potential revenue levels in respect of these programs will ultimately depend on consumer acceptance. However, early sell through numbers in respect of the initial program reflect demand in excess of initial expectations.

The major benefit to the Division of supplying finished performance products to customers as opposed to purely the chemical formulations, is the far higher dollar value per sale that can be realized as a result.

(In Canadian dollars, except as otherwise noted)

SELECTED ANNUAL INFORMATION

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

For the year ended and as at September 30,	**2018**	2017	2016	2015	2014
Income Statement Data					
Revenue	**15,121,370**	18,856,477	13,570,365	13,074,848	13,021,482
Net earnings (loss) attributable to common shareholders	**924,743**	1,597,070	(373,977)	(109,837)	542,214
Net earnings (loss) per common share					
Basic	**0.035**	0.061	(0.014)	(0.004)	0.021
Diluted	**0.034**	0.059	(0.014)	(0.004)	0.020
Balance Sheet Data					
Total assets	**14,179,359**	14,724,528	12,296,093	11,928,359	11,559,443
Total non-current financial liabilities	**1,818,657**	586,544	1,893,809	1,408,893	1,952,287
Cash dividends declared	**-**	-	-	-	-

Three Year Overview

A discussion of the significant factors which have caused variations in the results of operations over the three most recently completed fiscal years is set out below. The selected financial information set out in this MD&A is not exhaustive and should be read in conjunction with the Company's 2018 audited consolidated financial statements and notes thereto.

Revenue

The amount of revenue reported in 2018 decreased by 20%, as opposed to a 39% increase in 2017, and a 4% increase in 2016, as compared to each of the immediately preceding fiscal years.

Revenue decreased overall by $3,735,107 in 2018 versus 2017. The primary source of the decrease in revenue in fiscal 2018 was lower sales in each of the Company's primary operating segments. In the Company's Intelligent Fabrics operating segment, revenues decreased from $4,772,590 in 2017 to $4,109,857 in 2018, representing a decrease of $662,733 or 14%. Most of the decrease in revenue in this segment was attributable to a major customer reorganizing its supply chain in Asia. This resulted in a delay in shipping chemicals for the future production of this customer. Chemical sales to the customer are expected to resume to previous levels commencing in the first quarter of 2019. The decrease in chemical sales were partially offset by the first finished product performance apparel products, which commenced shipping to a major Canadian retailer at the end of third quarter of 2018. In the Intimate Apparel operating segment, revenue decreased by $3,072,375 or 22% from $13,981,487 in 2017 to $10,909,112 in 2018. This decrease was mainly as a result of the phase out of sleepwear sales ahead of the Company's previously announced strategic initiatives to focus future product development into its core specialty bra and accessories business, as well as new opportunities in its Intelligent Fabrics segment, to supply finished performance apparel. Sleepwear revenue in the fourth quarter of 2017 alone, comprised approximately $4 million of total apparel revenue, compared to $0 in sleepwear sales for the fourth quarter of 2018. Geographically, the Company increased its sales in Canada by 48%, and revenue decreased in the US, UK and Southeast Asia and other regions, by 21%, 12% and 35% respectively, from fiscal 2017 to fiscal 2018.

Revenue increased overall by $5,286,112 in 2017 versus 2016. The primary source of the increase in revenue in fiscal 2017 was higher sales in each of the Company's primary operating segments. In the Company's Intelligent Fabrics operating segment, revenues increased from $2,181,527 in 2016 to $4,772,590 in 2017, representing an increase of $2,591,063 or 119%. The majority of the increase in revenue in this segment occurred in as a result of the division integrating its products into full-scale manufacturing of key customers. In the Intimate Apparel operating segment, revenue increased by 24% from $11,272,334 in 2016 to $13,981,487 in 2017, with most of the increased revenue being generated in the third and fourth quarters of fiscal 2017 and attributable to sleepwear sales. On a geographical basis, the Company increased its sales in Canada, the U.S. and Southeast Asia by 45%, 23%, and 209% respectively, and decreased its sales in the UK by 30% from fiscal 2016 to fiscal 2017.

Revenue increased overall by $495,517 in 2016 in comparison to 2015. The primary source of the increase in revenue in fiscal 2016 was higher sales in the Company's Intelligent Fabrics operating segment, which saw revenues increase from $679,298 in 2015 to $2,181,527 in 2016, representing an increase of $1,502,229 or 221%. The majority of the increase in revenue in this segment occurred in the fourth quarter of 2016 as a result of the division integrating its products into full-scale manufacturing of key customers. The overall increase in consolidated revenue in 2016 was offset by lower revenues in the Intimate Apparel segment caused by the elimination of Splendid and Ella Moss branded products. Geographically the Company saw decreased sales in Canada, the U.S., and the U.K. by 24%, 1%, and 8% respectively, when expressed in their transactional currencies and increased sales of 253% in Southeast Asia and other regions. Lower sales in its key US market were partially offset by currency benefits derived through a weakened Canadian dollar vis-à-vis the U.S. dollar during 2016 relative to 2015.

Net Earnings (Loss)

Net earnings attributable to common shareholders of the Company was $924,743 in 2018, compared to net earnings of $1,597,070 in 2017 and a net loss of $373,977 in 2016.

The primary reasons for the decrease in net earnings in 2018 versus 2017, were a decrease in total revenue and a decrease gross profit dollars. Revenue decreased in both of the Company's primary operating segments, Intimate Apparel and Intelligent Fabrics. In the intimate Apparel Division decreased revenue was mainly as a result of the elimination of sleepwear products, particularly in Q3 and Q4 of 2018 compared to the same quarters in 2017. For the Intelligent Fabrics Division, most of the decrease in revenue was resultant from a major customer in Southeast Asia reorganizing its supply chain, which caused a delay in chemical deliveries for its 2018/2019 production.

The primary reasons for the increase in net earnings in 2017, from a net loss in 2016, were an increase in total revenue, an increase in gross profit dollars, and a decrease in selling, general and administrative costs. Revenue increased in both of the Company's primary operating segments, Intimate Apparel and Intelligent Fabrics. The intimate apparel division substantially increased revenue with its sleepwear line of products, particularly in Q3 and Q4 2017 compared to the same quarters in 2016. The Intelligent Fabrics division had most of its increase in revenue come from sales in Southeast Asia to major mills that had fully integrated the division's products into their manufacturing processes in 2017 compared to mainly bulk trials in 2016. While gross profit as a percentage decreased by 1% from 2016 to 2017, the overall increase in revenue generated more gross profit in dollars, year over year. In 2017, selling, general, and administrative costs decreased compared to 2016, largely due to savings derived from the Intimate Apparel Division closing its New York design office.

There are a number of variables that contributed to the Company's increase in net loss from 2015 to 2016. While overall revenue increased by 4% in 2016 versus 2015, gross profit percentage and gross profit dollars decreased. The primary reasons for the decrease in gross profit was the product sales mix, with heavier emphasis on textile finishing products in the Intelligent Fabrics segment than sleepwear and accessories in the Intimate Apparel segment. Another primary reason was higher inventory costs from a weakening Canadian dollar relative to the U.S. dollar. The larger net loss in 2016 was also attributable to foreign exchange losses in the amount of $122,534 in 2016 as opposed to gains of $397,243 in 2015, which were largely the result of the British Pound Sterling weakening after the announcement of the U.K.'s departure from the European Union. Another major factor in the increase in net loss from 2015 to 2016 was a non-recurring impairment loss of $126,710 recorded in 2016 with respect to deposits paid to a supplier of the Company.

Key factors which have caused variations in the Company's financial position over the three most recently completed fiscal years include:

- **Changes in working capital**

  During fiscal 2018, the Intimate Apparel segment discontinued is sleepwear offerings, with the result that sleepwear assets, mainly in the form of accounts receivable were converted back into cash. Accordingly, total accounts receivable as at September 30, 2018, were $2,200,669 compared to $5,695,362 as at September 30, 2017. Net earnings recorded in both the 2018, and 2017 financial years were the main contributors to the increase in working capital for these years as opposed to a loss recorded in the 2016 financial year.

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

  During fiscal 2018, the Company undertook a minor reconfiguration of its office space at a cost of approximately $40,000. In 2017 there were no major changes in property, plant and equipment, as compared to 2016, where approximately $515,000 was expended on a major retrofit of the Company's head office.

- **Changes in non-current financial liabilities**

  During fiscal 2018, the Company restructured its bank loan to a fixed term loan, which resulted in $1,258,289 of the total loan of $1,337,251 as at September 30, 2018, being classified as non-current. This is the primary reason for the increase in non-current liabilities from 2017 to 2018. During fiscal 2016, the Company increased its bank loan payable by securing a readvancement of $560,000 with the existing lender to renovate and retrofit its head office premises. During fiscal 2017, the company replaced this bank loan with a new demand term loan, which was classified as current, while the prior loan was classified as non-current. This is the primary reason for the decrease in non-current liabilities from 2016 to 2017.

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS

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

For the year ended September 30,	**2018**	2017
REVENUE	**15,121,370**	18,856,477
COST OF SALES	**8,017,914**	10,374,982
GROSS PROFIT	**7,103,456**	8,481,495
EXPENSES		
Selling, general and administrative costs	**5,425,859**	5,258,592
Interest on operating line	**9,395**	33,588
Interest on bank loan	**56,990**	72,733
Amortization of property, plant and equipment	**68,870**	73,803
Amortization of deferred development costs	**124,078**	161,465
	5,685,192	5,600,181
EARNINGS FROM OPERATIONS	**1,418,264**	2,881,314
OTHER EXPENSES (INCOME)		
Share-based compensation	**151,839**	447,402
Loss (gain) on foreign exchange	**(105,663)**	98,773
	46,176	546,175
EARNINGS BEFORE INCOME TAXES	**1,372,088**	2,335,139
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**454,131**	682,617
Deferred	**(9,300)**	62,600
	444,831	745,217
NET EARNINGS	**927,257**	1,589,922
NET EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	**924,743**	1,597,070
Non-controlling interest	**2,514**	(7,148)
	927,257	1,589,922
OTHER COMPREHENSIVE EARNINGS		
Unrealized gain on translation of foreign operations	**182,403**	-
TOTAL COMPREHENSIVE EARNINGS	**1,109,660**	**1,589,922**
EARNINGS PER SHARE		
Basic	**0.035**	0.061
Diluted	**0.034**	0.059

(In Canadian dollars, except as otherwise noted)

SELECTED OPERATING SEGMENT DATA

Operating Segments 2018	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External revenues	10,909,112	4,109,857	102,401	-	**15,121,370**
Earnings (loss) before income taxes	1,382,199	104,458	12,217	(126,786)	**1,372,088**

Operating Segments 2017	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	Consolidated
External revenues	13,981,487	4,772,590	102,400	-	**18,856,477**
Earnings (loss) before income taxes	2,542,215	220,747	(20,336)	(407,487)	**2,335,139**

Revenue

Revenue decreased by $3,735,107 to $15,121,370 in 2018 from $18,856,477 in 2017. With respect to reportable operating segments of the Company, revenue decreased by $662,733 or 14% in its Intelligent Fabrics segment and revenue decreased by $3,072,375 or 22% in its Intimate Apparel segment.

Revenue decreased by 20% on a consolidated basis from 2017 to 2018. In the Company's Intelligent Fabrics operating segment most of the decrease in revenue was as a result of a major customer in Southeast Asia reorganizing its supply chain, which caused a delay in chemical deliveries for its 2018/2019 production. In the Intimate Apparel operating segment, most of the decreased revenue in 2018 versus 2017 was as a result of the phase out of sleepwear sales ahead of the Company's strategic initiatives to focus future product development into its core specialty bra and accessories business, as well as new opportunities in its Intelligent Fabrics segment, to supply finished performance apparel. Geographically, the Company increased its sales in Canada by 48%, and revenue decreased in the US, UK and Southeast Asia and other regions, by 21%, 12% and 35% respectively, from fiscal 2017 to fiscal 2018.

Gross profit

Gross profit as a percentage of revenue increased to 47% in 2018 from 45% in 2017. The increase in gross profit percentage is primarily due to the sales mix of products for the year and lower clearances of end of season merchandise in its Intimate Apparel segment, as well as license revenue in its Intelligent Fabrics segment, for which there was no cost of sales. The increase in gross profit percentage was partially offset by lower than anticipated margins on new programs in its Intelligent Fabrics segment, attributable to higher than anticipated landing costs in the form of air freight incurred in order to meet tight timelines for the new program start dates. Under normal circumstances, product is shipped by sea at a substantially lower freight cost. Gross profit in dollars decreased by 16% or $1,378,039 to $7,103,456 in 2018 from $8,481,495 in 2017. The decrease in gross profit dollars is largely attributable a decrease in revenue, for the reasons discussed above, under "Revenue".

Selling, general and administrative costs

Selling, general and administrative costs were virtually unchanged at $5,425,859 in 2018 compared to $5,258,592 in 2017.

Interest Expense

Interest expense during 2018 totaled $66,385 compared to $106,321 during 2017. The reduction in interest expense was the result of the repayment of the Company's bank operating line as well as an accelerated repayment on the Company's fixed term loan by an amount of $250,000 during the year. In addition, the Company's fixed term-loan carried a lower interest rate in 2018 compared to the previous demand term loan in 2017.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $192,948 during 2018 compared to $235,628 during 2017. The decrease is attributable to certain deferred development costs having been fully amortized during the course of 2018.

Share-based compensation

Share-based compensation costs in 2018 were $295,563 lower than in 2017 and amounted to $151,839 in 2018 compared to $447,402 in 2017. The decrease in share-based compensation costs is the result of a reduction in the amount of stock options vesting in 2018 compared to 2017.

(In Canadian dollars, except as otherwise noted)

Loss (gain) on foreign exchange

In 2018, the Company's gain on foreign exchange was $105,636 versus a loss of $98,773 in 2017. This change is the result of a significant weakening of the Canadian dollar in 2018 compared to 2017.

Provision for (recovery of) income taxes

The Company's total provision for income taxes in 2018 was $444,831, compared to a provision of income taxes of $745,217 in 2017. Included in the earnings before income taxes for 2018 and 2017 are certain non-deductible items for tax purposes. Specifically, a decrease in 2018 from 2017 in share-based compensation by $295,563, is the main reason for the change in the Company's effective income tax rate.

Net earnings (loss)

Net earnings attributable to iFabric's shareholders during 2018 was $924,743 ($0.035 per share, basic and $0.034 per share, diluted) compared to net earnings of $1,597,070 in 2017 ($0.061 per share, basic and $0.059 per share, diluted), representing a decrease of $672,327. The decrease in net earnings in 2018 from 2017 is mostly attributable to a decrease in revenue of $3,735,107 and a corresponding decrease in gross profit dollars of $1,378,039. The impact of these decreases was partially offset by lower share-based compensation costs as well as increased exchange gains in 2018 versus 2017, as discussed above.

SEASONALITY AND QUARTERLY FLUCTUATIONS

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

SUMMARY OF QUARTERLY RESULTS

Fiscal 2018	Q1	Q2	Q3	Q4
Revenue	5,136,771	4,201,249	3,291,659	2,491,691
Net earnings (loss) attributable to common shareholders	950,480	371,076	(175,707)	(221,106)
Net earnings (loss) per common share				
Basic	0.036	0.014	(0.007)	(0.009)
Diluted	0.035	0.014	(0.006)	(0.009)

Fiscal 2017	Q1	Q2	Q3	Q4
Revenue	3,102,120	4,255,192	4,888,400	6,610,766
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

(In Canadian dollars, except as otherwise noted)

Q4 2018 FINANCIAL HIGHLIGHTS

	2018	2017
Revenue	**2,491,691**	6,610,766
Earnings (loss) from operations	**(583,405)**	1,365,977
Share based compensation	**(22,987)**	(45,483)
Adjusted EBITDA *(Note)	**(467,219)**	1,472,081
Net earnings (loss) before tax	**(528,625)**	1,327,638
Net earnings (loss) after tax attributable to shareholders	**(221,106)**	969,911
Other comprehensive earnings (loss)	**(122,906)**	-
Total comprehensive earnings (loss)	**(344,964)**	960,096
Net earnings (loss) per share		
Basic	**(0.009)**	0.037
Diluted	**(0.009)**	0.036

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

2018 FOURTH QUARTER RESULTS COMPARED WITH 2017 FOURTH QUARTER RESULTS

Revenue

Revenue during Q4 2018 decreased by 62% or $4,119,075 to $2,491,691 from $6,610,766 during Q4 2017. With regard to its two main operating segments, revenue in its Intelligent Fabrics segment increased by $122,354 from $896,839 in Q4 2017 to $1,019,193 in Q4 2018 whereas, revenue in its Intimate Apparel segment decreased by $4,230,180 from $5,677,077 in Q4 2017 to $1,446,897 in Q4 2018 and was mainly as a result of the phase out of sleepwear sales ahead of the Company's strategic initiatives to focus future product development into its core specialty bra and accessories business, as well as new opportunities in its Intelligent Fabrics segment, to supply finished performance apparel, which integrate one or more of its chemical treatments.

Gross profit

Gross profit as a percentage of revenue during Q4 2018 decreased to 35% from 42% in Q4 2017. The decrease in gross profit percentage in Q4 2018 is mostly attributable to the sales mix for the quarter, which had a greater proportion of Intelligent Fabric sales at lower margins compared to Intimate Apparel sales, when compared to Q4 2017. Gross profit in dollars during Q4 2018 decreased by 68% or $1,919,117 to $882,628 from $2,801,745 in Q4 2017. The decrease in gross profit in dollars is attributable to decreased revenue and the decrease in gross profit percentage, as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs during Q4 2018 increased by $90,807, or 7%, to $1,427,615 from $1,336,808 in Q4 2017. Decreases in professional fees, royalties, and advertising and promotional costs were offset by increased commissions, management fees and selling expenses.

Interest expense

Interest expense during Q4 2018 was $16,465 compared to $23,540 during Q4 2017. The decrease was mainly attributable to the Company carrying a lower bank loan balances in Q4 2018 compared to Q4 2017.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $21,954 during Q4 2018 compared to $75,420 during Q4 2017. The decrease is mostly due to the fact that certain deferred development costs were fully amortized prior to Q4 2018.

Net earnings

Net loss attributable to iFabric's shareholders during Q4 2018 was $221,106 ($0.009 per share, basic and diluted) compared to net earnings of $969,911 ($0.037 per share, basic and $0.036, diluted) during Q4 2017. The decrease in earnings can be mostly attributed to the lower revenues and gross profit dollars in Q4 2018 versus 2017.

(In Canadian dollars, except as otherwise noted)

The following table sets forth the Company's unaudited condensed consolidated statements of financial position as at September 30, 2018 and September 30, 2017:

As at	**September 30, 2018**	September 30, 2017
ASSETS		
Current assets		
Cash	**3,542,899**	668,425
Accounts receivable	**2,200,669**	5,695,362
Inventories	**4,293,436**	3,909,807
Prepaid expenses and deposits	**165,296**	254,078
Foreign exchange forward contracts	**37,055**	112,533
Total current assets	**10,239,355**	10,640,205
Non-current assets		
Due from related parties	**123,000**	123,000
Property, plant and equipment	**2,844,091**	2,873,632
Deferred development costs	**151,163**	275,241
Deferred income taxes	**766,700**	757,400
Goodwill	**55,050**	55,050
Total non-current assets	**3,940,004**	4,084,323
Total assets	**14,179,359**	14,724,528
LIABILITIES		
Current liabilities		
Bank indebtedness	**-**	774,908
Accounts payable and accrued liabilities	**770,790**	1,112,078
Income taxes payable	**413,239**	675,645
Current portion of deferred revenue	**39,300**	39,300
Current portion due to related parties	**15,023**	91,620
Current portion of bank loan payable	**78,962**	1,681,944
Total current liabilities	**1,317,314**	4,375,495
Non-current liabilties		
Deferred revenue	**91,700**	131,000
Due to related parties	**468,668**	455,544
Bank loan payable	**1,258,289**	-
Total non-current liabilities	**1,818,657**	586,544
Total liabilities	**3,135,971**	4,962,039
EQUITY		
Equity attributable to iFabric Corp. shareholders		
Capital stock	**2,963,824**	2,929,331
Reserves	**2,567,433**	2,430,687
Retained earnings	**5,315,707**	4,390,964
Accumulated other comprehensive earnings	**182,403**	-
Total equity attributable to iFabric Corp. shareholders	**11,029,367**	9,750,982
Non-controlling interest	**14,021**	11,507
Total equity	**11,043,388**	9,762,489
Total liabilities and equity	**14,179,359**	14,724,528

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to $3,542,899 as at September 30, 2018 from $668,425 as at September 30, 2017, mainly as a result of the collection of accounts receivable generated by sleepwear sales prior to the elimination of this category.

Total accounts receivable at the end of 2018 was $2,200,669 compared to $5,695,362 at the end of 2018, representing a decrease of $3,494,693 for the above reason.

Total inventories increased by $383,629 to $4,293,436 at the end of 2018 from $3,909,807 at the end of 2017. The increase is largely attributable to performance apparel purchased for new major retail programs in the Intelligent Fabrics segment. For certain categories of the first new programs a full 12 months' worth of inventory has been purchased in order to obtain production economies and competitive pricing for these programs.

Property, plant and equipment at the end of 2018 totaled $2,844,091 compared to $2,873,632 at the end of 2017. The Company's net investments in property, plant, and equipment totaled $39,329 in 2018, with the difference attributable to amortization.

Deferred development costs decreased to $124,078 at the end of 2018 from $275,241 at the end of 2017. The decrease is attributed to amortization of deferred development costs for products commercially available for sale during 2018.

Deferred income taxes increased to $766,700 at the end of 2018 from $757,400 at the end of 2017. The increase is mostly attributable to the losses incurred in the Company's Intelligent Fabrics operating segment during the 2018 fiscal year.

Total liabilities at the end of 2018 were $1,826,068 lower than at the end of 2017. The Company decreased its liabilities mainly with respect to a decrease in accounts payable and accrued liabilities, repayment of its bank operating line and repayments against it bank loan, and reductions in the amounts of deferred revenue and income taxes 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, bank loan, and equity attributable to the Company's shareholders.

Bank Operating Line

Two of the Company's subsidiaries share a demand operating loan with a tier one Canadian bank available to a maximum of $3,750,000, against which $0 was outstanding as at September 30, 2018 (September 30, 2017 – $774,908). The loan facility bears interest at either the bank's prime lending rate or USD base rate, as applicable, plus 0.75%. The purpose of the credit facility is to provide for ongoing operating requirements including the financing of accounts receivable and inventories. The facility is secured by a first-ranking all-indebtedness collateral mortgage in the amount of $3,000,000 on land and buildings, a general security agreement, an assignment of rents, as well as guarantees from the Company and two of its subsidiary companies.

Bank Loan

One of the Company's subsidiaries has a fixed 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 28, 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.

Management expects to repay solely the minimum monthly payments, totaling $126,264 over the next twelve months.

As at September 30, 2018, the total amount of this loan outstanding was $1,337,251 (2017 - $1,681,944).

Working capital

Working capital, represents current assets less current liabilities. As at September 30, 2018, the Company's working capital was $8,922,041 compared to working capital of $7,946,654 as at September 30, 2017, representing an increase of $975,387 or 12%. In determining the amount of working capital in 2017, a bank term loan classified as current under IFRS, was excluded from the calculation due to its term nature. The increase in working capital is mainly attributable to the net earnings for the year.

Operating activities

Cash provided by operating activities totaled $3,895,074 in 2018, compared to an amount of $612,020 used in operating activities during 2017, representing an increase in cash inflow of $4,507,094. The increase in operational cash inflow can be largely attributed to changes in non-cash operating working capital items, particularly accounts receivable, inventories, and accounts payable and accrued liabilities. In particular, the elimination of the sleepwear category and the conversion of sleepwear assets back into cash is the main contributor to the improvement in operational cash flow.

Financing activities

Cash used in financing activities during 2018 amounted to $1,163,674, compared to $29,016 provided by financing activities during 2017, representing a decrease of $1,192,690 in financing cash flow. The difference can be mostly attributed to the repayment of the Company's bank operating line and bank term loan repayments during 2018, as opposed to the utilization of the bank operating line and an increase in the bank term loan during 2017.

Investing activities

Cash used in investing activities totaled $39,328 in 2018 compared to an amount of $8,784 used in investing activities during 2017. The increase in investment cash flow is mainly the result of the Company purchasing equipment during 2018 to in order to reconfigure its office space.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2018, with the exception of the operating leases as noted in the "Commitments & Contractual Obligations" section below.

COMMITMENTS & CONTRACTUAL OBLIGATIONS

The following details the Company's contractual obligations, under various operating lease agreements as at September 30, 2018:

	Payments due by fiscal year end					
Contractual obligations	2019	2020	2021	2022	Subsequent years	**Total**
Operating leases	276,308	289,450	22,633	14,270	-	**602,661**

The Company's other commitments are outlined below:

- The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. See note 7 of the Company's 2018 annual consolidated financial statements for more information.

- In terms of a worldwide license agreement, the Company has the right to use trademarks in connection with the manufacture, marketing, sale and distribution of certain licensed products. During the license term, the Company is required to pay a quarterly royalty on its net sales as defined in the agreement, on all products sold under the licensed marks. The effective royalty rates vary depending on the distribution channel and range from 4-10%. Minimum annual royalties have been established for the balance of the contract periods ending December 31, 2018, 2019 and 2020 in U.S. dollar amounts of $168,000, $175,000 and $187,000, 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, 2020.

(In Canadian dollars, except as otherwise noted)

RELATED PARTY TRANSACTIONS

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

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

	2018	2017
Salaries, management and professional fees, directors' fees, and short-term benefits	861,835	658,485
Share-based compensation	-	654,500
	861,835	1,312,985

Further information about the remuneration of certain individual executive officers and members of the Board of Directors will be provided in the Company's Management Information Circular, to be filed in respect of its fiscal 2017 shareholders' meeting.

(b) Included in selling, general and administrative costs are management fees in the amount of $5,424 (2017 - nil) paid to a company controlled by a director of one of the Company's subsidiaries.

(c) Included in revenue is rental income earned in the amount of $48,284 (2017 - $48,284) from a company controlled by a director of one of the Company's subsidiaries.

(d) Included in accounts payable and accrued liabilities is an amount of $9,000 (2017 - $15,000) due to directors and key management personnel of the Company in respect of unpaid fees.

(e) Included in selling, general and administrative costs is an amount of $45,751 (2017 - $63,737) paid to the spouse of an executive officer of the Company for marketing and administrative services rendered.

FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company routinely assesses the financial strength of its customers to mitigate its exposure to credit risk.

In order to mitigate its credit risk, the Company insures its trade accounts receivable with Chartis Insurance Company of Canada based on specific or discretionary credit limits, dependent on the level of amounts outstanding from individual customers at that time. At the financial year end, a claim in the amount of 19,596 British Pounds Sterling was still pending under this policy.

The Company's maximum exposure to credit risk is $2,200,669 (2017 - $5,695,362). Included in selling, general and administrative costs are bad debts of $10,928 (2017 - $34,845) expensed during the year.

The aging of trade accounts receivable is as follows:

	September 30, 2018	September 30, 2017
Trade receivables not past due	1,544,795	5,331,108
Trade receivables past due and not impaired		
Under 31 days	385,286	351,951
31 - 60 days	135,673	14,131
61 - 90 days	100,526	2,817
Over 90 days	47,347	3,002
Trade receivables, net of allowance for doubtful accounts	2,213,627	5,703,009

Economic dependence

Approximately 50% of the Company's total sales were to two customers (2017 - 52% of sales were to two customers). At September 30, 2018, two customers accounted for 68% (September 30, 2017 - two customers accounted for 79%) of the Company's accounts receivable.

Liquidity risk

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

Market risk

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

Currency risk

The Company conducts certain of its operations in U.S. Dollars ("USD"), British Pounds Sterling ("GBP"), and New Taiwanese Dollars ("TWD"). The Company manages its currency risk with foreign exchange forward contracts (see note 7). The following balances were included in the financial statements:

USD	September 30, 2018	September 30, 2017
Cash	**1,934,790**	273,050
Accounts receivable	**1,025,951**	4,033,745
Accounts payable and accrued liabilities	**(286,206)**	(632,472)
Prepaid expenses and deposits	**-**	104,976
Foreign exchange forward contract margin deposit	**60,050**	60,000
	2,734,585	3,839,299

GBP	September 30, 2018	September 30, 2017
Cash	**190,260**	38,952
Accounts receivable	**69,134**	123,539
Accounts payable and accrued liabilities	**1,635**	(21,579)
	261,029	140,912

TWD	September 30, 2018	September 30, 2017
Cash	**573,035**	6,083,150
Accounts receivable	**3,162,972**	7,406,796
Accounts payable and accrued liabilities	**(86,439)**	(229,431)
	3,649,568	13,260,515

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD against the Canadian Dollar as at September 30, 2018, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately $44,000 in net earnings (loss) for 2018, all other variables held constant. The effect of a 5% strengthening (weakening) of the GBP against the Canadian Dollar as at September 30, 2018, in relation to the net amount of GBP-denominated currency balances, would have resulted in an increase (decrease) of approximately $7,000 in net earnings (loss) for 2018, all other variables held constant. The effect of a 5% strengthening (weakening) of the TWD against the Canadian Dollar as at September 30, 2018, in relation to the net amount of TWD-denominated currency balances, would have resulted in an increase (decrease) of approximately $6,000 in net earnings (loss) for 2018, all other variables held constant.

Interest rate risk

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

The Company has performed a sensitivity analysis on its interest rate risk. The effect of a 1% decrease (increase) in the average interest rate paid during the year would have resulted in an increase (decrease) of approximately $12,000 in net earnings (loss) for 2018, all other variables held constant.

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 1,810,250 options issued and outstanding, of which 1,560,250 were exercisable.

Financial

The Company may require additional financing to fund future expansion initiatives. 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 delay or indefinite postponement of development of certain of the Company's business, and therefore affect its future cash flows, earnings, results of operations and financial condition.

Competition

The Company faces significant competition in almost every aspect of its business, particularly from other companies that:

- Design, manufacture and distribute intimate apparel, sleepwear and accessories;
- Sell sprays, topical liquids and creams that repel biting insects;
- Sell sprays, liquids, creams, chemicals and textiles which have the ability to kill bacteria;
- Sell sprays, topical liquids, creams and oral medication that assist with the healing of skin and the control of skin irritations; and
- Distribute chemicals that can be applied to textiles in order to kill bacteria.

Licensing Arrangements

The Company will be 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:

- Failure to pay royalties or advertising contributions;
- Failure to meet minimum purchase obligations;
- Failure to achieve minimum sales targets;
- The breach of a material covenant;
- Failure to ship licensed products to authorized customers;
- Failure to give notice of intention to renew within the stipulated time period

Key Personnel

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. As the Company's business activities grow, it will require additional key financial, administrative and technical personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Technological Advancements

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 technologies.

Government Regulation and Regulatory Approvals

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 operating segment, the Company is dependent on regulatory approvals or registrations and the legal systems in the markets in which it operates, such as the U.S. Environmental Protection Agency ("EPA") and Health Canada. The Company currently has certain 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.

Customer Adoption

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Valuation of inventories

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

Recoverability of deferred development costs

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

Benefits of deferred income tax assets

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

Estimated useful life of property, plant and equipment

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

Share-based payment transactions

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

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

ACCOUNTING POLICY DEVELOPMENTS

(a) Adoption of new or amended accounting standards

During the year ended September 30, 2018, the Company did not amend any of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on October 1, 2017.

(b) Future changes in accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2018 or later periods. The standards impacted that are applicable to the Company are as follows:

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted. The IASB amended IFRS 9 in November 2013 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The standard is not expected to have a significant impact on the Company's accounting for financial instruments.

ii) IFRS 15, 'Revenue From Contracts With Customers' was issued in May 2014. The standard provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers except for those that fall within the scope of IAS 17, 'Leases' or other applicable IFRS. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of IFRS 15 is not expected to have a significant impact on the Company's accounting for revenue and the Company is currently assessing when to adopt IFRS 15.

iii) IFRS 16, 'Leases', was published in January 2016, replacing IAS 17, 'Leases', and related interpretations. 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. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") by others on a timely basis so that appropriate decisions can be made regarding public disclosure within the time periods required by applicable securities laws. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Certifying Officers have concluded that these controls are appropriately designed and were operating effectively as of September 30, 2018. Although the Company's disclosure controls and procedures were operating effectively as of September 30, 2018, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the annual regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. The Certifying Officers are responsible for establishing and maintaining adequate ICFR for the Company. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at September 30, 2018 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at September 30, 2018. Based on that evaluation, the Certifying Officers concluded that the ICFR, as defined by National Instrument 52-109 – Certification of Disclosure on Issuers' Annual and Interim Filings, are appropriately designed and were operating effectively and that no material weaknesses were identified through their evaluation. The Certifying Officers have evaluated whether there were any changes in the Company's ICFR that occurred during the fiscal year ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

ADDITIONAL INFORMATION

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