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, 2016 and the comparative year ended September 30, 2015. 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, 2016.

All references to dollars or "$" are to Canadian dollars, the Company's functional and presentation currency, unless otherwise noted. In the discussion that follows, "2016" refers to the annual fiscal period ended September 30, 2016, "2015" refers to the annual fiscal period ended September 30, 2015, "2014" refers to the annual fiscal period ended September 30, 2014, "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.

Certain comparative figures in this MD&A have been reclassified to conform to the presentation used in the Company's most recent audited consolidated financial statements. For more information, please see note 26 of the 2016 audited consolidated financial statements.

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, sleepwear 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. 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 commenced operations in 1992 and currently operates under the trade name Coconut Grove Intimates. Its business comprises the design, purchasing, and distribution of intimate apparel and, in particular, a range of specialty bras including the division's patented backless, strapless underwire bra. The division also distributes a range of apparel accessories as well as sleepwear.

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, 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. Major retail customers include Wal-Mart (Canada), Sears (Canada), Debenhams, Kohl's, Hanes Brands, Bloomingdales, Marks & Spencer, Nordstrom, Maidenform, La Vie En Rose, House of Fraser, Boux Avenue and Amazon

Intelligent Fabrics

A second strategic division commenced operations in 2010 when the Company obtained exclusive North American distribution rights for new generations of intelligent textile technologies which can kill bacteria, repel insects, absorb odours, repel and wick moisture, block ultraviolet light and help encourage a healthy skin environment, amongst others. North American distribution rights were subsequently expanded to worldwide distribution rights. Management anticipates that the Intelligent Fabrics division will be the main driving force of the Company's future growth and expansion. 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 specialty textiles as well as chemicals suitable for application to textiles. The current focus is on technologies that improve the safety and well-being of the wearer. The division has a pipeline of products including 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 additional 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 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.

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

The following describes 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 EPA registrations, the Company can distribute Protx2® for use in all sportswear and footwear for distribution in the U.S. market. Verification programs for major customers were completed during the middle of 2016 and the Division commenced shipping Protx2® for major programs in July 2016.

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.

In order to fully enter the medical market for Protx2®, the Company is in process of securing a second and higher level of EPA registrations that will allow it to make applicable claims in connection with the efficacy of Protx2® ("kill claims") for medical use. A testing protocol for this purpose has been negotiated and agreed to by the EPA and testing in conformity with the protocol has commenced as at the date hereof. On completion of testing, the reports covering the applicable test results will be submitted to the EPA for their review and approval of the appropriate public health claims to be included in future product labeling.

Entry into the medical market in the form of scrubs treated with Protx2® has already commenced at the date of this MDA via programs for two key customers, covering both the retail scrubs market as well as the direct to hospital market.

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.

The potential also exists for Dreamskin® to be marketed as a medical device for integration in clothing in order 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 could serve as a useful tool to alleviate irritation.

In order to be marketed as a medical device Dreamskin® will need to be registered with the United States Food and Drug Administration ("FDA") as a medical device. Such registration may necessitate a clinical trial and the Company is currently consulting with its regulatory and industry experts regarding the best approach for conducting such a trial. Based on the information received by the Company to date, the cost of a clinical trial is estimated to be in the order of $100,000 and the estimated completion period could be in the range of 18 to 36 months. The commencement date of the Company's FDA application for Dreamskin® as a medical device is not yet certain.

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

Dreamskin® is also currently being integrated into certain product offerings of the Company's Intimate Apparel Division and in particular intimate apparel and sleepwear. The market launch for initial product offerings containing Dreamskin® will be in respect of the spring 2017 season, with sales commencing in January of 2017.

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.

Application for regulatory approval of Enguard® by the US Environmental Protection Agency (the "EPA") is in process. Application will also be made to the Pest Management Regulatory Agency ("PMRA") division of Health Canada for approval of Enguard® for the Canadian market utilizing EPA data once the US EPA application has been completed. Whilst the timelines for regulatory approvals of Enguard® in the U.S. and Canada are not certain, a key customer for Enguard® will commence product development and testing of Enguard® apparel in January 2017 with the strategy of initially launching Enguard® products in international markets where regulatory approvals are far less stringent than that of the U.S. and Canada.

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.

Commercialization of UVtx™ commenced during the latter part of 2016 and the first products integrating UVtx™ will be in the market during the second quarter of 2017.

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.

Commercialization of FreshTx™ commenced during the latter part of 2016 and the first products integrating Fresh™ will be in the market during the second quarter of 2017.

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.

The first products integrating DryTx™ will be in the market during the second quarter of 2017.

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 water and moisture by simply treating them in a fluorinated solvent. The coating dries in just over one minute at room temperature, and it starts working immediately once set.

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 will be increased revenue from every sale involving a multiple of chemicals.

RepelTX™ was added to the division's product portfolio during fiscal 2016 and is commercially available for sale. As at the date of this MDA several key customers were in the process of testing RepelTX™. Initial sales of RepelTX™ are anticipated during fiscal 2017.

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,	**2016**	2015	2014	2013	2012
Income Statement Data					
Revenue	**13,570,365**	13,074,848	13,021,482	8,165,983	6,074,766
Net earnings (loss) attributable to common shareholders	**(373,977)**	(109,837)	542,214	(144,556)	(218,680)
Net earnings (loss) per common share					
Basic	**(0.014)**	(0.004)	0.021	(0.006)	(0.009)
Diluted	**(0.014)**	(0.004)	0.020	(0.006)	(0.009)
Balance Sheet Data					
Total assets	**12,296,093**	11,928,359	11,559,443	9,154,711	8,454,058
Total non-current financial liabilities	**1,893,809**	1,408,893	1,952,287	2,084,741	2,801,891
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 2016 audited consolidated financial statements and notes thereto.

Revenue

The amount of revenue reported in 2016 increased by 4%, as opposed to a nominal increase in 2015, and an increase of 59% in 2014, as compared to each of the immediately preceding fiscal years.

Revenue increased overall by $495,517 in 2016 versus 2015. The primary source of the increase in revenue in fiscal 2016 was highs 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 with some of its key clients. The overall increase in consolidated revenue in 2016 was offset by lower revenues in the Intimate Apparel segment. The Company's Intimate Apparel operating segment decreased its sales in Canada, the U.S., and the U.K. by 34%, 15%, and 8% respectively, when expressed in their transactional currencies. However, as the majority of the Company's revenues are transacted in U.S. dollars, a weakened Canadian dollar vis-à-vis the U.S. dollar in 2016 largely offset lower sales in the United States, relative to 2015.

Revenue remained relatively unchanged in 2015 in comparison to 2014. However, there are a number of variables, both internal and external, which have contributed to 2015 revenue remaining relatively unchanged from the prior year. The Company's Intimate Apparel operating segment increased its sales in Canada by approximately 26%, but sales in both the United States and United Kingdom decreased, when expressed in their transactional currencies, by approximately 10% in the U.S and 9% in the U.K. A weakened Canadian dollar vis-à-vis the U.S. dollar and the British pound sterling in 2015 largely offset lower sales in foreign currencies, relative to 2014. During 2015, the Intelligent Fabrics division remained in a bulk trial phase, in terms of integrating its products into production cycles for its client base, and accordingly, revenues in this operating segment represented approximately 5% of the Company's overall consolidated revenues.

In 2014, the 59% increase in revenue was mostly attributable to a full year of sales of the Company's newly introduced intimate apparel programs, which had only begun selling midway through fiscal 2013. During 2014, sales in the Intimate Apparel segment of these new apparel and sleepwear products constituted approximately 38% of overall sales within that operating segment. The increase in revenue in 2014 was also attributable to the commencement of bulk trial programs within the Intelligent Fabrics operating segment.

Net Earnings (Loss)

Net loss attributable to common shareholders of the Company was $373,977 in 2016, compared with a net loss of $109,837 in 2015 and a net earnings of $542,214 in 2014. There are a number of variables that contributed to the Company's increase in net loss from 2015 to 2016. While revenue overall 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 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.

While revenues in 2015 remained relatively consistent overall compared to 2014, there was a reduction in gross profit percentage and gross profit dollars, mainly due to changes in product sales mix and increased clearances of older seasonal goods, at lower margins, during the year in the Company's Intimate Apparel business segment. As discussed above, the relatively unchanged revenues and decreased gross profits were largely offset by a weakened Canadian dollar in 2015 relative to 2014. The reduction in net earnings in 2015 was also the result of increased selling, general and administrative costs in both the Intimate Apparel and Intelligent Fabrics operating segments. Within the Intimate Apparel segment, the Company increased its staffing costs for the purposes of developing and supporting a new line of sleepwear products. In the Intelligent Fabrics segment, the Company increased its travel, regulatory and testing costs to facilitate future growth of existing products, as well as the launch of new products. During 2015, share-based compensation costs increased by $164,677 compared to 2014. The reduced sales transacted in foreign currencies, lower gross profits and increased selling, general and administrative costs have been largely offset by gains on foreign currency translation that the Company recorded with respect to its financial assets and liabilities held in foreign currencies.

In 2014, net earnings attributable to the Company's common shareholders was $542,214 versus a net loss of $144,556 in 2013. The increase in net earnings of $686,770 was largely attributable to an increase in revenue in the Intimate Apparel segment from a full fiscal year of sales of the Company's latest line of intimate apparel and sleepwear, as discussed in the "revenue" section above. In addition, gross profits increased by $2,177,091 to $6,707,580 in 2014 from $4,530,489 in 2013. Gross profit percentage decreased in 2014 to 52% from 55% in 2013, as the newly introduced line of products carried lower margins than the Intimate Apparel segment's existing line of accessories. During 2014, selling, general and administrative costs increased in both Intimate Apparel and Intelligent Fabrics operating segments for the purposes of supporting new and future programs within their respective divisions. The other significant factors that contributed to the increase in net earnings in 2014 were lower share-based compensation costs than in 2013, as well as an impairment loss in the amount of $300,253 recorded in 2013 which was a non-recurring loss.

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

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

  During fiscal 2016, the Company increased its bank loan payable by agreeing to a readvancement of $560,000 with the existing lender to renovate and retrofit its head office premises. These proceeds are the primary reason for the increase in non-current liabilities in 2016 versus 2015. Prior to the current financial year, the Company had reduced its non-current liabilities over several successive financial years, utilizing cash generated from operations and cash raised in a private placement of common shares in fiscal 2014. Specifically, the Company had gradually reduced the principal amount of its long-term bank loan payable (prior to the readvancement in fiscal 2016) and has also repaid a portion of amounts due to related parties of the Company.

- **Issuance of Capital Stock**

  During fiscal 2014, the Company issued common shares in a private placement for net cash proceeds of $1,430,288. The equity financing was done primarily to facilitate investments in working capital and to finance additional selling, general and administrative costs needed to support future growth.

(In Canadian dollars, except as otherwise noted)

RESULTS OF OPERATIONS

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

For the year ended September 30,	2016	2015
REVENUE	**13,570,365**	13,074,848
COST OF SALES	**7,264,692**	6,604,018
GROSS PROFIT	**6,305,673**	6,470,830
EXPENSES		
Selling, general and administrative costs	**6,097,935**	6,042,353
Interest on operating line	**28,116**	16,451
Interest on long-term debt	**42,451**	43,077
Amortization of property, plant and equipment	**56,597**	39,133
Amortization of deferred development costs	**161,465**	161,465
	6,386,564	6,302,479
EARNINGS (LOSS) FROM OPERATIONS	**(80,891)**	168,351
OTHER EXPENSES (INCOME)		
Share-based compensation	**118,402**	493,351
Loss (gain) on foreign exchange	**122,534**	(397,243)
Impairment Loss	**126,710**	-
Sundry income	**-**	(9,546)
	367,646	86,562
EARNINGS (LOSS) BEFORE INCOME TAXES	**(448,537)**	81,789
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**21,342**	455,685
Deferred	**(99,717)**	(266,689)
	(78,375)	188,996
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)	**(370,162)**	(107,207)
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) ATTRIBUTABLE TO:		
iFabric Corp. shareholders	**(373,977)**	(109,837)
Non-controlling interest	**3,815**	2,630
	(370,162)	(107,207)
LOSS PER SHARE		
Basic	**(0.014)**	(0.004)
Diluted	**(0.014)**	(0.004)

SELECTED OPERATING SEGMENT DATA

Operating Segments 2016	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	11,272,334	2,181,527	116,504	-	**13,570,365**
Earnings (loss) before income taxes	57,876	(628,617)	16,881	105,323	**(448,537)**

Operating Segments 2015	Intimate Apparel	Intelligent Fabrics	Other Segments	Corporate Items and Eliminations	**Consolidated**
External revenues	12,298,361	679,298	97,189	-	**13,074,848**
Earnings (loss) before income taxes	1,670,582	(1,292,029)	12,881	(309,645)	**81,789**

Revenue

Revenue increased by $495,517 to $13,570,365 in 2016 from $13,074,848 in 2015. With respect to reportable operating segments of the Company, revenue decreased by 8% or $1,026,027 in its Intimate Apparel segment and revenue increased by 221% or $1,502,229 in its Intelligent Fabrics segment.

Revenue increased by 4% overall in 2016 compared to 2015. However, there are a number of variables, both internal and external, which have contributed to the increased revenue from the prior year. The Company's Intimate Apparel operating segment decreased its sales by approximately 34% in Canada, 15% in the U.S., and 8% in the U.K., when expressed in their transactional currencies. The majority of the Company's revenues are generated in U.S. dollars. A weakened Canadian dollar vis-à-vis the U.S. dollar in 2016 translated foreign currency revenues into higher amounts when expressed in Canadian dollars, relative to 2015. This foreign exchange impact significantly offset the decrease in U.S. dollar sales in the Intimate Apparel division. During the latter half of 2016, the Intelligent Fabrics division commenced large-scale integration of its product offerings into the manufacturing processes of some of its major clients, resulting in a significant increase in revenue in this segment and representing one of the major reasons for the overall increase in revenue in 2016 compared to 2015. Revenue in this operating segment increased from 5% to 16% of overall consolidated revenue.

Gross profit

Gross profit as a percentage of revenue decreased to 46% in 2016 from 49% in 2015. The decrease in gross profit percentage is primarily due to the sales mix of products. In the Intimate Apparel segment, the sales mix featured a higher proportion of seasonal intimate apparel and sleepwear, which typically carry lower margins than accessories. The consolidated sales mix also changed in 2016, as there was a higher proportion of textile finishing products sold within the Intelligent Fabric segment, which currently carry lower margins than products in the Intimate Apparel segment. Gross profit percentage was also lower in 2016 than in 2015 due to the effect of the U.S. dollar strengthening against the Canadian dollar, resulting in higher inventory costs when expressed in Canadian dollars. Gross profit in dollars decreased by 3% or $165,157 to $6,305,673 in 2016 from $6,470,830 in 2015. The decrease in gross profit dollars is largely attributable to a reduced gross profit percentage, for the reasons discussed above. Similar to the changes in revenue in 2016 versus 2015, as discussed above in the section entitled "Revenue", reduced sales transacted in foreign currencies in 2015, which contributed to a decrease in gross profit dollars, were partially offset by a weakened Canadian dollar relative to the U.S. dollar.

Selling, general and administrative costs

In 2016, selling, general and administrative costs increased by 1% or $55,582 to $6,097,935 from $6,042,353 in 2015. In the Intimate Apparel operating segment, the Company decreased its overall selling, general, and administrative costs as it transferred a large portion of its New York selling and design team costs to its Head Office in Canada. In the Intelligent Fabrics segment, the Company increased its travel, regulatory and testing costs to facilitate growth of existing products, as well as the launch of new products. Although selling, general and administrative costs have generally remained similar year over year, some of the overall increase is the result of the Canadian dollar weakening in 2016 against the U.S. dollar, since many of the Company's overhead expenses are paid for in U.S. dollars.

Interest Expense

Interest expense during 2016 was $70,567 compared to $59,528 during 2015. The Company's interest expense on its long-term debt was lower in 2016 than in 2015, as it carried a smaller average principal balance of its bank loan payable for the year. However, the interest on the long-term debt increased in the final quarter of 2016 as the Company was readvanced an amount of $560,000. Interest costs on the Company's operating line of credit were higher in 2016 than in 2015 due to a higher average bank indebtedness balance.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $218,062 during 2016 compared to $200,598 during 2015. The increase is attributable to the Company investing in capital assets at its head office during 2016 and recording amortization expense on these new capital assets.

Share-based compensation

Share-based compensation costs in 2016 were $374,949 lower than in 2015. The decrease in share-based compensation costs is mostly attributable to a grant of stock options to a newly appointed director of the Company in 2015, which vested immediately, and were expensed in accordance with the Company's accounting policies on share-based payments.

Loss (gain) on foreign exchange

In 2016, the Company's loss on foreign exchange was $122,534 versus a gain of $397,243 in 2015. This change is the result of a significant weakening of the British pound sterling against the Canadian dollar during 2016, as well as the fact that the U.S. dollar did not strengthen against the Canadian dollar as significantly in 2016 as it did in 2015. While the U.S. dollar did strengthen against the Canadian dollar during the first half of fiscal 2016, it generally weakened in the second half, negating much of the effect that the U.S dollar's exchange rate against the Canadian dollar had on the Company's financial statements. The Company translated its foreign currency-denominated financial assets and liabilities at each reporting period and realized foreign currency losses in 2016 rather than gains in 2015, with the overall reduction in net earnings before tax totaling $519,777.

Provision for (recovery of) income taxes

The Company's total recovery of income taxes in 2016 was $78,375, compared to a provision for income tax of $188,966 in 2015. Included in the earnings before income taxes for 2016 are certain non-deductible items for tax purposes. Specifically, a decrease in 2016 from 2015 in share-based compensation by $374,949 is the main reason for the change in the Company's effective income tax rate.

Net loss

Net loss attributable to iFabric's shareholders during 2016 was $373,977 ($0.014 per share, basic and diluted) compared to net loss of $109,837 in 2015 ($0.004 basic earnings per share, basic and diluted). The increase in net loss in 2016 from 2015 is mostly attributable to a decrease in gross profit of $165,157, the $519,777 difference in foreign exchange gains (losses) from 2015 to 2016, and an impairment loss of $126,710 in 2016. The impact of these changes was partially offset by lower share based compensation costs in 2016 versus 2015.

(In Canadian dollars, except as otherwise noted)

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. Generally, the Company has experienced a higher level of revenues in the third quarter, compared to other quarterly periods, largely in part to its intimate apparel operating segment, which usually realizes a higher level of sales in the months of April to June, as its retail customers begin to increase their respective purchases in anticipation of larger retail sales in the summer months.

All quarterly results and figures, and their related discussion topics, are unaudited.

SUMMARY OF QUARTERLY RESULTS

Fiscal 2016	Q1	Q2	Q3	Q4
Revenue	3,329,010	3,072,027	2,999,317	4,170,011
Net earnings (loss) attributable to common shareholders	39,588	(324,657)	(121,653)	32,745
Net earnings (loss) per common share				
Basic	0.002	(0.013)	(0.005)	0.001
Diluted	0.001	(0.013)	(0.005)	0.001

Fiscal 2015	Q1	Q2	Q3	Q4
Revenue	3,042,404	3,251,478	3,700,502	3,080,464
Net earnings (loss) attributable to common shareholders	(160,905)	126,333	206,806	(282,071)
Net earnings (loss) per common share				
Basic	(0.006)	0.005	0.008	(0.011)
Diluted	(0.006)	0.005	0.008	(0.011)

2016 FOURTH QUARTER RESULTS COMPARED WITH 2015 FOURTH QUARTER RESULTS

Revenue

Revenue during Q4 2016 increased by 35% or $1,089,547 to $4,170,011 from $3,080,464 during Q4 2015. The increase in revenue is largely attributable to full large scale shipments of product offerings in the Intelligent Fabrics segments to some of its key clients. Q4 2016 revenue in the Intelligent Fabrics segment increased by $1,167,611 compared to Q4 2015. The increased revenue in the Intelligent Fabrics operating segment was marginally offset by decreased revenues in the Intimate Apparel segment, mainly due to the timing of shipments at the beginning and end of the quarter.

Gross profit

Gross profit as a percentage of revenue during Q4 2016 declined to 38% from 40% in Q4 2015. The decrease in gross profit percentage is mostly attributable to the product sales mix in Q4 2016, which had a greater amount of textile finishing sales compared to Q4 2015. During Q4 2016, sales of textiles finishing products in the Intelligent Fabrics segment carried lower margins than sales of sleepwear and accessories in the Intimate Apparel segment, resulting in lower gross profit as a percentage compared to Q4 2015. Gross profit in dollars during Q4 2016 increased by 30% or $372,740 to $1,600,681 from $1,227,941 in Q4 2015. The increase in gross profit in dollars is attributable to increased revenue as discussed above.

Selling, general and administrative costs

Selling, general and administrative costs during Q4 2016 decreased by 18% or $297,908 to $1,353,283 from $1,651,191 in Q4 2015. The decrease is largely attributable to listing fees and legal expenses associated with the Company's graduation from the TSX Venture Exchange to the TSX. These fees were incurred in September 2015 were non-recurring. The decrease is also largely attributable to a reduction in the cost of design personnel in the Intimate Apparel segment, as the Company shifted operations away from its New York office and to its head office in Markham, Ontario, resulting in overall cost savings.

Interest expense

Interest expense during Q4 2016 was $26,337 compared to $10,292 during Q4 2015. The increase was mainly attributable to the Company carrying a higher long-term bank loan balance after it was readvanced an amount of $560,000. The Company also carried a higher operating bank loan balance during Q4 2016 than Q4 2015.

Amortization

Amortization of the Company's property, plant and equipment and deferred development costs totaled $58,369 during Q4 2016 compared to $50,152 during Q4 2015. The increase is attributable to the Company recording amortization in Q4 2016 on additions to property and equipment at its head office.

Net earnings (loss)

Net earnings attributable to iFabric's shareholders during Q4 2016 was $32,745 ($0.001 per share, basic and diluted) compared to a net loss of $282,071 ($0.011 per share, basic and diluted) during Q4 2015.

OVERVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Company's cash balance increased to $1,260,213 as at September 30, 2016 from $852,016 as at September 30, 2015. The increase in cash is mainly attributable to the Company reducing its inventories as well as from cash generated from financing activities, specifically a readvancement of $560,000 on its long-term bank loan payable and from utilization of its revolving credit facility.

Total accounts receivable at the end of 2016 was $2,830,179 compared to $2,143,066 at the end of 2015.

Total inventories decreased by $1,175,024 to $3,531,402 at the end of 2016 from $4,706,426 at the end of 2015. The decrease is largely attributable to increased efficiencies with regards to storing and warehousing merchandise, resulting in a higher inventory turnover rate and a lower amount of inventories carried throughout the quarter.

Property, plant and equipment at the end of 2016 totaled $2,938,651 compared to $2,487,880 at the end of 2015. The Company's investment in property, plant and equipment totaled $515,308 and disposals totaled $7,940. The Company did not invest in or dispose of property, plant and equipment in 2015.

Deferred development costs decreased to $436,706 at the end of 2016 from $598,171 at the end of 2015. The decrease is attributed to amortization of deferred development costs for products commercially available for sale during 2016.

Deferred income taxes increased to $820,000 at the end of 2016 from $720,283 at the end of 2015. The increase is mostly attributable to non-capital losses incurred in the Company's Intelligent Fabrics operating segment during the first three quarters of 2016.

Total liabilities at the end of 2016 were $583,494 higher than at the end of 2015. The Company increased its liabilities mainly with respect to its bank operating line and long-term bank loan payable. The increase in total liabilities was partially offset by a decrease in accounts payable and accrued liabilities.

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

One of the Company's subsidiaries has a demand operating loan with a tier one Canadian bank available to a maximum of $2,000,000, against which $889,903 was outstanding as at September 30, 2016 (September 30, 2015 - nil). The loan facility bears interest at the bank's prime lending rate plus 1.75%. 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 General Security Agreements covering all the assets of two subsidiary companies, their accounts receivable insurance, an assignment of their fire insurance, and a guarantee in the amount of $1,000,000 from a third subsidiary of the Company. In addition, the Company has credit card facilities amounting to $50,000 Canadian dollars and $25,000 U.S. dollars, which are subject to the same security arrangements. Subsequent to September 30, 2016, the interest rate on the loan facility was amended to equal the bank's prime rate plus 0.90%.

Long-term Debt

One of the Company's subsidiaries has a bank loan, payable in monthly principal payments of $10,000 plus interest, bearing interest at the bank's prime rate plus 1.25%, due September 1, 2028 and secured by a first readvanceable mortgage on the land and building owned by the subsidiary, a general security agreement over all assets of another of the Company's subsidiaries subject to priority on inventory and accounts receivable to the lender of the bank operating line described above, a general assignment of rents, and a guarantee from another one of the Company's subsidiaries. As at September 30, 2016, the total amount of this loan outstanding was $1,450,000 (2015 - $980,000).

Working capital

Working capital represents current assets less current liabilities. As at September 30, 2016, the Company's working capital was $5,300,067 compared to working capital of $5,419,934 as at September 30, 2015, representing a decrease of $119,867 or 2%.

Operating activities

Cash used in operating activities totaled $384,203 in 2016, compared to an amount of $378,091 provided by operating activities during 2015, representing a decrease of $762,294. The decrease in operational cash flow can be largely attributed to a greater total comprehensive loss. The decrease in operational cash flow is also the result of carrying higher accounts receivable balances and paying down accounts payable, accrued liabilities and income taxes payable. The reduced operational cash flow was partially offset by increased cash flow from lower inventory balances.

Financing activities

Cash provided by financing activities during 2016 amounted to $1,299,768, compared to $532,460 used in financing activities during 2015, representing an increase of $1,832,228 in financing cash flow. The difference can be mostly attributed to a readvancement on its long-term bank loan payable and from increasing its bank operating line balance during 2016.

Investing activities

Cash used in investing activities totaled $507,368 in 2016, primarily for the purchase of property, plant and equipment at the Company's head office. No cash was provided by or used in investing activities during 2015.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2016, 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 and a long-term bank loan payable, as at September 30, 2016:

	Payments due by fiscal year ended						
Contractual obligations	2017	2018	2019	2020	2021	Subsequent years	**Total**
Bank loan payable	120,000	120,000	120,000	120,000	120,000	850,000	**1,450,000**
Operating leases	140,638	91,443	9,135	2,392	-	-	**243,608**
Total contractual obligations	**260,638**	**211,443**	**129,135**	**122,392**	**120,000**	**850,000**	**1,693,608**

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 2016 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, 2016, 2017, and 2018 in U.S. dollar amounts of $190,000, $288,000, and $368,000, 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 Company is also required to pay an administration fee for each remaining year of the contract, due January 1, 2017 and 2018, in U.S. dollar amounts of $13,380 and $20,500, respectively. The license term is in effect until December 31, 2018.

(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:

	2016	2015
Salaries, management and professional fees, directors' fees, and short-term benefits	**607,682**	581,951
Share-based compensation	-	180,980
	607,682	762,931

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 2016 shareholders' meeting.

(b) Included in selling, general and administrative costs are management fees in the amount of $13,200 (2015 - $30,000) 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 $45,505 (2015 - $35,841) 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 $15,000 (September 30, 2015 - $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 $52,729 (2015 - $46,860) 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. Approximately 33% of the Company's total sales were to two customers (2015 - 36% of sales were to two customers). At September 30, 2016, two customers accounted for 56% (September 30, 2015 - four customers accounted for 49%) of the Company's accounts receivable.

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, no claims were pending under this policy.

The Company's maximum exposure to credit risk is $2,830,179 (2015 - $2,143,066). Included in selling, general and administrative costs are bad debts of $10,887 (2015 - $14,507) expensed during the year.

(In Canadian dollars, except as otherwise noted)

The aging of trade accounts receivable is as follows:

	September 30, 2016	September 30, 2015
Trade receivables not past due	2,171,681	1,585,126
Trade receivables past due and not impaired		
Under 31 days	410,568	412,994
31 - 60 days	228,527	74,625
61 - 90 days	4,290	38,713
Over 90 days	79,033	99,027
Trade receivables, net of allowance for doubtful accounts	2,894,099	2,210,485

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 accounts payable and accrued liabilities, income taxes payable, related party loans, and bank loan payable. 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 USD and GBP. The Company manages its currency risk with foreign exchange forward contracts (see note 7 of the Company's 2016 annual consolidated financial statements). The following balances were included in the financial statements:

USD	September 30, 2016	September 30, 2015
Cash	762,172	452,183
Accounts receivable	1,947,209	1,202,225
Accounts payable and accrued liabilities	(837,100)	(921,758)
Prepaid expenses and deposits	195,228	201,700
Foreign exchange forward contract margin deposit	60,000	60,000
	2,127,509	994,350

GBP	September 30, 2016	September 30, 2015
Cash	119,999	58,699
Accounts receivable	136,315	216,976
Accounts payable and accrued liabilities	(47,491)	(89,424)
	208,823	186,251

The Company has performed a sensitivity analysis on its foreign currency denominated financial instruments. The effect of a 5% strengthening (weakening) of the USD as at September 30, 2016, in relation to the net amount of USD-denominated currency balances, would have resulted in an increase (decrease) of approximately $69,000 to net earnings (loss) for 2016, all other variables held constant. The effect of a 5% strengthening (weakening) of the GBP as at September 30, 2016, in relation to the net amount of GBP-denominated currency balances, would have resulted in an increase (decrease) of approximately $4,000 to net earnings (loss) for 2016, 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 a gain (loss) of approximately $16,000 recognized in net earnings (loss) for 2016, all other variables held constant.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 25,989,750 common shares outstanding. Furthermore, as of the date of this MD&A, the Company had 1,630,000 options issued and outstanding, of which 1,580,000 were exercisable, as well as 232,133 warrants outstanding.

RISKS & UNCERTAINTIES

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.

Allowance for doubtful accounts

Management provides for doubtful accounts based on its assessment of credit risk, past experience and payment history of a customer.

Allowance for discounts and rebates

The company has guaranteed a minimum level of margins, to certain of its customers, as a condition of sale. Management provides for potential rebates based on its estimate of inventories sold, that is likely to be discounted by these customers, based on current sale-through levels.

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, 2016, the Company did not adopt or 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, 2015.

(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, 2015 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 an impact on the Company's accounting for financial instruments and the Company has not yet decided when to adopt IFRS 9.

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 an 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.

iv) Amendments to IAS 1, 'Presentation of Financial Statements', was issued by the IASB in December 2014, as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company expects there to be no impact or adjustments necessary as a result of applying the revised rules

v) 'Annual Improvements to IFRSs 2012-2014 Cycle' was approved by the IASB in September 2014. These improvements included amendments to a number of IFRSs as a result of the annual improvements project. The revised rules are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company expects there to be no impact or adjustments necessary as a result of applying the revised rules.

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, 2016. Although the Company's disclosure controls and procedures were operating effectively as of September 30, 2016, 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, 2016 and whether any material weaknesses relating to the design of the Company's ICFR were existing as at September 30, 2016. 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, 2016 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.