UNISYNC CORP.

Management Discussion and Analysis
For the year ended September 30, 2017

Prepared as at December 14, 2017

MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended September 30, 2017

BACKGROUND

The following discussion and analysis, prepared as of December 14, 2017, should be read together with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2017 and September 30, 2016 prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, and actual results could vary considerably from these statements (see section headed “Forward-Looking Information”). Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Unisync Corp. is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

Unisync Corp. is a British Columbia corporation and reporting issuer in British Columbia, Alberta, Manitoba and Ontario. Unisync’s voting Class B common shares are listed and posted for trading on the TSX Venture Exchange under the symbol "UNI". Unisync Corp. and its subsidiaries are hereinafter referred to collectively as “Unisync” or the “Company”.

Unisync operates through two business segments: Unisync Group Limited (“UGL”) of Mississauga, Ontario and Peerless Garments LP (“Peerless”) of Winnipeg, Manitoba. Peerless specializes in the production and distribution of highly technical protective garments, military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies. UGL is a leading customer-focused provider of corporate apparel, serving a list of leading Canadian iconic brands such as Air Canada, Home Hardware, Loblaws, Purolator and TELUS.

Unisync’s goal is to make the process of ordering, receiving and wearing of apparel, related accessories and duty gear, a customer friendly experience. Unisync is a vertically integrated Canadian enterprise with exceptional capabilities in garment design, domestic manufacturing and offshore outsourcing, combined with state-of-the-art web based B2B ordering, distribution and program management systems.

Business Strategy

Unisync is one of the largest broadly based independent uniform providers in Canada. The business strategy is to market the combined manufacturing and distribution capabilities of Unisync to secure additional accounts in the government and corporate sectors.

In addition, the Company intends to utilize these manufacturing and distribution platforms for expansion into other segments of the garment industry and/or to add established revenue producing businesses as profitable complimentary acquisition opportunities present themselves at accretive values. Building upon the acquisition of UGL in June 2014, Unisync acquired Carleton Uniforms Inc. (“Carleton”) of Carleton Place, Ontario in May 2015 and Omega Uniforms Systems Ltd. (“Omega”) of Vancouver, British Columbia in June 2015 to operate under the UGL segment. Carleton is a full service uniform provider specializing in work and dress wear for the Canadian Emergency Services sector while Omega is a western based supplier of corporate uniform programs, image apparel and custom uniforms.

RESULTS OF OPERATIONS

The following table sets out selected consolidated financial information for the previous three fiscal years.

The operations of Carleton and Omega are included in the consolidated financial statements from the respective dates of each acquisition.

Fiscal years ended	**September 30, 2017**	**September 30, 2016**	**September 30, 2015**
Consolidated statement of comprehensive loss data:			
Revenue	65,572,476	52,715,728	44,812,303
Direct expenses	53,947,042	44,195,387	36,928,178
General and administrative expenses	8,100,386	7,896,847	7,023,107
Depreciation	867,626	800,569	684,427
Interest expense	952,688	917,166	586,088
Share-based payment	272,104	198,514	171,180
Net income (loss) before income taxes	1,432,630	(1,292,755)	(580,677)
Income tax expense (recovery)	358,897	(331,493)	(227,154)
Net income (loss) and total comprehensive income (loss)	1,073,733	(961,262)	(353,523)
Attributable to Unisync Corp. shareholders	689,022	(1,121,538)	(495,622)
Attributable to minority partner	384,711	160,276	142,099
Net income (loss) per share attributable to Unisync Corp. shareholders:			
Basic	0.05	(0.09)	(0.04)
Diluted	0.05	(0.09)	(0.04)
Supplemental data:			
Gross profit (1)	10,757,808	7,719,772	7,199,698
Gross profit as a % of revenue	16.4%	14.6%	16.1%
EBITDA (2)	3,525,048	623,494	861,018
EBITDA as a % of revenue	5.4%	1.2%	1.9%
Consolidated statement of financial position data:			
Working capital, excluding shareholder advances, amount due to minority partner and term loan	7,743,241	6,893,772	4,765,787
Total assets	59,376,808	40,855,135	36,569,840
Other liabilities:			
Term loan	2,682,500	3,872,500	4,466,250
Shareholder advances	2,928,001	2,422,573	-
Deferred tax liabilities	723,910	758,721	799,882
Due to minority partner	1,500,000	1,500,000	1,500,000
Shareholder's equity - attributable to Unisync Corp.	11,464,787	10,413,661	10,179,858
Shareholder's equity - attributable to minority partner	(10,695)	(16,617)	(22,215)
Dividends paid	-	-	-

(1) Gross profit is calculated by the Company as revenue less direct expenses and less depreciation. (2) EBITDA (earnings before interest expense, income taxes, depreciation and amortization, share-based payment and impairment losses) is a non-GAAP financial measure. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We have presented the nonGAAP measure of EBITDA because we believe that it is a widely accepted financial indicator of an entity's ability to incur and service debt and it is used by the investing community to value businesses.

Results for the years ended September 30, 2017 and September 30, 2016

Revenue for the year ended September 30, 2017 of $65.6 million increased by $12.9 million or 24% from the prior year as both the Peerless and UGL segments experienced growth. Peerless segment revenue of $25.8 million increased by $9.1 million or 54% over the prior year with a full year's production of advanced and enhanced combat uniforms and cold weather parkas all of which were being ramped up during the 2016 fiscal year. UGL segment revenue of $39.8 million rose $3.8 million or 10% over fiscal 2016 mainly on account of a new uniform rollout for the Company's largest airline account.

Gross profit of $10.8 million increased by $3.0 million or 39% year over year and improved to 16% as a percentage of revenue from 15% in the prior year. The Peerless segment experienced a $2.5 million or 85% increase in gross profit with the segment's growth in revenue while the segment's gross profit margin rose from 18% to 21% of revenue due to greater production efficiencies in the second and third year of contract production and due to a higher margin product mix. The UGL segment recorded a $0.5 million or 10% pick up in gross profit while the segment's gross profit margin stayed at 14% of revenue.

General and administrative expenses increased by $0.2 million or by 3% to $8.1 million for the year ended September 30, 2017 from the previous year but as a percentage of revenue fell from 15% to 12% with the greater absorption of fixed overhead costs. General and administrative expenses were up in the UGL segment on account of higher customer electronic store front operating expenses while in the Peerless and corporate segments because of staff changes and additions.

Share based payment expense increased by $73,590 from fiscal 2016 to $272,104 in fiscal 2017 with the grant of 500,000 new options during the year.

Interest expense of $952,688 for the year ended September 30, 2017 increased by $35,522 from the prior year due to higher borrowing costs on the further extension to March 15, 2018 of shareholder advances in the principal amount of $2.1 million. Interest, processing and extension fees on the advances are accrued and payable at the time of repayment of the principal amounts of the advances.

The Company reported net income and total comprehensive income of $1,073,733 in the year ended September 30, 2017 compared to a net loss and a total comprehensive loss of $961,262 in the year before. Cash flow from operations, before non-cash working capital items and distributions to minority partner, was $3,498,107 for the year ended September 30, 2017 up from $562,770 in fiscal 2016. Distributions to the 10% minority partner of the Peerless segment increased to $379,059 in the current year, up from $154,678 last year.

Summary of Quarterly Results

(Canadian $'s) (000's), except per share data

	12/31/2015	03/31/2016	06/30/2016	09/30/2016	12/31/2016	03/31/2017	06/30/2017	09/30/2017
Revenue	13,393	13,743	12,546	13,034	14,539	13,618	17,305	20,110
Direct expenses	10,748	11,687	10,807	10,953	11,996	11,405	14,114	16,433
Depreciation	179	210	195	217	197	201	209	260
General & administrative	2,198	1,987	1,989	1,723	1,913	2,015	2,206	1,966
Interest expense	156	240	243	278	231	201	180	341
Share based payment	74	56	29	39	76	73	72	51
Net income (loss) before income taxes								
Income tax expense (recovery	26	(108)	(187)	(62)	36	(70)	120	273
Net income (loss) and comprehensive income (loss)	12	(329)	(530)	(114)	90	(207)	404	786
Net income (loss) attributable to Unisync shareholders	(14)	(367)	(574)	(166)	10	(283)	259	703
Income attributable to minority partner	26	38	44	52	80	76	145	83
Basic income (loss) per share	0.00	(0.03)	(0.05)	(0.01)	0.00	(0.02)	0.02	0.05
Diluted income (loss) per share	0.00	(0.03)	(0.05)	(0.01)	0.00	(0.02)	0.02	0.05
Supplemental data:								
Gross profit (1)	2,466	1,846	1,544	1,864	2,346	2,012	2,982	3,417
Gross profit %	18.4%	13.4%	12.3%	14.3%	16.1%	14.8%	17.2%	17.0%
EBITDA (2)	446	68	(250)	360	630	198	985	1,711
EBITDA %	3.3%	0.0%	(2.0%)	2.8%	4.3%	1.5%	5.7%	8.5%

(1) Gross profit is calculated by the Company as revenue less direct expenses and depreciation.

(2) EBITDA (earnings before interest expense, income taxes, depreciation and amortization, share-based payment and impairment losses) is a non-GAAP financial measure. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We have presented the nonGAAP measure of EBITDA because we believe that it is a widely accepted financial indicator of an entity's ability to incur and service debt and it is used by the investing community to value businesses.

Results for the quarter ended September 30, 2017 versus the quarter ended September 30, 2016

Revenue for the three months ended September 30, 2017 of $20.1 million increased by $7.1 million over the three months ended September 30, 2016 on a $0.7 million revenue climb in the Peerless segment and a $6.4 million revenue jump in the UGL segment. Fourth quarter 2017 Peerless segment revenue of $5.6 million increased by 15% over the same period in the prior year on a large volume of tactical garment sales in the quarter. UGL segment revenue of $14.5 million in the fourth quarter of 2017 was up 78% from the corresponding quarter in 2016 with the shipment of the Company's largest airline account's new pilots' uniforms in July and with the completion of a casino account new uniform rollout that began in the third quarter of fiscal 2017.

Gross profit for the three months ended September 30, 2017 was $3.4 million or 17% of revenue versus $1.9 million or 14% of revenue during the three months ended September 30, 2016. With the increase in revenue in the Peerless segment experienced in the current quarter, gross profit increased by $0.3 million from the same period in the prior year and the Peerless segment's gross profit margin improved to 22% of revenue from 18%. The UGL segment recorded gross profit of $2.2 million or 16% of segment revenue up from a gross profit of $1.0 million or 13% of segment revenue in the same quarter of the prior fiscal year. The improvement in gross profit and gross profit margin was due to the revenue increase and change in product mix as well as the higher absorption of fixed costs with the increase in revenue experienced by the UGL segment in the most recent period.

General and administrative expenses increased by $0.2 million or 14% in the three months ended September 30, 2017 from the three months ended September 30, 2016. Comparing fourth quarter 2017 to 2016, general and administrative expenses were unchanged in the Peerless segment but up a combined $0.2 million in the UGL and Corporate segments on account of staff changes and additions.

Interest expense of $341,292 for the current quarter was up from $278,230 in the same period in fiscal 2016 because of higher borrowing costs on the shareholder advances.

The Company's reported net income and total comprehensive income of $786,111 in the quarter ended September 30, 2017 was up from a net loss and total comprehensive loss of $114,760 in the comparable quarter last year for the reasons cited above. Cash flow from operations, before non-cash working capital items and distributions to minority partner, was $1,714,897 for the three months ended September 30, 2017 versus $358,780 for the three month period ended September 30, 2016. With the improved results in the Peerless segment, distributions to minority partner increased to $106,371 in the current quarter from $61,905 in the same period last year.

Business Trends

With $30 million in firm contracts and options on hand as at September 30 2017, the Peerless business segment is well positioned to maintain revenues and profitability for fiscal 2018.

After shipping newly designed uniforms in July 2017 to approximately 5,000 pilots of our largest airline customer, by September 30, 2017 the UGL segment had also produced and received newly designed uniforms for the remaining estimated 24,000 uniformed employees. Fitting sessions and order taking began in August 2017 for these remaining employees, with shipping targeted to take place in early January 2018. The sale of these uniform products with profit margins that have been substantially hedged against fluctuations in the value of the Canadian dollar and the increased absorption of fixed overhead costs associated with the higher level of revenue are expected to result in greater profitability for the UGL segment in fiscal 2018.

LIQUIDITY

Unisync has established two operating loan facilities totalling $18,500,000 from a Canadian chartered bank. The maximum amount available under the facilities is based on certain margin requirements and covenants as stipulated in the loan facility agreements.

In June 2014, Unisync obtained a $6.0 million term loan facility from a Canadian chartered bank to finance the acquisition of Unisync Group Limited. The facility is repayable by way of quarterly principal payments of $300,000 with an outstanding balance of $2.7 million as of the date of this MD&A.

During the year ended September 30, 2016, the Company received shareholder advances of $2.1 million. Interest, processing and extension fees on the advances are accrued and payable at the time of repayment of the principal amounts of the advances. Repayment of the principal amounts of the advances and the accrued interest and processing fees is due on March 15, 2018.

Excluding the current portion of the term loan facility and the shareholder financing, Unisync had working capital of $7,743,241 and $6,893,772 at September 30, 2017 and September 30, 2016, respectively. As at September 30, 2017, the Company had outstanding foreign exchange contracts of nil (September 30, 2016 - nil) and letters of credit of nil (September 30, 2016 - $324,887) along with operating loans of $14,043,005 (September 30, 2016: $14,166,150) under its two operating loan facilities. The $16,903,466 increase in inventory and prepaid expenses experienced year over year was financed by an $18,631,445 increase in deposits received from customers. These deposits are recorded as deferred revenue that is recognized as revenue when the associated uniform products purchased with the deposits are shipped to the customer's employees.

Capital expenditures on tangible and intangible assets for the year ended September 30, 2017 of $924,929 were up from $440,888 in the prior year. Capital expenditures on tangible assets in fiscal 2017 consisted of new warehouse handling equipment and leasehold improvements at the UGL segment's Guelph distribution centre, following the July 2016 five year lease extension on that facility, of computer equipment and of new delivery vehicles used by the UGL segment's sales and service personnel. Capital expenditures for the Peerless segment were minimal in fiscal 2017. Capital expenditures for intangible assets in fiscal 2017 were primarily related to the UGL segment's cost of tailoring its web based B2B ordering system to service the launch of new accounts. .

Since the acquisition of UGL, Unisync has suspended dividend payments due to capital requirements from acquisitions and increased business volume. At a later date, Unisync will reconsider its dividend policy.

SHARE CAPITAL

The following table sets out the share capitalization of the Company as at September 30, 2017 and the date of this MD&A.

Description	Authorized	Outstanding as at September 30, 2017	Outstanding as at the date of this MD&A
Class B common voting shares	Unlimited	13,337,698	13,337,698
Stock Options – Class B	1,328,770	1,030,000	1,230,000
Class A Preferred Shares	Unlimited in series	Nil	Nil

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than letters of credit granted in the ordinary course as set out in the Section headed “Liquidity”.

CRITICAL ACCOUNTING ESTIMATES

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Key areas of estimates and judgments are listed in Note 5 to the consolidated financial statements and include but are not limited to the inventory recognition of deferred income taxes, costing allocations of labour and overhead for inventories, the estimated useful lives of property, plant and equipment, recording of accrued liabilities and contingencies, due to minority partner, valuation of investments, valuation of receivables and inventory obsolescence, valuation of goodwill and share based payments and the allocation of purchase consideration on the acquisition of businesses. Actual results could differ from these estimates.

CHANGE IN ACCOUNTING POLICIES

Accounting standards issued but not yet applied

The reader is referred to Note 4 to the consolidated financial statements for a summary of new standards which will be effective for future years. The Company is in the process of assessing the impact of these new standards.

FORWARD-LOOKING INFORMATION

This Management Discussion and Analysis contains forward-looking information. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- the Company’s plan to expand into other segments of the garment industry and/or to add established revenue producing businesses as stated in the Business Strategy section;
- that the UGL segment will ship new uniforms to the rest of its largest airline account’s approximate 24,000 uniformed employees in January 2018 as outlined in the Business Trends section;

Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “believes”, “anticipates” or “does not anticipate”, or variations of such words and phrases or states that certain actions, events, or results “may”, “could”, “would”, “might”, “will be taken”, “occur”, or “be achieved”. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Unisync to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although Unisync has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such material factors include, but are not limited to competition, operational risk, litigation, a change in the timing or bidding conditions of future government contracts, customer concentration/economic dependence, working capital, potential conflicts of interest, volatility of stock price, disruptions in production, government budgetary restraint, reliance on key personnel, reliance on few suppliers, reliance on subcontractors, technological milestones, operating cost fluctuations, increases in interest rates, decreases in the value of the Canadian dollar against the U.S. dollar and other foreign currencies, access to credit, and potential unknown liabilities. Accordingly, readers should not place undue reliance on forward-looking information. Unisync does not undertake any obligation to update forward-looking information except as otherwise required by law.

RELATED PARTY TRANSACTIONS

During the year ended September 30, 2017, interest, processing and extension fees of $190,283 (2016 – $119,550) were accrued on $792,500 of shareholder advances that were provided by Bruce Aunger, Darryl Eddy, Douglas Good, and Michael O'Brian, members of the Company's board of directors. Albert El Tasi, the Company's minority partner in the Peerless segment received an income allocation of $384,711 (2016 - $160,276) and the Company paid rent of $44,500 (2016 - $42,000) for the Company's facility in Carleton Place, Ontario to a corporation which is owned by Terry Perkins, the former owner and continuing Vice President of UGL.

Related party transactions are recorded at the exchange amounts, which are the amounts agreed upon by the related parties.

INVESTOR RELATIONS

Investor relations inquiries are handled by the Company's Chief Executive Officer.

Venture Liquidity Providers Inc. ("VLP") provides market-making service and maintains an orderly trading market for the shares of the Company. The service is provided through a registered broker, W.D. Latimer Co. Ltd., in compliance with the applicable policies of the TSX Venture Exchange and other applicable laws. The Company and VLP act at arm's length, and VLP has no present interest, directly or indirectly, in the Company or its securities. The finances and the shares required for the market-making service are provided by W.D. Latimer. The fee paid by the company to VLP is for services only.