UNISYNC CORP.

Management Discussion and Analysis
For the three month period ended December 31, 2021

Prepared as at February 11, 2022

UNISYNC CORP.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the three months ended December 31, 2021

BACKGROUND

The following discussion and analysis, prepared as of February 11, 2022, should be read together with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2021 and the unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended December 31, 2021 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 Common Shares are listed and posted for trading on the TSX Exchange under the symbol "UNI" and on the OTCQX Best Market under the symbol "USYNF". Unisync Corp. and its subsidiaries are hereinafter referred to collectively as "Unisync" or the "Company".

Unisync operates through two business segments: Peerless Garments LP ("Peerless") of Winnipeg, Manitoba and Unisync Group Limited ("UGL") of Mississauga, Ontario. 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 iconic brands such as Air Canada, Alaska Airlines, Purolator, Shoppers Drug Mart, Sobeys, Tim Hortons and WestJet.

In October 2018, Unisync acquired Utility Garments Inc. ("Utility") of Saint-Laurent, Quebec and in January 2019, the hospitality division assets of Red the Uniform Tailor ("RTUT") of Lakewood, New Jersey (since re-located to Farmingdale, New Jersey). Utility is a designer, manufacturer and distributor of uniforms and career apparel to customers in Quebec and to national accounts across Canada. RTUT is a designer, manufacturer and distributor of uniforms and related apparel to hospitality industry customers in the United States. In early 2019, UGL opened a new 45,000 square foot distribution and service facility in Henderson, Nevada, as a base to distribute uniforms to the employees of Alaska Airlines and to develop new business in the United States corporate apparel market.

In August 2020, Unisync announced the launch of its new eCommerce venture, Tactical Gear Experts ("TGE"), targeting the Outdoor, Tactical and Lifestyle product markets across Canada and the USA. This B2C and B2B eCommerce platform represents a major growth opportunity for Unisync that will provide consumers with a broad selection of the very best Tactical and Outdoor equipment shipped across Canada and the USA drawing on our decades of experience as a major Canadian military and public safety supplier.

Unisync is now a vertically integrated North American enterprise with exceptional capabilities in garment design, domestic manufacturing and offshore outsourcing, combined with state-of-the-art web based B2B and B2C ordering, distribution and program management systems.

Business Strategy

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

In addition, the Company will continue to pursue complimentary revenue producing business acquisition opportunities as they present themselves.

RESULTS OF OPERATIONS

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

Fiscal years ended	**September 30, 2021**	**September 30, 2020**	**September 30, 2019**
Consolidated statement of net income (loss) data:			
Revenue	86,285,179	93,103,296	77,992,964
Direct expenses	66,678,240	72,247,767	63,817,276
General and administrative expenses	16,471,300	16,372,961	15,813,328
Depreciation and amortization	3,810,190	3,256,373	1,722,679
Interest expense	2,182,737	2,570,970	1,510,950
Share-based payment	424,596	79,232	437,134
Net income (loss) before income taxes	(3,281,884)	(1,424,007)	(5,308,403)
Income tax expense (recovery)	(705,316)	(419,200)	(1,303,515)
Net income (loss)	(2,576,568)	(1,004,807)	(4,004,888)
Attributable to Unisync Corp. shareholders	(2,829,887)	(1,264,116)	(4,080,141)
Attributable to minority partner	253,319	259,309	75,253
Net income (loss) per share attributable to Unisync Corp. shareholders:			
Basic	(0.15)	(0.07)	(0.23)
Diluted	(0.15)	(0.07)	(0.23)
Supplemental data:			
Gross profit (1)	15,796,749	17,599,156	12,453,009
Gross profit as a % of revenue	18.3%	18.9%	16.0%
Adjusted EBITDA (2)	3,135,639	4,482,568	(251,343)
Adjusted EBITDA as a % of revenue	3.6%	4.8%	-0.3%
Consolidated statement of financial position data:			
Working capital, excluding shareholder advances, minority interest and current portion of long-term liabilities	16,002,496	17,955,382	14,292,805
Total assets	88,019,763	87,161,314	84,991,792
Other liabilities:			
Mortgage loans	9,847,003	-	-
Term loans	-	5,824,798	6,670,398
Long-term lease liabilities	10,979,093	8,867,429	-
Shareholder advances	-	4,488,981	1,836,800
Due to minority partner	1,500,000	1,500,000	1,500,000
Shareholder's equity - attributable to Unisync Corp.	29,373,598	31,202,022	29,986,685
Shareholder's equity - attributable to minority partner	(82,239)	(30,137)	(53,728)

(1) Gross profit is calculated by the Company as revenue less direct expenses, less depreciation and amortization.
(2) Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, share-based payment impairment losses and acquisition costs) 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.

Summary of Quarterly Results

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

	03/31/2020	06/30/2020	09/30/2020	12/31/2020	03/31/2021	06/30/2021	09/30/2021	12/31/2021
Revenue	27,740	17,165	21,122	25,068	21,145	20,655	19,417	21,835
Direct expenses	20,834	14,078	16,622	17,958	16,606	16,099	16,015	16,439
Depreciation & amortization	904	952	575	944	1,018	1,114	734	1,035
General & administrative	4,748	3,301	3,722	4,396	3,980	4,271	3,825	4,154
Interest expense	735	591	577	557	483	484	659	279
Share based payment	-	-	-	153	110	88	73	58
Net income (loss) before income taxes	519	(1,757)	(374)	1,060	(1,052)	(1,401)	(1,889)	(130)
Income tax expense (recovery)	156	(640)	(34)	299	(269)	(361)	(374)	(29)
Net income (loss)	363	(1,117)	(340)	761	(783)	(1,040)	(1,515)	(101)
Net income (loss) attributable to Unisync shareholders	309	(1,187)	(454)	675	(854)	(1,101)	(1,550)	(172)
Income attributable to minority partner	54	70	114	86	71	61	35	71
Basic income (loss) per share	0.02	(0.06)	(0.03)	0.04	(0.05)	(0.06)	(0.08)	(0.01)
Diluted income (loss) per share	0.02	(0.06)	(0.03)	0.04	(0.05)	(0.06)	(0.08)	(0.01)
Supplemental data:								
Gross profit (1)	6,002	2,136	3,925	6,166	3,521	3,442	2,668	4,361
Gross profit %	21.6%	12.4%	18.6%	24.5%	16.7%	16.7%	13.7%	20.0%
Adjusted EBITDA (2)	2,534	(441)	778	2,714	559	285	(422)	1,242
Adjusted EBITDA %	9.1%	(2.6%)	3.7%	10.8%	2.6%	1.4%	(2.2%)	5.7%

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

(2) Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, share-based payment, impairment losses and acquisition costs) 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 December 31, 2021 versus the quarter ended December 31, 2020

Revenue for the three months ended December 31, 2021 of $21.8 million declined by $3.2 million or 13% from the three months ended December 31, 2020 due to a $2.8 million revenue drop in the UGL segment and a $0.9 million revenue decrease in the Peerless segment, partially offset by a $0.5 million reduction in intersegment sales eliminations. First quarter fiscal 2022 UGL segment revenue of $17.5 million fell by 14% over the same period in the prior year on account of a $3.9 million reduction in personal protective equipment ("PPE") sales that more than offset a $1.4 million or 38% improvement in sales to the segment's COVID-19 travel restriction impacted airline accounts. This recent improved demand from the airline sector since September 2021 resulted in temporary inventory shortages during the first quarter of 2022 that will be made up with product deliveries over the balance of fiscal 2022. This sales catchup, a new uniform rollout for one of the UGL segment's airline customers during the fiscal third and fourth quarter along with the airlines' forecasts of pre-pandemic uniform sales volume demand will result in a significant increase in sales for the UGL segment over the balance of the 2022 year. The revenue decrease in the Peerless segment in the current quarter was also due to a reduction in PPE product sales of masks and manufactured gowns that were down by $2.5 million from the same period last year and only partially offset by higher uniform product sales to the Department of National Defence ("DND").

Gross profit for the three months ended December 31, 2021 of $4.4 million was down $1.7 million from the first quarter of fiscal 2021 and the gross profit margin slipped to 20.0% of revenue from 24.5% during the three months ended December 31, 2020. The UGL segment recorded gross profit of $3.4 million or 19% of segment revenue compared to $5.0 million or 25% of segment revenue in the same quarter of the prior fiscal year when a 2.5% strengthening of the average rate of exchange of the Canadian dollar against the United States dollar on United States dollar purchases resulted in a $0.6 million foreign exchange gain. The Canadian dollar exchange rate against the United States dollar remained fairly stable during the current quarter, so no exchange gains or losses were realized. The Peerless segment recorded gross profit segment revenue in the first quarter of fiscal 2022 of $1.1 million or 25% against $1.2 million or 23% of segment revenue in the same quarter of the prior fiscal year on account of a higher margin product mix of sales in the current period.

At $4.1 million, total general and administrative expenses for the three months ended December 31, 2021 were down $0.2 million or 6% from the three months ended December 31, 2020 as a result of executive management personnel reductions in the UGL segment.

Interest expense of $0.3 million in the current quarter declined by $0.3 million from the first quarter of fiscal 2021 with the repayment of high interest rate bearing shareholder advances during the fourth quarter of the prior year. Share based payment expense declined by $0.1 million as no options were granted during the period.

The Company's net loss before tax of $0.1 million in the quarter ended December 31, 2021 fell from net income of $1.0 million in the same quarter last year for the reasons cited above. Adjusted EBITDA was $1.2 million for the three months ended December 31, 2021 versus $2.7 million for the three-month period ended December 31, 2020.

Business Trends

With worldwide COVID-19 vaccination rates increasing and with vaccine passports in common use, the Company expects that the improvement in the business conditions of its general customer base will continue as restrictions are lifted, confidence returns and business begins to return to normal. In particular, the Company's North American airline accounts are experiencing increased demand and are forecasting a return to pre-pandemic passenger volumes in 2022. The Company expects that this will cause a strong increase in uniform sales to its airline accounts as well as other accounts in the transportation and hospitality sectors and when complimented by recent new account additions, will result in an improving revenue and profitability picture. Across the global supply chain, delays are being experienced on the importation of goods to North America from offshore suppliers. Accordingly, Unisync has adjusted its planning and purchasing schedule lead times and is working with its customers to accept substitute catalogue products from North American distributors and reduced order fulfillment quantities to ship available product.

The Company expects that these supply chain issues are temporary and will be resolved in 2022 with greater COVID-19 vaccination distribution leading to an end to the pandemic and associated government wage subsidy measures.

With $18 million in firm contracts and options on hand as at December 31, 2021, the Peerless business segment is positioned to maintain its current level of revenues and profitability over the balance of fiscal 2022.

In August 2021, the Company submitted its RFP bid response to the Canadian Federal Government's Operational Clothing and Footwear Consolidated Contract ("OCFC2"). The 20-year $1 billion contract involves the DND's plans to outsource the procurement, warehousing and distribution of operational clothing, footwear, and personal equipment under one contract. The contract is expected to include provisions for the development of a direct delivery system between the contractor and the individual military member for select items; and include a services component for the improvement and development of related items. Although UGL's Canadian distribution capabilities combined with Peerless' domestic manufacturing experience with the DND provide strong candidacy for the Company's bid, there is no assurance that Unisync will be the successful bidder. A decision on the award of OCFC2 is expected within the next 9 months. With COVID-19 vaccines being distributed worldwide, the Company believes that it will see a gradual improvement in the business conditions of its general customer base as a result. In particular, the Company's North American airline accounts have been running at 20% to 30% of previous capacity levels during the pandemic, so it is expected that the Company will experience a strong rebound in sales with these major accounts as travel restrictions are lifted. The Company also expects to continue to take advantage of significant opportunities in the PPE space with bids ongoing for large volume contracts at all levels of government in Canada and the United States as these governments seek to be better prepared for future outbreaks.

LIQUIDITY

At December 31, 2021, Unisync holds two operating loan facilities totalling $25.5 million with a Canadian chartered bank and an operating loan facility of USD5.0 million with the United States affiliate of the Canadian chartered bank to finance its working capital requirements. The maximum amount available under the facilities is based on certain margin requirements and covenants as stipulated in the loan facility agreements.

On July 26, 2021, the Company established two new mortgage loan facilities with the Business Development Bank of Canada ("BDC") in amounts of $3.9 million (the "Peerless" mortgage loan) and $6.1 million (the "Utility" mortgage loan) on properties having appraised values of $5.7 million and $7.2 million, respectively. The new BDC mortgage loans were used to repay outstanding balances under the previously existing term loan facilities and to repay the postponed shareholder advances and accrued interest, processing and extension fees thereon. Advances under the Peerless and Utility mortgage loans bear interest at a fixed rate of 4.10% until May 1, 2026. The Peerless mortgage loan is repayable in blended monthly instalments of principal and interest of $0.023 million beginning on November 1, 2021 over a 240 month term. The Utility mortgage loan is repayable in blended monthly instalments of principal and interest of $0.033 million beginning on November 1, 2021 over a 300 month term.

Excluding the current portions of the mortgage loan and long-term lease facilities and amounts due to its minority interest partner, Unisync had working capital of $16.5 million and $16.4 million at December 31, 2021 and September 30, 2021, respectively. As at December 31, 2021, the Company had outstanding foreign exchange contracts of $nil (September 31, 2021 - $nil) and letters of credit of $2.9 million (September 30, 2021 - $2.5 million) in support of government contracts along with operating loans outstanding of $20.7 million (September 30, 2021 - $19.0 million) under its three operating loan facilities. As the Company grows its US customer base, its US dollar revenues are expected to increase, creating a natural hedge against its US dollar offshore purchases and thereby reducing the Company's exposure to changes in the Canadian/US dollar exchange rate.

Cash flow from operations of $1.2 million and a $1.7 million increase in the operating loan balance during the quarter funded a $2.1 million increase in working capital to fulfill rising product orders from existing and new customers, $0.6 million of mortgage loan and long-term lease facilities payments and capital expenditures of $0.3 million towards the ERP system implementation that was completed at the UGL segment's Guelph and Mississauga Ontario locations during the quarter.

SHARE CAPITAL

The following table sets out the share capitalization of the Company as at December 31, 2021 and the dateof this MD&A.

Description	Authorized	Outstanding as at December 31, 2021	Outstanding as at the date of this MD&A
Common Shares	Unlimited	19,012,228	19,012,228
Stock Options – Common Shares	1,901,223	1,665,000	1,665,000
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 3 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

None.

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:

- that with COVID-19 vaccines being distributed worldwide, the Company believes that it will see an improvement in the business conditions of its airline customer base and supply chain delays are rectified as more people are vaccinated and business begins to return to normal as outlined in the Business Outlook section.
- that as the Company grows its US customer base, its US dollar revenues are expected to increase, creating a natural hedge against its US dollar offshore purchases and thereby reducing the Company's exposure to changes in the Canadian/US dollar exchange rate as outlined in the Liquidity 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

The Company paid subcontract fees of $268,103 to a garment manufacturing company owned by Tim Gu, who became a member of the board of directors in April 2021.

Darryl Eddy and Joel Mclean, members of the Company's board of directors, are also board members of a company to which the Company paid rent of $7,317 (December 31, 2020 - $7,317) for its head office location.

The Company expensed $15,889 (December 31, 2020 - $37,747) in share based payment to Bruce Aunger, Darryl Eddy, Joel McLean, Michael O'Brian and Scott Shepherd, non-salaried 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 $71,057 (December 31, 2020 – $86,342).

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

SUBSEQUENT EVENTS

None.

INVESTOR RELATIONS

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

Venture Liquidity Providers Inc. provides market-making services and assists in maintaining an orderly trading market for the shares of the Company.