UNISYNC CORP.

Management Discussion and Analysis
For the three month period ended December 31, 2020

Prepared as at February 10, 2021

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three months ended December 31, 2020

BACKGROUND

The following discussion and analysis, prepared as of February 10, 2021, should be read together with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2020 and the unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended December 31, 2020 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". 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, which is in the final process of distributing new uniforms to the approximately 19,000 employees of Alaska Airlines.

Unisync recently 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, 2020**	**September 30, 2019**	**September 30, 2018**
Consolidated statement of net income (loss) data:			
Revenue	93,103,296	77,992,964	76,835,677
Direct expenses	72,247,767	63,817,276	58,214,844
General and administrative expenses	16,372,961	15,813,328	8,721,352
Depreciation and amortization	3,256,373	1,722,679	949,595
Interest expense	2,570,970	1,510,950	993,682
Share-based payment	79,232	437,134	341,275
Net income (loss) before income taxes	(1,424,007)	(5,308,403)	7,614,929
Income tax expense (recovery)	(419,200)	(1,303,515)	377,335
Net income (loss)	(1,004,807)	(4,004,888)	7,237,594
Attributable to Unisync Corp. shareholders	(1,264,116)	(4,080,141)	7,073,490
Attributable to minority partner	259,309	75,253	164,104
Net income (loss) per share attributable to Unisync Corp. shareholders:			
Basic	(0.07)	(0.23)	0.53
Diluted	(0.07)	(0.23)	0.52
Supplemental data:			
Gross profit (1)	17,599,156	12,453,009	17,671,238
Gross profit as a % of revenue	18.9%	16.0%	23.0%
Adjusted EBITDA (2)	4,482,568	(251,343)	9,899,481
Adjusted EBITDA as a % of revenue	4.8%	-0.3%	12.9%
Consolidated statement of financial position data:			
Working capital, excluding restricted cash, shareholder advances, minority interest and current portion of long-term liabilities	17,955,382	14,292,805	11,145,009
Total assets	87,161,314	84,991,792	50,432,602
Other liabilities:			
Term loans	5,824,798	6,670,398	1,567,294
Long-term lease liabilities	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.	31,202,022	29,986,685	29,128,167
Shareholder's equity - attributable to minority partner	(30,137)	(53,728)	(41,427)

(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

	03/31/2019	06/30/2019	09/30/2019	12/31/2019	03/31/2020	06/30/2020	09/30/2020	12/31/2020
Revenue	19,073	21,587	20,387	27,076	27,740	17,165	21,122	25,068
Direct expenses	16,054	18,176	15,702	20,714	20,834	14,078	16,622	17,958
Depreciation & amortization	505	494	281	826	904	952	575	944
General & administrative	3,873	4,569	3,926	4,602	4,748	3,301	3,722	4,396
Interest expense	370	324	489	667	735	591	577	557
Share based payment	48	133	200	79	-	-	-	153
Net income (loss) before income taxes	(1,777)	(2,109)	(211)	188	519	(1,757)	(374)	1,060
Income tax expense (recovery)	(453)	(541)	(9)	99	156	(640)	(34)	299
Net income (loss)	(1,324)	(1,568)	(202)	89	363	(1,117)	(340)	761
Net income (loss) attributable to Unisync shareholders	(1,338)	(1,629)	(221)	67	309	(1,187)	(454)	675
Income (loss) attributable to minority partner	14	61	19	22	54	70	114	86
Basic income (loss) per share	(0.08)	(0.09)	(0.01)	0.00	0.02	(0.06)	(0.03)	0.04
Diluted income (loss) per share	(0.08)	(0.09)	(0.01)	0.00	0.02	(0.06)	(0.03)	0.04
Supplemental data:								
Gross profit (1)	2,514	2,917	4,404	5,536	6,002	2,136	3,925	6,166
Gross profit %	13.2%	13.5%	21.6%	20.4%	21.6%	12.4%	18.6%	24.5%
Adjusted EBITDA (2)	(405)	(927)	755	1,714	2,534	(441)	778	2,714
Adjusted EBITDA %	(2.1%)	(4.3%)	3.7%	6.3%	9.1%	(2.6%)	3.7%	10.8%

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

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Results for the quarter ended December 31, 2020 versus the quarter ended December 31, 2019

Revenue for the three months ended December 31, 2020 of $25.1 million declined by $2.0 million or 7% from the three months ended December 31, 2019 as a $2.3 million revenue drop in the UGL segment and the elimination of $0.4 million of intersegment sales was partially offset by a $0.7 million revenue improvement in the Peerless segment. First quarter 2021 UGL segment revenue of $20.3 million decreased by 10% over the same period in the prior year when the segment's second largest airline account was in the midst of a new uniform rollout with sales of $5.8 million. Sales to that same airline fell to $2.2 million in the current quarter as sales volumes during new uniform rollouts are typically three times that of normal steady state replenishment levels of uniform sales. Revenue from the UGL segment's largest airline account was down $2.6 million from the same quarter a year ago due to the impact of COVID-19 pandemic travel restrictions. These sales declines with the UGL segment's airline accounts were partially offset by personal protective equipment ("PPE") sales, principally reusable face masks and nitrile gloves, to a mix of existing uniform customers and new customers. The UGL segment began distributing PPE products for the first time during the third quarter of fiscal 2020. The increase in the Peerless segment in the current quarter was due to the inclusion of $2.5 million in PPE product sales of masks and manufactured gowns. Products not previously sold in the same quarter of the prior year.

Gross profit for the three months ended December 31, 2020 of $6.1 million was up $0.6 million from the first quarter of 2019 and the gross profit margin improved to 24.5% of revenue from 20.4% during the three months ended December 31, 2019. The UGL segment recorded gross profit of $5.0 million or 25% of segment revenue compared to $5.0 million or 23% of segment revenue in the same quarter of the prior fiscal year due to the impact of a 2.5% strengthening of the average rate of exchange of the Canadian dollar against the United States dollar on United States dollar purchases in the current period. The Peerless segment recorded gross profit segment revenue in the first quarter of fiscal 2021 of $1.2 million or 23% against $0.6 million or 13% 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 $4.4 million, total general and administrative expenses for the three months ended December 31, 2020 were down $0.2 million or 4% from the three months ended December 31, 2019 as a result of staff reductions and lower travel expenses in the UGL segment.

The Company's net income before tax of $1.0 million in the quarter ended December 31, 2020 increased by $0.8 million from $0.2 million in the same quarter last year for the reasons cited above. Adjusted EBITDA was $2.7 million for the three months ended December 31, 2020 versus $1.7 million for the three-month period ended December 31, 2019.

Business Trends

With COVID-19 vaccines beginning to be distributed worldwide in 2021, 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.

With $19 million in firm contracts and options on hand as at December 31, 2020, the Peerless business segment is positioned to maintain its current level of revenues and profitability into fiscal 2021.

An RFP document was released by the Canadian Federal Government in 2019 soliciting bidders for a 20-year $1 billion contract. The OCFC2 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. UGL's Canadian distribution capabilities combined with Peerless' domestic manufacturing experience with the DND provide strong candidacy for the Company's bid. Responses to the OCFC2 RFP bid are now due in April 2021.

LIQUIDITY

At December 31, 2020, Unisync has established two operating loan facilities totalling $25,500,000 with a Canadian chartered bank and an operating loan facility of US$5,000,000 with the United States affiliate of the 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.

On October 1, 2018, the Company established two new term loan facilities, a $5 million First Capital Loan Facility and a $2.86 million Second Capital Loan Facility with a Canadian chartered bank and repaid its existing term loan. The First Capital term loan is repayable by way of quarterly principal payments of $0.25 million over a notional five year amortization period but shall be paid in full by January 1, 2022 unless extended and the Second Capital term loan is repayable by way of quarterly principal payments of $0.036 million over a notional twenty year amortization period but shall be paid in full by January 1, 2022 unless extended.

The Company received bank postponed shareholder advances of $1.75 million in July 2019 and $2.0 million in November 2019. Interest and processing fees on the advances are accrued and are to be repaid with the principal amounts of the advances on June 15, 2021.

On April 9, 2020, the Company received notice from the minority partner of Peerless that the minority partner was exercising its put option to receive payment of $1,500,000 from the Company for the minority partner's interest in Peerless by no later than April 10, 2021.

Excluding the current portion of the term loan and long-term lease facilities, the shareholder financing and minority interest, Unisync had working capital of $19.2 million and $18.0 million at December 31, 2020 and September 30, 2020, respectively. As at December 31, 2020, the Company had outstanding foreign exchange contracts of $nil (September 30, 2020 - $nil) and letters of credit of $0.9 million (September 30, 2020 - $0.9 million) along with operating loans outstanding of $23.4 million (September 30, 2020 - $23.1 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 generated during the three months ended December 31, 2020 funded a $1.6 million increase in working capital, term loan principal payments of $0.3 million and long term lease liability payments of $0.4 million and total capital expenditures of $0.5 million.

Capital expenditures on property, plant and equipment for the three months ended December 31, 2020 of $0.3 million were largely spend on leasehold improvements at the UGL segment's new Mississauga office location that opened in November 2020. The Company began to implement a new Enterprise Resource Planning ("ERP") computer system in fiscal 2018 with expenditures of $2.7 million being incurred to September 30, 2020 and recorded as intangible assets. The software was put in use at the Company's Nevada location in September 2019 and is expected to be rolled out across other locations in fiscal 2021 and 2022. The Company incurred further expenditures of $0.1 million on the ERP system during the three months ended December 31, 2020 and expenditures $0.1 million were made on the Company's web based B2B ordering system to service the launch of new accounts and to enhance the service offering for existing accounts.

SHARE CAPITAL

The following table sets out the share capitalization of the Company as at December 31, 2020 and the date of this MD&A.

Description	Authorized	Outstanding as at December 31, 2020	Outstanding as at the date of this MD&A
Common Shares	Unlimited	18,937,228	18,937,228
Stock Options – Common Shares	1,893,723	1,833,750	1,815,000
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 the UGL segment will pursue new accounts in the United States marketplace with the expectation of growing its US dollar revenues and thereby minimizing its exposure to exchange fluctuations between the Canadian and US dollar as outlined in the Business Trends and Liquidity sections;
- that UGL expects to capitalize on very substantial PPE opportunities to offset, and potentially significantly exceed, the reduced volume of uniform sales expected from customers in the

transportation, hospitality and service industries as the result of the COVID-19 pandemic 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 three months ended December 31, 2020, interest and processing fees of $218,412 were accrued on $3,212,500 of shareholder advances that were provided by Bruce Aunger, Darryl Eddy, Douglas Good Michael O'Brian and by a fund of which Christian Turgeon is a Managing Director (December 31, 2019 - interest and processing fees of $125,358 were accrued on $3,650,000 of shareholder advances).

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, 2019 - $7,317) for its head office location.

The Company expensed $45,296 (December 31, 2019 - $nil) in share based payment to Bruce Aunger, Darryl Eddy, Joel McLean, Michael O'Brian, Scott Shepherd and Christian Turgeon, 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 $86,342 (December 31, 2019 – $21,616).

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 and Hybrid Financial Ltd..

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