IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2016

NINE MONTHS ENDED
APRIL 30, 2016

As at June 20, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED APRIL 30, 2016

June 20, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 20, 2016

1 PREAMBLE

The following Management's Discussion and Analysis ("MD&A") and IBEX Technologies Inc. ("Company") unaudited condensed interim consolidated financial statements ("interim financial statements") were approved by the Audit Committee and the Board of Directors on June 20, 2016. The MD&A provides a review of the developments and results of operations of the Company during the nine-month period ended April 30, 2016 compared with the nine-month period ended April 30, 2015.

The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes and the MD&A thereto for the years ended July 31, 2015 and 2014.

The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company, including the Company's Proxy Circular, can be found on SEDAR at www.sedar.com.

Where "IBEX" or "the Company" is used, it refers to IBEX Technologies Inc. and its wholly owned subsidiaries, unless otherwise indicated. All amounts are in Canadian dollars, unless otherwise indicated.

2 FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. Any such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these forward-looking statements. For more information on the Company's risks and uncertainties relating to these forward-looking statements, please refer to the risks and uncertainties section of the MD&A.

3 INTRODUCTION TO IBEX

3.1 Enzymes

The Company, through its wholly owned subsidiaries, IBEX Pharmaceuticals Inc. and Bio-Research Products Inc. ("BRP"), manufactures and markets enzymes for biomedical use.

These enzymes are sold directly by the Company to manufacturers of medical devices, quality control labs and academic research institutions.

Heparinase I is the most important of the IBEX enzymes. Its potential lies in its ability to cleave heparin and low molecular weight heparins and thereby neutralize the effects of heparin and heparinoids, drugs commonly used in hospitals which interfere with haemostasis test. Heparinase I recognizes and cleaves a pentasaccharide sequence which occurs in both heparin and the low molecular weight heparins, thereby neutralizing their anticoagulant activity.

IBEX produces its enzymes at its sites in Montréal, Québec and North Liberty, Iowa, as well as at third party manufacturing facilities monitored by IBEX personnel.

In addition to making and selling enzymes, IBEX also provides lyophilization services related to the making of components for disposable medical devices which are used in the haemostasis point of care market.

3.2 Arthritis Assays

IBEX develops, manufactures and sells arthritis assays which enable the study of both the synthesis and degradation of cartilage components and are powerful tools in the study of osteo and rheumatoid arthritis. These assays are a result of both internal research and development and the in-licensing of technology from academic research institutions.

IBEX arthritis diagnostic kits and services are marketed and sold for research use only ("RUO") to pharmaceutical companies, clinical research organizations and academic institutions. These diagnostic kits are marketed through distributors in Europe and Japan, and directly by IBEX in the rest of the world (including North America). The kits are produced in IBEX facilities.

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4 RESULTS OF OPERATIONS: Q3 FISCAL 2016

4.1 Summary of Quarterly Results

The following table is a summary of selected quarterly consolidated financial information of the Company for each of the eight most recently completed quarters ending April 30, 2016.

In thousands of dollars, excluding per share amounts	Quarter Ending								Most Recent	
	April 30		January 31		October 31		July 31		4 Quarters	
	2016 $	2015 $	2016 $	2015 $	2015 $	2014 $	2015 $	2014 $	2016 $	2015 $
- Revenue	696	893	1,141	722	1,415	627	1,249	1,002	4,501	3,244
- Net earnings (loss)	(462)	(289)	197	(178)	360	(254)	931	(223)	1,026	(944)
- Net earnings (loss) per common share	(0.02)	(0.01)	0.01	(0.01)	0.01	(0.01)	0.04	(0.01)	0.04	(0.04)
- Comprehensive income (loss)	(631)	(352)	318	(22)	360	(211)	1,084	(205)	1,131	(790)

Net Earnings for the Quarter

The Company recorded a net loss of $462,560 during the third quarter ended April 30, 2016 compared to a net loss of $288,538 for the same period year ago. This negative change of $174,022 can be attributed mainly to the decrease in sales of $196,769 offset by a decrease in expenses of $22,747 (see section 4.4).

4.2 Foreign Exchange

The tables below show the fluctuation in the Canadian/US exchange rates which can have a significant impact on our results. Average rates are used to translate sales and expenses for the period mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities at the end of the reporting period.

Consolidated foreign exchange (gain) loss		
Quarter ended	**April 30, 2016**	April 30, 2015
Balance sheet revaluation		
US cash	**($60,117)**	$9,513
US Trade receivables	**($30,016)**	$67,080
Other US accounts	**$204,175**	($26,256)
Total loss on revaluation	**$114,042**	$50,337

Canadian/US dollar		
Quarter ended	**April 30, 2016**	April 30, 2015
Average rate	**1.3272**	1.2481
Closing rate	**1.2548**	1.2064

4.3 Revenue for the Quarter

Note: While the Company reports in Canadian dollars, the US dollar is the Company's selling currency. As such, fluctuations in the Canadian/US exchange rate can have a significant impact on the reported sales figures.

Sales for the quarter ended April 30, 2016 totaled $696,200, a decrease of 22 % compared to the same period year ago. The decrease in sales vs. year-ago of $196,769 is mainly due to the quarter-to-quarter fluctuation in customer orders (primarily driven by one customer who significantly built inventory in the first two quarters for their internal logistical reasons).

The net decrease in sales vs. the same period year ago was $196,769, of which $286,026 (US$215,508) can be attributed to an actual decrease in sales and the balance of $89,257 to the positive currency impact.

Sales Variations – Quarter ended	April 30, 2016 vs. April 30, 2015
Volume/mix/new products Impact:	
• Decrease due to volume USD	($142,212)
• Decrease due to product mix USD	($22,227)
• Decrease due to new products USD	($51,069)
Total decrease due to Volume/mix/new products USD	($215,508)
Currency impact:	
• Total decrease due to Volume/mix/new products CAD	($286,026)
• Currency positive effects in CAD	$89,257
• Total decrease in CAD	($196,769)

During this third quarter, the average currency rate was 1.3272 compared to 1.2481 in the same quarter last year. A lower value of the Canadian dollar positively affects the current USD sales by translating them into a higher Canadian dollar amount.

4.4 Total Expenses for the Quarter

Total expenses in the third quarter of Fiscal 2016 decreased to $1,158,760 (2.0%) as compared to $1,181,507 in the same quarter year ago. The decrease of $22,747 is mainly attributable to the reduction of $85,668 in professional fees partially offset by an increase in the foreign exchange loss ($114,042 in the current quarter vs. $50,337 in the same quarter year ago).

Expense details		
Quarter ended	**April 30, 2016**	April 30, 2015
Cost of goods sold[1]	**$500,422**	$472,433
R&D expenses[1]	**$83,687**	$122,348
SG&A expenses[1]	**$387,920**	$430,634
Depreciation of PPE[2]	**$81,499**	$91,198
Foreign exchange loss	**$114,042**	$50,337
Financial expenses	**$16,274**	$14,557
Total expenses	**$1,183,844**	$1,181,507
Other gains – net	**($25,084)**	-
Total expenses after other gains – net	**$1,158,760**	$1,181,507

1- Excludes related depreciation expenses for the purposes of this presentation.

2- PPE = Property, plant and equipment

4.4.1 Cost of Goods Sold

The Company manufactures specialized and proprietary enzyme products. The production of these enzymes is unique and cannot be compared to other manufacturers. Since production levels are highly variable from one quarter to another and from one manufacturing run to another, the standard cost methodology is not particularly useful. Management has selected an alternative method of recording its production at actual costs, which explains the wide swings from quarter to quarter in the cost of goods sold due to the "inventory allocation" effect.

Cost of goods sold consists principally of the costs of supplies, royalties, manufacturing labour and the allocation of fixed overheads.

Cost of goods sold		
Quarter ended	**April 30, 2016**	April 30, 2015
Sales	**$696,200**	$892,969
Cost of goods sold[3]	**$567,415**	$529,426
Gross margin %	**19%**	41%

3- Includes related depreciation expenses for the purposes of this presentation.

The decrease in gross margin traces to cost allocation (the level of transfer of salaries, supplies, royalties and overheads to inventory) rather than to an increase in the costs of materials or labour.

4.4.2 Research and Development (R&D) Expenses

Research and development expenses consisted primarily of personnel expenses, laboratory supplies and external service providers. During the quarter ended April 30, 2016, research and development expenses totaled $83,687 compared to $122,348 in the same period year ago.

4.4.3 Selling, General and Administrative (SG&A) Expenses

During the quarter ended April 30, 2016, SG&A expenses totaled $387,920 compared to $430,634 in the same period year ago. The decrease of $42,714 traces mainly to a decrease in professional fees expenses.

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5 RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 2016

5.1 Net earnings for the nine months ended April 30, 2016

The Company recorded net earnings of $94,976 for the nine months ended April 30, 2016 compared to a net loss of $720,874 for the same period year ago. The positive change of $815,850 is attributable to the increase in sales of $1,010,123 offset by the increase in expenses of $194,273 (see section 5.4).

Net earnings (loss)		
Year-to-date	**Fiscal 2016**	Fiscal 2015
Revenue	**$3,251,891**	$2,241,768
Operating Expenses	**$3,156,915**	$2,962,642
Net earnings (loss)	**$94,976**	($720,874)
Earnings (loss) per share, basic and diluted	**$0.00**	($0.03)

5.2 Foreign Exchange

The table below shows the fluctuation in the Canadian/US exchange rates which can have a significant impact on net earnings. As mentioned in section 4.2, average rates are used to translate sales and expenses for the period mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities at the end of the reporting period.

Consolidated cumulative foreign exchange (gain) loss		
Year-to-date	**Fiscal 2016**	Fiscal 2015
Balance sheet revaluation		
US Cash	**($27,463)**	($78,695)
US Trade receivables	**$12,167**	($40,030)
Other US accounts	**$57,112**	($23,001)
Total loss (gain) on revaluation	**$41,816**	($141,726)

5.3 Revenue for the nine months ended April 30, 2016

Sales for the nine months ended April 30, 2016 totaled $3,251,891 compared to $2,241,768 for the same period year ago. The increase in sales vs. year-ago of $1,010,123 is primarily driven by one customer who significantly built inventory in the first two quarters for their internal logistical reasons.

The net increase in sales vs. the same period year ago was $1,010,123, of which $648,428 (US$485,753) can be attributed to an actual increase in sales and the balance of $361,695 to the positive currency impact.

Sales Variations – Year-to-date	Fiscal 2016 vs Fiscal 2015
Volume/mix/new products Impact:	
• Increase due to volume USD	$496,895
• Increase due to product mix USD	$61,297
• Decrease due to new products USD	($72,439)
Total increase due to Volume/mix/new products USD	$485,753
Currency Impact:	
• Total increase due to Volume/mix/new products CAD	$648,428
• Currency positive effects CAD	$361,695
• Total increase in CAD	$1,010,123

5.4 Total Expenses for the nine months ended April 30, 2016

Total expenses for the nine months ended April 30, 2016 totaled $3,156,915 compared to $2,962,642 for the same period year ago. The increase of $194,273 is mainly attributable to the negative impact of inventory allocation ($241,752), a reduction in the contribution to earnings of foreign exchange variation (loss of $41,816 this year vs. gain of $141,726 for the same period year ago), partially offset by a decrease in professional fees expenses ($183,965).

Expense details		
Year-to-date	**Fiscal, 2016**	Fiscal, 2015
Cost of goods sold[4]	**$1,670,712**	$1,315,002
R&D expenses[4]	**$213,160**	$318,136
SG&A expenses[4]	**$986,909**	$1,166,487
Depreciation of PPE	**$256,570**	$265,614
Foreign exchange loss (gain)	**$41,816**	($141,726)
Financial expenses	**$48,622**	$39,129
Total expenses	**$3,217,789**	$2,962,642
Other gains – net	**($60,874)**	-
Total expenses after other gains - net	**$3,156,915**	$2,962,642

4- Excludes related depreciation expenses for the purposes of this presentation.

5.4.1 Cost of Goods Sold

Cost of goods sold consists principally of the costs of supplies, royalties, manufacturing labour and the allocation of fixed overheads. For further explanation on the determination of the cost of goods sold, see section 4.4.1 above.

Cost of goods sold		
Year-to-date	**Fiscal, 2016**	Fiscal, 2015
Sales	**$3,251,891**	$2,241,768
Cost of goods sold[5]	**$1,879,183**	$1,517,318
Gross margin %	**42%**	32%

5- Includes related depreciation expenses for the purposes of this presentation.

The increase in gross margin traces to cost allocation (the level of transfer of salaries, supplies, royalties and overheads to inventory) rather than to a decrease in the costs of materials or labour.

5.4.2 Research and Development (R&D) Expenses

Research and development expenses for the nine months ended April 30, 2016 totaled $213,160 compared to $318,136 for the same period year ago.

5.4.3 Selling, General and Administrative (SG&A) Expenses

SG&A expenses for the nine months ended April 30, 2016 totaled $986,909 compared to $1,166,487 for the same period year ago. The decrease of $179,578 is mainly due to a decrease in professional fees expenses ($183,965).

6 LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities when due. The Company's financial liabilities include its trade and other accounts payable presented on the consolidated statement of financial position, which are due within the next 12 months and long-term debt. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

As at April 30, 2016, the Company had net working capital of $3,450,289 compared to net working capital of $3,192,333 as at July 31, 2015. Cash and cash equivalents increased by $832,949 to $2,917,775 compared to $2,084,826 as at July 31, 2015.

As at:	**April 30, 2016**	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015
Cash and cash equivalents	**$2,917,775**	$3,074,336	$2,636,690	$2,084,826	$1,165,347
Net working capital	**$3,450,289**	$3,928,661	$3,629,097	$3,192,333	$2,102,767

Management believes that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

7 LOOKING FORWARD

We expect to finish the current Fiscal year with modest net earnings and a positive cash flow.

As mentioned above, we have benefited in Fiscal Year 2016 from one customer's need to build inventory for internal logistical reasons. As a result we expect that Fiscal Year 2017 results will be significantly lower than Fiscal Year 2016 as that customer returns to their normal purchase pattern.

Fiscal Year 2018 is expected to be an improvement on Fiscal Year 2017 as we anticipate a major customer will roll-out a new product. However, as marketing success is customer-dependent, no assurances can be given that the revenues forecasted will materialize as planned.

Management believes that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

8 RISKS AND UNCERTAINTIES

The results of operations and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of Management.

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the Company's July 31, 2015 MD&A, as they are the same for the nine months ended April 30, 2016.

9 RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2016 and 2015, the Company did not have any related party transactions.

10 CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the Company's July 31, 2015 audited consolidated financial statements and the corresponding section of the July 31, 2015 MD&A to review the Company's critical accounting estimates. They were the same as those used in the interim financial statements for the nine months ended April 30, 2016.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's April 30, 2016 interim financial statements.

12 OUTSTANDING SHARE DATA

The following details the issued and outstanding equity securities of the Company.

12.1 Common Shares

As at June 20, 2016, the Company has 24,703,244 common shares outstanding.

12.2 Stock options

As at June 20, 2016, the Company has 1,015,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from January 2017 to December 2023.

As at June 20, 2016, on an if-converted basis, these stock options would result in the issuance of 1,015,000 common shares at an aggregate exercise price of $191,400.

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