IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2017

SIX MONTHS ENDED JANUARY 31, 2017

As at March 17, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017

March 17, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

March 17, 2017

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 March 17, 2017. The MD&A provides a review of the developments and results of operations of the Company during the six-month period ended January 31, 2017 compared with the six-month period ended January 31, 2016.

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, 2016 and 2015.

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 which are 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 and thus facilitating the accurate measurement of haemostasis.

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. These assays 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.

4 RESULTS OF OPERATIONS: Q2 FISCAL 2017

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 January 31, 2017.

In thousands of dollars, excluding per share amounts	Quarter Ending								Most Recent	
	January 31		October 31		July 31		April 30		4 Quarters	
	2017 $	2016 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2017 $	2016 $
- Revenue	1,542	1,141	1,210	1,415	862	1,249	696	893	4,310	4,698
- Net earnings (loss)	423	197	199	360	6	931	(462)	(289)	166	1,199
- Net earnings (loss) per common share	0.02	0.01	0.01	0.01	0.00	0.04	(0.02)	(0.01)	0.01	0.05
- Comprehensive income (loss)	390	318	230	360	60	1,084	(631)	(352)	49	1,410

Net Earnings for the Quarter

The Company recorded net earnings of $422,686 during the second quarter ended January 31, 2017 compared to net earnings of $197,330 for the same period year ago. This positive change of $225,356 is related mainly to the increase in sales of $401,425 offset by the increase in expenses of $176,069 (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 loss (gain)		
Quarter ended	**January 31, 2017**	January 31, 2016
Balance sheet revaluation		
US cash	**($16,652)**	$41,596
US Trade receivables	**($23,008)**	$16,746
Other US accounts	**$78,833**	($129,017)
Total loss (gain) on revaluation	**$39,173**	($70,675)

Canadian/US dollar		
Quarter ended	**January 31, 2017**	January 31, 2016
Average rate	**1.3324**	1.3735
Closing rate	**1.3012**	1.4006

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 January 31, 2017 totaled $1,542,241, an increase of 35% compared to the same period year ago.

The net increase in sales vs. the same period year ago was $401,425, of which $436,313 (US$327,468) can be attributed to an actual increase in sales and the balance of $34,888 to the negative currency impact.

A positive variance in product mix of US$440,703 was offset by a negative variance in volume of US$108,660 and in new products of US$4,575.

Sales Variations – Quarter ended	January 31, 2017 vs. January 31, 2016
Volume/mix/new products Impact:	
• Decrease due to volume USD	($108,660)
• Increase due to product mix USD	$440,703
• Decrease due to new products USD	($4,575)
Total increase due to Volume/mix/new products USD	$327,468
Currency impact:	
• Total increase due to Volume/mix/new products CAD	$436,313
• Currency negative effects in CAD	($34,888)
• Total increase in CAD	$401,425

During this second quarter, the average currency rate was 1.3324 compared to 1.3735 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 second quarter of Fiscal 2017 increased to $1,119,555 as compared to $943,486 in the same quarter year ago. The increase of $176,069 is related mainly to the swing in the foreign exchange (loss of $39,173 in the current quarter vs. gain of $70,675 in the same quarter year ago).

Expense details		
Quarter ended	**January 31, 2017**	January 31, 2016
Cost of goods sold[1]	**$604,208**	$570,070
R&D expenses[1]	**$42,239**	$60,040
SG&A expenses[1]	**$369,254**	$302,657
Depreciation of PPE[2]	**$69,499**	$86,434
Foreign exchange loss (gain)	**$39,173**	($70,675)
Financial expenses	**$15,182**	$15,750
Total expenses	**$1,139,555**	$964,276
Other gains – net	**($20,000)**	($20,790)
Total expenses after other gains – net	**$1,119,555**	$943,486

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	**January 31, 2017**	January 31, 2016
Sales	**$1,542,241**	$1,140,816
Cost of goods sold[3]	**$657,792**	$640,560
Gross margin %	**57%**	44%

3- 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.

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 January 31, 2017, research and development expenses totaled $42,239 compared to $60,040 in the same period year ago.

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

During the quarter ended January 31, 2017, SG&A expenses totaled $369,254 compared to $302,657 in the same period year ago. The increase of $66,597 traces mainly to an expense related to the information system's upgrade.

5 RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JANUARY 31, 2017

5.1 Net earnings for the six months ended January 31, 2017

The Company recorded net earnings of $621,574 for the six months ended January 31, 2017 compared to net earnings of $557,536 for the same period year ago. The positive change of $64,038 is attributable to the increase in sales of $197,124 offset by the increase in expenses of $133,086 (see section 5.4).

Net earnings		
Year-to-date	**Fiscal 2017**	Fiscal 2016
Revenue	**$2,752,815**	$2,555,691
Net Expenses	**$2,131,241**	$1,998,155
Net earnings	**$621,574**	$557,536
Earnings per share, basic and diluted	**$0.02**	$0.02

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 2017**	Fiscal 2016
Balance sheet revaluation		
US Cash	**($49,925)**	$32,654
US Trade receivables	**($27,794)**	$42,183
Other US accounts	**$68,003**	($147,063)
Total gain on revaluation	**($9,716)**	($72,226)

5.3 Revenue for the six months ended January 31, 2017

Sales for the six months ended January 31, 2017 totaled $2,752,815 compared to $2,555,691 for the same period year ago.

The net increase in sales vs. the same period year-ago was $197,124, of which $236,480 (US$175,113) can be attributed to an actual increase in sales and the balance of $39,356 to the negative currency impact.

A positive variance in product mix of US$558,488 was offset by a negative variance in volume of US$377,993 and in new products of US$5,382.

Sales Variations – Year-to-date	Fiscal 2017 vs Fiscal 2016
Volume/mix/new products Impact:	
• Decrease due to volume USD	($377,993)
• Increase due to product mix USD	$558,488
• Decrease due to new products USD	($5,382)
Total increase due to Volume/mix/new products USD	$175,113
Currency Impact:	
• Total increase due to Volume/mix/new products CAD	$236,480
• Currency negative effects CAD	($39,356)
• Total increase in CAD	$197,124

5.4 Total Expenses for the six months ended January 31, 2017

Total expenses for the six months ended January 31, 2017 totaled $2,131,241 compared to $1,998,155 for the same period year ago. The increase of $133,086 is mainly attributable to the increase in compensation, tracing to a combination of added personnel and the 2016 cost-of-living adjustment.

Expense details		
Year-to-date	**Fiscal, 2017**	Fiscal, 2016
Cost of goods sold[4]	**$1,215,892**	$1,170,290
R&D expenses[4]	**$98,453**	$129,473
SG&A expenses[4]	**$696,608**	$598,989
Depreciation of PPE	**$141,082**	$175,071
Foreign exchange gain	**($9,716)**	($72,226)
Financial expenses	**$30,901**	$32,348
Total expenses	**$2,173,220**	$2,033,945
Other gains – net	**($41,979)**	($35,790)
Total expenses after other gains - net	**$2,131,241**	$1,998,155

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, 2017**	Fiscal, 2016
Sales	**$2,752,815**	$2,555,691
Cost of goods sold[5]	**$1,326,735**	$1,311,767
Gross margin %	**52%**	49%

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 six months ended January 31, 2017 totaled $98,453 compared to $129,473 for the same period year ago.

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

SG&A expenses for the six months ended January 31, 2017 totaled $696,608 compared to $598,989 for the same period year ago. The increase of $97,619 is mainly due to an increase in compensation (a combination of added personnel and the 2016 cost-of-living adjustment) and an expense related to the information system's upgrade.

6 LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the potential 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 payables 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 January 31, 2017, the Company had net working capital of $3,952,297 compared to net working capital of $3,516,189 as at July 31, 2016. Cash and cash equivalents increased by $214,433 to $3,114,055.

As at:	**January 31, 2017**	October 31, 2016	July 31, 2016	April 30, 2016	January 31, 2016
Cash and cash equivalents	**$3,114,055**	$2,882,165	$2,899,622	$2,917,775	$3,074,336
Net working capital	**$3,952,297**	$3,631,731	$3,516,189	$3,450,289	$3,928,661

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

Our new fermentation facility is on track to be finished during the fourth quarter of this fiscal year. The total cost of the facility is expected to be $600,000 of which $250,000 has already been disbursed. The balance of our investment is expected to be disbursed within the current fiscal year.

We now expect sales for the 2017 Fiscal Year to increase 10-15% over the previous year as one of our major customers is experiencing increased sales on two of their major products.

Overall we expect to end the year with an improved cash position versus our 2016 Fiscal year end.

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, 2016 MD&A, as they are the same for the six months ended January 31, 2017.

9 RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2017 and 2016, other than the transactions and amounts described in Note 9 in our interim financial statements, the Company did not have any other related party transactions.

10 CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the Company's July 31, 2016 audited consolidated financial statements and the corresponding section of the July 31, 2016 MD&A to review the Company's critical accounting estimates. They were the same as those used in the interim financial statements for the six months ended January 31, 2017.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's January 31, 2017 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 March 17, 2017, the Company has 24,703,244 common shares outstanding.

12.2 Stock options

As at March 17, 2017, the Company has 915,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from March 2018 to December 2023.

As at March 17, 2017, on an if-converted basis, these stock options would result in the issuance of 915,000 common shares at an aggregate exercise price of $168,900.

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