IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2017

YEAR ENDED JULY 31, 2017

As at November 17, 2017

IBEX

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2017
November 17, 2017
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MANAGEMENT DISCUSSION AND ANALYSIS

November 17, 2017

1 PREAMBLE

The following Management Discussion and Analysis ("MD&A") and IBEX Technologies Inc. ("Company") audited consolidated financial statements were approved by the Audit Committee and the Board of Directors on November 17, 2017. The MD&A provides a review of the developments and results of operations of the Company during the fourth quarter and the fiscal year ended July 31, 2017 compared with the fourth quarter and the fiscal year ended July 31, 2016.

The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended July 31, 2017 and 2016.

The Company's audited consolidated 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 and which interfere with haemostasis tests. 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 in 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 hemostasis 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: Q4 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 July 31, 2017.

(in thousands of dollars, excluding per share amounts)	July 31		April 30		January 31		October 31		Full Year	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2016 $	2015 $	2017 $	2016 $
- Revenue	1,460	862	1,115	696	1,542	1,141	1,210	1,415	5,327	4,114
- Net earnings (loss)	2,359	6	1	(462)	423	197	199	360	2,982	101
- Net earnings (loss) per common share	0.09	(0.00)	0.00	(0.02)	0.02	0.01	0.01	0.01	0.12	0.00
- Comprehensive income (loss)	2,289	60	49	(631)	390	318	230	360	2,958	107

Net earnings for the Quarter

The Company recorded net earnings of $2,358,815 during the fourth quarter ended July 31, 2017 compared to net earnings of $5,584 for the same period year ago. This change of $2,353,231 in earnings can be attributed to several factors including:

- Recovery of income taxes: During the quarter ended July 31, 2017, recovery of income taxes totaled $2,466,176 compared to $2,497 in the same period year ago. A deferred income tax assets of $2,443,327 have been recognized (see section 4.4.4) during the quarter.
- Loss before income taxes: The Company recorded a loss before income taxes of $107,361 during the fourth quarter ended July 31, 2017 compared to earnings before income taxes of $3,087 for the same period year ago. This negative change of $110,448 is related mainly to an increase in expenses of $707,233 (see section 4.4), partially offset by an increase in sales of $596,785.

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	**July 31, 2017**	July 31, 2016
Balance sheet revaluation		
US cash	**$85,406**	$19,458
US Trade receivables	**$35,414**	$3,960
Other US accounts	**$107,655**	($62,598)
Total loss (gain) on revaluation	**$228,475**	($39,180)

Canadian/US dollar		
Quarter ended	**July 31, 2017**	July 31, 2016
Average rate	**1.3198**	1.2958
Closing rate	**1.2485**	1.3056

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 July 31, 2017 totaled $1,458,588, an increase of $596,785 (69%) compared to the same period year ago. The sales increase traces mainly to the introduction of a new product by one of our customers, which contains an IBEX enzyme.

The positive variance can be attributes to volume of US$214,134, product mix of US$211,178 and new products of US$2,100.

Sales Variations – Quarter ended	July 31, 2017 vs. July 31, 2016
Volume/mix/new products Impact:	
• Increase due to volume USD	$214,134
• Increase due to product mix USD	$211,178
• Increase due to new products USD	$2,100
Total increase due to Volume/mix/new products USD	$427,412
Currency impact:	
• Total increase due to Volume/mix/new products CAD	$564,099
• Currency positive effects in CAD	$32,686
• Total increase in CAD	$596,785

During this fourth quarter, the average currency rate was 1.3198 compared to 1.2958 in the same quarter last year. This translates to a benefit to the Company since its sells in US dollars, and reports in Canadian dollars.

4.4 Total Expenses for the Quarter

Total expenses in the fourth quarter of Fiscal 2017 increased to $1,565,949 as compared to $858,716 in the same quarter year ago. The increase of $707,233 is related mainly to the swing in the foreign exchange of $267,655 (loss of $228,475 in the current period vs. gain of $39,180 for the same period year ago), an increase in compensation expenses of $221,722 (of which $179,000 is an accrual for bonuses), an increase in sales, administration and all other expenses of $139,839 and the negative impact of inventory allocation of $104,461.

Expense details		
Quarter ended	**July 31, 2017**	July 31, 2016
Cost of goods sold[1]	**$600,817**	$379,764
R&D expenses[1]	**$49,791**	$54,925
SG&A expenses[1]	**$653,859**	$384,933
Depreciation of PPE[2]	**$65,144**	$78,711
Foreign exchange loss (gain)	**$228,475**	($39,180)
Financial expenses	**$11,695**	$14,435
Total expenses	**$1,609,781**	$873,588
Other gains – net	**($43,832)**	($14,872)
Total expenses after other gains - net	**$1,565,949**	$858,716

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 uses the actual-cost method of recording its production costs rather than a standard-cost method (because of the practicalities of the Company production, the standard-cost method is unsuitable). While the actual-cost method is most suitable to the Company processes, it does result in the wide swings from quarter to quarter in the cost of goods sold due to the "inventory allocation" effect (if more goods are produced in a quarter than are sold, there is a positive effect on the results; the reverse is true if more goods are sold than are produced).

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	**July 31, 2017**	July 31, 2016
Sales	**$1,458,588**	$861,803
Cost of goods sold[3]	**$651,392**	$444,265
Gross margin %	**55%**	48%

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 overhead 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 July 31, 2017, research and development expenses totaled $49,791 compared to $54,925 in the same period year ago.

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

During the quarter ended July 31, 2017, SG&A expenses totaled $653,859 compared to $384,933 in the same period year ago. The change of $268,926 traces mainly to an increase in compensation expenses of which $179,000 accrued for bonuses.

4.4.4 Recovery of income taxes

During the quarter ended July 31, 2017, recovery of income taxes totaled $2,466,176 compared to $2,497 in the same period year ago. A deferred income tax assets of $2,443,327 have been recognized during the fourth quarter ended July 31, 2017 as the Company determined it is probable that sufficient taxable profits will be available to allow for certain tax attributes in Canada to be recovered in the future.

5 RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2017

5.1 Summary of Year Results

The Company recorded net earnings of $2,981,839 for the year ended July 31, 2017 compared to net earnings of $100,560 for the same period year ago. This change of $2,881,279 in earnings can be attributed to several factors including:

- Recovery of income taxes: For the year ended July 31, 2017, recovery of income taxes totaled $2,466,176 compared to $2,497 in the same period year ago. As discussed in section 4.4.4, the Company recorded deferred income tax assets of $2,443,327 as of July 31, 2017.
- Earnings before income taxes: The Company recorded earnings before income taxes of $515,663 for the year ended July 31, 2017 compared to earnings before income taxes of $98,063 for the same period year ago. The positive change of $417,600 is primarily attributable to the increase in sales of $1,213,027, partially offset by the increase in expenses of $795,427 (see section 5.4).

Net earnings		
Year-to-date	**Fiscal 2017**	Fiscal 2016
Revenue	**$5,326,721**	$4,113,694
Net expenses	**$4,811,058**	$4,015,631
Earnings before income taxes	**$515,663**	$98,063
Recovery of income taxes	**$2,466,176**	$2,497
Net earnings	**$2,981,839**	$100,560
Earnings per share, basic and diluted	**$0.12**	$0.00

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 loss (gain)		
Year-to-date	**Fiscal 2017**	Fiscal 2016
Balance sheet revaluation		
US Cash	**$94,487**	($8,005)
US Trade receivables	**$33,615**	$16,127
Other US accounts	**($2,413)**	($5,486)
Total loss on revaluation	**$125,689**	$2,636

Canadian/US dollar		
Year ended	**July 31, 2017**	July 31, 2016
Average rate	**1.3237**	1.3282
Closing rate	**1.2485**	1.3056

For a more detailed explanation of the foreign exchange impact see Risks and Uncertainties section 9.9.

5.3 Revenue for the year ended July 31, 2017

Sales for the year ended July 31, 2017 totaled $5,326,721 compared to $4,113,694 for the same period year ago. The sales increase traces mainly to a substantial increase in sales to one customer which was building inventory in advance of the introduction of a new product based on one of IBEX's enzymes.

The increase in sales vs. the same period year ago was $1,213,027, which can be attributed to an actual increase in sales as the positive currency impact was negligible when taking the whole year into account.

The positive variance in sales came from a product mix variance of US$908,651 and a volume variance of US$4,326, offset by a negative variance in new products of US$1,189.

Sales Variations – Year-to-date	Fiscal 2017 vs. Fiscal 2016
Volume/mix/new products Impact:	
• Increase due to volume USD	$4,326
• Increase due to product mix USD	$908,651
• Decrease due to new products USD	($1,189)
Total increase due to Volume/mix/new products USD	$911,788
Currency Impact:	
• Total increase due to Volume/mix/new products CAD	$1,212,326
• Currency positive effects CAD	$701
• Total increase in CAD	$1,213,027

5.4 Total Expenses for the year ended July 31, 2017

Total expenses for the year ended July 31, 2017 totaled $4,811,058 compared to $4,015,631 for the same period year ago. The increase in operating expenses of $795,427 is mainly attributable to an increase in compensation expenses of $463,285, the swing in the foreign exchange of $123,053 (loss of $125,689 in the current year vs. loss of $2,636 for last year), an increase in expense related to the information system's upgrade of $87,766.

The increase in compensation expenses of $463,285 is related mainly to a combination of:

- an increase in accrual for bonuses of $179,000,
- an increase in personnel associated with the new bacterial fermentation suite in Montreal,
- one-time costs associated with the termination of one employee.

Expense details		
Year-to-date	**Fiscal, 2017**	Fiscal, 2016
Cost of goods sold[4]	**$2,399,009**	$2,050,476
R&D expenses[4]	**$201,871**	$268,085
SG&A expenses[4]	**$1,845,485**	$1,371,842
Depreciation of PPE	**$273,613**	$335,281
Foreign exchange loss	**$125,689**	$2,636
Financial expenses	**$56,202**	$63,057
Total expenses	**$4,901,869**	$4,091,377
Other gains – net	**($90,811)**	($75,746)
Total expenses after other gains-net	**$4,811,058**	$4,015,631

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	**$5,326,721**	$4,113,694
Cost of goods sold[5]	**$2,611,321**	$2,323,448
Gross margin %	**51%**	44%

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 year ended July 31, 2017 totaled $201,871 compared to $268,085 for the same period year ago. The decrease of $66,214 traces mainly to a hiatus development of one of our projects.

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

SG&A expenses for the year ended July 31, 2017 totaled $1,845,485 compared to $1,371,842 for the same period year ago. The increase of $473,643 is mainly due to an increase in compensation expenses of $322,765 (of which accrued for bonuses and costs associated with the termination of one employee) and an increase in expense related to the information system's upgrade of $87,766.

5.4.4 Recovery of income taxes

Recovery of income taxes for the year ended July 31, 2017 totaled $2,466,176 compared to $2,497 in the same period year ago. A deferred income tax assets of $2,443,327 have been recognized during the fourth quarter ended July 31, 2017 as the Company determined it is probable that sufficient taxable profits will be available to allow for certain tax attributes in Canada to be recovered in the future.

6 ASSETS UNDER CONSTRUCTION

Assets under construction relate to a bacterial fermentation suite being constructed in Montreal. These consist of Machinery and Equipment of $582,251 and Leasehold Improvements of $134,474 which were not depreciated in the year ended July 31, 2017 (July 31, 2016 – no Assets under construction).

Assets under construction will be depreciated when ready to use.

The bacterial fermentation suite should start operation in the fourth quarter of Fiscal 2018.

7 LIQUIDITY AND CAPITAL RESOURCES

7.1 Overview

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 accounts payable and accrued liabilities presented on the consolidated statement of financial position, which are due within the next 12 months. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

As at July 31, 2017, the Company had net working capital of $3,349,055 compared to net working capital of $3,516,189 as at July 31, 2016. Cash and cash equivalents increased by $105,005 during the fiscal year to $3,004,627.

As at:	**July 31, 2017**	April 30, 2017	January 31, 2017	October 31, 2016	July 31, 2016
Cash and cash equivalents	**$3,004,627**	$3,001,410	$3,114,055	$2,882,165	$2,899,622
Net working capital	**$3,349,055**	$3,664,184	$3,952,297	$3,631,731	$3,516,189

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.

7.2 Contractual Obligations

Contractual obligations are operating lease commitments and its long-term debt.

	Year ending July 31,					
(in thousands of dollars)	Total	2018	2019	2020	2021	2022
Contractual obligations	$468	$195	$163	$50	$51	$9
Long-term debt[3]	$1,430	$92	$92	$92	$92	$92
Total	$1,898	$287	$255	$142	$143	$101

3- Includes interest and principal

8 LOOKING FORWARD

As always, the future of the Company is difficult to predict as the Company's customers have wide swings in their purchase patterns.

Fiscal 2017 results was aided by above-normal sales to one customer which was building inventory in advance of the introduction of a new product based on one of IBEX's enzymes.

In Fiscal 2018 we expect to see lower sales than in Fiscal 2017 as this customer moves to a sustaining level of purchases. We also anticipate a weaker US dollar in Fiscal 2018 which will have a negative impact on profitability. These two factors point to lower net earnings in Fiscal 2018. However, as we do not expect any major capital expenditures in Fiscal 2018, we expect to modestly improve our year-end cash-on-hand position.

The Company also continues to work on a number of projects with its key customers, some of which may result in additional revenues in Fiscal 2018 and beyond. However, we cannot give any assurances that any of these projects will come to fruition and produce revenues.

9 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.

9.1 Dependence on Key Customers

IBEX is highly dependent on a few key customers. A change in their needs due to changes in technology, production efficiencies or market demand can have a significant effect on the profitability of the Company.

9.2 Market Demand

IBEX products are sold to device manufacturers, pharmaceutical companies for pre-clinical research, and contract research organizations for clinical studies. As such, IBEX is dependent on successful marketing by device manufacturers and, in the case of our arthritis assays, the frequency and size of pre-clinical and clinical studies. A decrease in demand for such products could have a material adverse effect on the Company.

9.3 Regulatory Approval

Since IBEX produces assays for research and development and device components for third parties, and is not the manufacturer of record, the cost of regulatory compliance, while not insignificant, is manageable within the context of the Company's turnover to remain competitive. However, there is no guarantee that this may not change in the future. Any such changes might have the effect of significantly increasing the cost of doing business for IBEX.

9.4 Intellectual Property

IBEX places great importance on the protection of its intellectual property and has a portfolio of patents and patent applications that it intends to enforce. However, unauthorized parties may infringe on the Company's patents or obtain information that is proprietary, and there can be no assurance that the Company's patent applications will be approved or that it will be able to successfully defend its existing patents in the case of infringement. Further, it is not clear whether the patents issued or that may be issued to IBEX will provide the Company with any competitive advantages, or if any such patents will be the target of challenges by third parties, whether the patents of others will interfere with IBEX's ability to market its products or whether third parties will circumvent IBEX's patents by means of alternate processes. It may be possible

for others to develop products that have the same effect as IBEX's products on an independent basis.

9.5 Competition

The impact of competition from other companies developing novel heparin reversal agents or arthritis assays may negatively affect IBEX's anticipated revenue streams. Certain of the companies, which could be considered IBEX's competitors, have substantially more financial and technical resources, more extensive research and development capabilities and greater marketing, distribution, production and human resources than IBEX does.

9.6 Financial Resources

IBEX has limited financial resources and limited opportunities to raise additional capital should the occasion warrant. There can be no assurance that IBEX will be able to improve or maintain a positive cash flow if events in the marketplace change materially.

9.7 Reliance on Key Personnel

IBEX relies upon a small staff of key employees who possess the knowledge and expertise to continue the Company's operations. There is no assurance that the Company will be able to retain its key personnel, or readily replace those who may leave.

9.8 Contingencies

In the normal course of operations, claims may arise against the Company with respect to products which have been sold in the past. The Company recognizes liabilities for such contingencies when management determines that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company is currently not party to any such litigation proceedings that are expected to have a material adverse effect on its results of operations or financial position.

9.9 Foreign Exchange Risks

The Company is exposed to currency risks due to its export of goods manufactured in Canada. A change in the currency exchange rate between the Canadian dollar and the US dollar could have a material effect on its consolidated results of operations, financial position or cash flows. The Company strives to mitigate such risks by using foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. As at July 31, 2017, the Company had no outstanding forward contracts.

As mentioned above, the Company is exposed to foreign exchange risk primarily as a result of sales revenues denominated in US dollars. Monetary balances denominated in foreign currencies as at July 31, 2017 and July 31, 2016 were as follows:

	July 31, 2017		July 31, 2016	
	CA$	**US$**	CA$	US$
Cash and cash equivalents	**1,718,661**	**1,376,581**	566,402	433,825
Trade and other receivables	**411,754**	**329,799**	371,860	284,819
Trade and other payables	**3,323**	**2,662**	41,056	31,446

9.10 Interest Rate Risk

The Company's interest rate risk related to the long-term debt is fixed for five years. The interest rate will be revised based on the weekly average yield on US Treasury Securities adjusted.

Given the above, the Company considers the interest rate risk to be low. A 0.5% change in interest rates would not have a material impact on net earnings for the year ended July 31, 2017.

9.11 Credit Risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, trade and other receivables and marketable securities. Cash and cash equivalents consist of bank balances and money market funds maintained at financial institutions with high credit ratings. Marketable securities consist of Guaranteed Investment Certificates ("GICs") held at highly rated institutions. The Company's practice is to invest in GICs held at highly rated institutions with maturities at the date of purchase of four months or more. Therefore, the Company considers the risk of non-performance for cash, cash equivalents and marketable securities to be low.

The Company performs ongoing credit reviews of its debtors and records an allowance for doubtful accounts when accounts are determined to be uncollectible. The aging of trade accounts receivable as at July 31, 2017 was as follows:

	CA$	%
Current	440,608	92
Past due 31-90 days	38,808	8
Past due over 90 days	-	-
	479,416	100

The Company's exposure to credit risk for trade accounts receivable for customers with greater than 10% of the total balance was as follows:

	July 31, 2017 %	July 31, 2016 %
Customer 1	**48**	58
Customer 2	**15**	-
Customer 3	**14**	-
Customer 4	**-**	13

9.12 Fair Value of Financial Instruments

The Company has evaluated the fair value of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value with the exception of long-term debt.

The fair value of the Company's long-term debt was estimated at $970,575 (US$777,393) as at July 31, 2017 (July 31, 2016 – $1,114,101 (US$ 853,325)) based on discounted future cash flows, using market interest rates available as at July 31, 2017 and 2016.

Fair value is used to determine the values at which these instruments could be traded in a current transaction between willing parties. When these financial instruments are not traded in public markets, their fair value is established based on a set of predetermined criteria, which minimize the subjectivity of valuation. The Company categorizes its financial instruments according to three hierarchical levels:

Level 1 - Measurement based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - Valuation techniques based primarily on observable market data; and

Level 3 - Valuation techniques not based primarily on observable market data.

As at July 31, 2017 and 2016, there are no financial instruments that were accounted for using fair value.

10 RELATED PARTY TRANSACTIONS

During the years ended July 31, 2017 and 2016, other than the transactions and amounts described in Note 9 in our audited consolidated financial statements, the Company did not have any other related party transactions.

11 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those estimates. We have identified the following areas which we believe require

management's most subjective judgments, often requiring the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods.

11.1 Valuation of Unrecognized Tax Attributes

Periodically, judgment is required in determining whether deferred income tax assets are recognized on the statement of financial position. Deferred income tax assets require management to assess the probability that the Company will generate taxable profits in future periods, in order to utilize deferred income tax assets. Once the evaluation is completed, if the Company believes that it is probable that some portion of deferred income tax assets will be realized, deferred income tax asset is recognized on the balance sheet. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit its ability to obtain tax deductions in future periods.

Management judgment is required in determining whether a deferred income tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Company and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred income tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

11.2 Impairment of Non-Financial Assets

Assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable and when criteria of assets held for sale are met. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and current, historical or projected losses that demonstrate continuing losses, decrease in market capitalization and deferral of capital investments.

The Company's recoverable amount measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amount.

12 ACCOUNTING STANDARDS AND AMENDMENTS

Accounting standards issued but not yet applied

New accounting standards, amendments and interpretations issued but only effective for the Company beginning on or after August 1, 2017 are as follows:

IFRS 9 "Financial Instruments"

In July 2014, the IASB completed IFRS 9, "Financial Instruments", in its three-part project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. In September 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15 "Revenue from Contracts with Customers". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria. The Company is evaluating the impact of this standard on its consolidated financial statements.

IAS 7 "Statement of Cash Flows"

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows". The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. These amendments will have no significant impact on the information disclosed in the Company's consolidated financial statements.

IAS 12 "Income Taxes"

In January 2016, the IASB issued amendments to IAS 12, "Income Taxes", regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments will have no significant impact on the Company's consolidated financial statements.

13 OUTSTANDING SHARE DATA

13.1 Authorized

As at November 17, 2017, the Company's authorized capital stock consists of an unlimited number of

- Cumulative, redeemable first preferred shares, issuable in series. The first series consisted of 150,000 shares, convertible into common shares at a rate of 188.68 voting common shares for each preferred share
- Cumulative, redeemable convertible second preferred shares, issuable in series;
- Third preferred shares, issuable in series, and
- Voting common shares

13.2 Issued and Outstanding

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

13.2.1 Common Shares

As at November 17, 2017, the Company has 24,703,244 common shares outstanding.

13.2.2 Stock options

As at November 17, 2017, the Company has 1,020,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from January 2018 to April 2027.

As at November 17, 2017, on an if-converted basis, these stock options would result in the issuance of 1,020,000 common shares at an aggregate exercise price of $193,575.

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