IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2017

THREE MONTHS ENDED
OCTOBER 31, 2016

As at December 15, 2016

IBEX

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MANAGEMENT’S DISCUSSION AND ANALYSIS

December 15, 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 December 15, 2016. The MD&A provides a review of the developments and results of operations of the Company during the three-month period ended October 31, 2016 compared with the three-month period ended October 31, 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, 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: Q1 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 October 31, 2016.

(in thousands of dollars, excluding per share amounts)	October 31		July 31		April 30		January 31		4 Quarters	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
- Revenue	1,210	1,415	862	1,249	696	893	1,141	722	3,909	4,279
- Net earnings (loss)	199	360	6	931	(462)	(289)	197	(178)	(60)	824
- Net earnings (loss) per common share	0.01	0.01	0.00	0.04	(0.02)	(0.01)	0.01	(0.01)	(0.00)	0.03
- Comprehensive income (loss)	230	360	60	1,084	(631)	(352)	318	(22)	(23)	1,070

Net Earnings for the Quarter

The Company recorded net earnings of $198,888 during the first quarter ended October 31, 2016 compared to net earnings of $360,206 for the same period year ago. This decrease in earnings of $161,318 is related mainly to the decrease in sales of $204,301 partially offset by a small decrease in expenses of $42,983.

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	**October 31, 2016**	October 31, 2015
Balance sheet revaluation		
US cash	**($33,273)**	($8,942)
US Trade receivables	**$(4,786)**	$25,437
Other US accounts	**($10,830)**	($18,046)
Total gain on revaluation	**($48,889)**	($1,551)

Canadian/US dollar		
Quarter ended	**October 31, 2016**	October 31, 2015
Average rate	**1.3116**	1.3161
Closing rate	**1.3411**	1.3075

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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 October 31, 2016 totaled $1,210,574, a decrease of 14% compared to the same period year ago.

The net decrease in sales vs. the same period year ago was $204,301, of which $199,833 (US$152,355) can be attributed to an actual decrease in sales and the balance of $4,468 to the negative currency impact.

A positive variance in product mix of US$117,785 was offset by a negative variance in volume of US$269,333 and in new products of US$807.

Sales Variations – Quarter ended	October 31, 2016 vs. October 31, 2015
Volume/mix/new products Impact:	
• Decrease due to volume USD	($269,333)
• Increase due to product mix USD	$117,785
• Decrease due to new products USD	($807)
Total decrease due to Volume/mix/new products USD	($152,355)
Currency impact:	
• Total decrease due to Volume/mix/new products CAD	($199,833)
• Currency negative effects in CAD	($4,468)
• Total decrease in CAD	($204,301)

During this first quarter, the average currency rate was 1.3116 compared to 1.3161 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 first quarter of Fiscal 2017 decreased to $1,011,686 as compared to $1,054,669 in the same quarter year ago. The decrease of $42,983 is related mainly to the positive impact of inventory allocation and in foreign exchange, partially offset by an increase in compensation.

Expense details		
Quarter ended	**October 31, 2016**	October 31, 2015
Cost of goods sold[1]	**$611,684**	$600,220
R&D expenses[1]	**$56,214**	$69,433
SG&A[1] expenses	**$327,354**	$296,332
Depreciation of PPE[2]	**$71,583**	$88,637
Foreign exchange gain	**($48,889)**	($1,551)
Financial expenses	**$15,719**	$16,598
Total expenses	**$1,033,665**	$1,069,669
Other gains – net	**($21,979)**	($15,000)
Total expenses after other gains - net	**$1,011,686**	$1,054,669

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 costs 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	**October 31, 2016**	October 31, 2015
Sales	**$1,210,574**	$1,414,875
Cost of goods sold[3]	**$668,943**	$671,208
Gross margin %	**45%**	53%

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 overhead 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 October 31, 2016, research and development expenses totaled $56,214 compared to $69,433 in the same period year ago.

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

During the quarter ended October 31, 2016, SG&A expenses totaled $327,354 compared to $296,332 in the same period year ago. The increase of $31,022 traces mainly to an increase in compensation, tracing to a combination of added personnel and the 2016 cost-of-living adjustment.

5 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 October 31, 2016, the Company had net working capital of $3,631,731 compared to net working capital of $3,516,189 as at July 31, 2016. Cash and cash equivalents decreased by $17,457 to $2,882,165.

As at:	**October 31, 2016**	July 31, 2016	April 30, 2016	January 31, 2016	October 31, 2015
Cash and cash equivalents	**$2,882,165**	$2,899,622	$2,917,775	$3,074,336	$2,636,690
Net working capital	**$3,631,731**	$3,516,189	$3,450,289	$3,928,661	$3,629,097

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.

6 LOOKING FORWARD

During the quarter the Company entered into an agreement with the National Research Council of Canada to lease space at the Royalmount facility in Montréal, Québec for the purpose of outfitting a bacterial fermentation suite. The average yearly rent over the next five years will be $45,000. Concurrently the Company also purchased a 160L fermenter which will be installed in this suite during the 2017 fiscal year. The fermenter purchase price plus facility modification costs are expected to be approximately $400,000.

We expect flat sales in the coming fiscal year as one of our major customers depletes inventory they have built up to accommodate a change to a new production facility. This, combined with the investment in our new Montréal fermentation suite, is expected to lead to negative cash flows for Fiscal 2017, however we forecast an improving picture in the following years if the US/CAN exchange rate continues to hold.

The Company also continues to work on a number of projects with our key customers, some of which it hopes will result in additional revenues in Fiscal 2017 and beyond. However, we cannot give any assurances that any of these projects will come to fruition and produce revenues.

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 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 quarter ended October 31, 2016.

8 RELATED PARTY TRANSACTIONS

During the quarters ended October 31, 2016 and 2015, 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.

9 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 quarter ended October 31, 2016.

10 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's October 31, 2016 interim financial statements.

11 OUTSTANDING SHARE DATA

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

11.1 Common Shares

As at December 15, 2016, the Company has 24,703,244 common shares outstanding.

11.2 Stock options

As at December 15, 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 December 15, 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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