IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2018

SIX MONTHS ENDED
JANUARY 31, 2018

As at March 14, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018

March 14, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

March 14, 2018

1 PREAMBLE

The following Management 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 14, 2018. The MD&A provides a review of the developments and results of operations of the Company during the six-month period ended January 31, 2018 compared with the six-month period ended January 31, 2017.

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 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 it's 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 unfractionated 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.

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4 RESULTS OF OPERATIONS: Q2 FISCAL 2018

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, 2018.

(in thousands of dollars, excluding per share amounts)	January 31		October 31		July 31		April 30		4 Quarters	
	2018 $	2017 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2018 $	2017 $
- Revenues	893	1,542	1,183	1,210	1,460	862	1,115	696	4,651	4,310
- Net earnings (loss)	(416)	423	130	199	2,359	6	1	(462)	2,074	166
- Net earnings (loss) per common share	(0.02)	0.02	0.01	0.01	0.09	0.00	0.00	(0.02)	0.08	0.01
- Comprehensive income (loss)	(447)	390	151	230	2,289	60	49	(631)	2,042	49

Net earnings for the Quarter

The Company recorded a net loss of $415,596 during the second quarter ended January 31, 2018 compared to net earnings of $422,686 for the same period year ago. This negative change of $838,282 is related mainly to a decrease in revenues of $649,467 (see section 4.3) and an increase in expenses of $188,815 (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, 2018**	January 31, 2017
Balance sheet revaluation		
US cash	**($66,902)**	($16,652)
US Trade receivables	**($31,213)**	$(23,008)
Other US accounts	**$198,890**	$78,833
Total loss on revaluation	**$100,775**	$39,173

Canadian/US dollar		
Quarter ended	**January 31, 2018**	January 31, 2017
Average rate	**1.2656**	1.3324
Closing rate	**1.2293**	1.3012

4.3 Revenues 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 revenues figures.

Revenues for the quarter ended January 31, 2018 decreased by $649,467 to $892,774 compared to $1,542,241 in the same period of the prior. The decrease in revenues traces mainly to a reduction in purchases by one customer who reduced their inventories built up in Fiscal 2017 in advance of their product launch.

The net decrease in revenues vs. the same period year ago was $649,467, of which $566,833 (US$447,889) can be attributed to an actual decrease in revenues and the balance of $82,634 to the negative currency impact.

The negative revenues variance of US$447,889 comprises a US$278,304 change in product mix and a change in volume of US$177,085, offset by a positive variance in new products of US$7,500.

Sales Variations – Quarter ended	January 31, 2018 vs. January 31, 2017
Volume/mix/new products Impact:	
• Decrease due to volume USD	($177,085)
• Decrease due to product mix USD	($278,304)
• Increase due to new products USD	$7,500
Total decrease due to Volume/mix/new products USD	($447,889)
Currency impact:	
• Total decrease due to Volume/mix/new products CAD	($566,833)
• Currency negative effects in CAD	($82,634)
• Total decrease in CAD	($649,467)

During this second quarter, the average currency rate was 1.2656 compared to 1.3324 in the same quarter last year. This translates to a negative effect 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 second quarter of Fiscal 2018 increased to $1,308,370 as compared to $1,119,555 in the same quarter year ago. The increase of $188,815 traces mainly to a non-cash increase in share-based compensation expense ($77,319) related to the granting of stock options and to the negative impact in foreign exchange ($61,602).

Expense details		
Quarter ended	**January 31, 2018**	January 31, 2017
Cost of goods sold[1]	**$609,955**	$604,208
R&D expenses	**$53,890**	$42,239
SG&A expenses[1]	**$471,478**	$369,254
Depreciation of PPE[2]	**$78,498**	$69,499
Foreign exchange loss	**$100,775**	$39,173
Financial expenses	**$8,774**	$15,182
Total expenses	**$1,323,370**	$1,139,555
Other gains – net	**($15,000)**	($20,000)
Total expenses after other gains - net	**$1,308,370**	$1,119,555

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's 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	**January 31, 2018**	January 31, 2017
Revenues	**$892,774**	$1,542,241
Cost of goods sold[3]	**$671,690**	$657,792
Gross margin %	**25%**	57%

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 January 31, 2018, research and development expenses totaled $53,890 compared to $42,239 in the same period year ago.

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

During the quarter ended January 31, 2018, SG&A expenses totaled $471,478 compared to $369,254 in the same period year ago. The increase of $102,224 is related mainly to an increase in share-based compensation expense ($77,319).

5 RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JANUARY 31, 2018

5.1 Net loss for the six months ended January 31, 2018

The Company recorded net loss of $285,737 for the six months ended January 31, 2018 compared to net earnings of $621,574 for the same period year ago. This negative change of $907,311 is primarily attributable to the decrease in revenues of $677,028 (see section 5.3) and to an increase in expense of $230,283 (see section 5.4).

Net (loss) earnings		
Year-to-date	**Fiscal 2018**	Fiscal 2017
Revenues	**$2,075,787**	$2,752,815
Net expenses	**$2,361,524**	$2,131,241
Net (loss) earnings	**($285,737)**	$621,574
(Loss) earnings per share, basic and diluted	**($0.01)**	$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 revenues 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 2018**	Fiscal 2017
Balance sheet revaluation		
US Cash	**($121,907)**	($49,925)
US Trade receivables	**($78,868)**	($27,794)
Other US accounts	**$219,452**	$68,003
Total loss (gain) on revaluation	**$18,677**	($9,716)

Canadian/US dollar		
Year ended	**January 31, 2018**	January 31, 2017
Average rate	**1.2577**	1.3220
Closing rate	**1.2293**	1.3012

5.3 Revenues for the six months ended January 31, 2018

Revenues for the six months ended January 31, 2018 totaled $2,075,787 and are down when compared to $2,752,815 for the same period year ago. The decrease in revenues traces mainly to a reduction in purchases by one customer who reduced their inventories built up in Fiscal 2017 in advance of their product launch.

The net decrease in revenues vs. the same period year ago was $677,028, of which $536,261 (US$423,427) can be attributed to an actual decrease in revenues and the balance of $140,767 to the negative currency impact.

The negative variance in revenues came from a volume variance of US$320,835 and a product mix variance of US$109,267, offset by a positive variance in new products of US$6,675.

Sales Variations – Year-to-date	Fiscal 2018 vs. Fiscal 2017
Volume/mix/new products Impact:	
• Decrease due to volume USD	($320,835)
• Decrease due to product mix USD	($109,267)
• Increase due to new products USD	$6,675
Total decrease due to Volume/mix/new products	($423,427)
Currency Impact:	
• Total decrease due to Volume/mix/new products	($536,261)
• Currency negative effects CAD	($140,767)
• Total decrease in CAD	($677,028)

5.4 Total Expenses for the six months ended January 31, 2018

Total expenses for the six months ended January 31, 2018 totaled $2,361,524 compared to $2,131,241 for the same period year ago. The increase in operating expenses of $230,283 traces mainly to a non-cash increase in share-based compensation expense ($78,734) related to the granting of stock options and to an increase in sales, administration and all other expenses ($80,816).

Expense details		
Year-to-date	**Fiscal, 2018**	Fiscal, 2017
Cost of goods sold[4]	**$1,283,076**	$1,215,892
R&D expenses	**$100,955**	$98,453
SG&A expenses[4]	**$830,588**	$696,608
Depreciation of PPE	**$139,406**	$141,082
Foreign exchange loss (gain)	**$18,677**	($9,716)
Financial expenses	**$18,822**	$30,901
Total expenses	**$2,391,524**	$2,173,220
Other gains – net	**($30,000)**	($41,979)
Total expenses after other gains-net	**$2,361,524**	$2,131,241

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, 2018**	Fiscal, 2017
Revenues	**$2,075,787**	$2,752,815
Cost of goods sold[5]	**$1,392,203**	$1,326,735
Gross margin %	**33%**	52%

5- 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 a increase 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, 2018 totaled $100,955 compared to $98,453 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, 2018 totaled $830,588 compared to $696,608 for the same period year ago. The increase of $133,980 is mainly due to an increase in share-based compensation expense ($78,734).

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 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 January 31, 2018, the Company had net working capital of $3,216,453 compared to net working capital of $3,349,055 as at July 31, 2017. Cash and cash equivalents decreased by $295,643 to $2,708,984 compared to $3,004,627 as at July 31, 2017.

As at:	**January 31, 2018**	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Cash and cash equivalents	**$2,708,984**	$3,108,941	$3,004,627	$3,001,410	$3,114,055
Net working capital	**$3,216,453**	$3,501,390	$3,349,055	$3,664,184	$3,952,297

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

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

As previously reported, we expected to see lower sales in Fiscal 2018 vs. Fiscal 2017 as one of our major customers was building inventory in Fiscal 2017 in advance of a major new product introduction. However, we expect our sales to increase as this customer moves to a post-introduction sales pattern.

We also anticipate a weaker US dollar in Fiscal 2018, which is having, and will have, a negative impact on profitability.

The two factors mentioned above point to lower net earnings in Fiscal 2018. On the positive side, with the completion of our Montreal fermentation facility, the Fiscal 2018 cash needs of the Company due to capital expenditures are significantly reduced.

The Company continues to work on a number of projects with its key customers, some of which may result in additional revenues in Fiscal 2019 and beyond; however, as with all developmental projects, we cannot give any assurances that any of these projects will come to fruition and produce revenues.

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, 2017 MD&A, as they are the same for the six months ended January 31, 2018.

9 RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2018 and 2017, 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, 2017 audited consolidated financial statements and the corresponding section of the July 31, 2017 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, 2018.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's January 31, 2018 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 14, 2018, the Company has 24,703,244 common shares outstanding.

12.2 Stock options

As at March 14, 2018, the Company has 1,745,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from March 2018 to December 2027.

As at March 14, 2018, on an if-converted basis, these stock options would result in the issuance of 1,745,000 common shares at an aggregate exercise price of $337,075.

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