



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2022

**NINE MONTHS ENDED
April 30, 2022**

As at June 9, 2022



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED APRIL 30, 2022**

June 9, 2022

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MANAGEMENT DISCUSSION AND ANALYSIS

June 9, 2022

1 PREAMBLE

The following Management Discussion and Analysis (“MD&A”) and the unaudited condensed interim consolidated financial statements (“interim financial statements”) of IBEX Technologies Inc. (the “Company”) were approved by the Audit Committee and the Board of Directors on June 9, 2022. This MD&A provides a review of the developments and results of operations of the Company during the quarter ended April 30, 2022 compared with the quarter ended April 30, 2021.

This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the years ended July 31, 2021 and 2020.

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 subsidiary, IBEX Pharmaceuticals Inc., manufactures and markets enzymes for biomedical use.

The Company’s products are sold directly by the Company to manufacturers of medical devices, quality control labs, low molecular weight heparin manufacturers 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 hemostasis 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 hemostasis.

IBEX heparinase I is made via a proprietary process and is the only heparinase I approved for use in clinical diagnostics in North America and Europe.

The Company also makes enzymes which are used in producing diagnostic tests for acetaminophen poisoning and enzymes which are used in tests for homocystinuria.



In addition to making and selling enzymes, IBEX also provides lyophilization services for the making of disposable medical diagnostic device components used in the hemostasis point-of-care market

3.2 Arthritis Assays

IBEX develops, manufactures and sells arthritis assay kits 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 North America and the rest of the world. The kits are produced in IBEX facilities.

4 RESULTS OF OPERATIONS: Q3 FISCAL 2022

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.

(in thousands of dollars, excluding per share amounts)	Q3		Q2		Q1		Q4		12 Mo Ending April 30	
	F2022 \$	F2021 \$	F2022 \$	F2021 \$	F2022 \$	F2021 \$	F2021 \$	F2020 \$	2022 \$	2021 \$
- Revenues	2,209	1,468	1,832	1,313	1,781	1,165	1,361	1,447	7,183	5,393
- Net earnings	570	334	405	249	665	150	29	304	1,669	1,037
- Earnings per common share	0.02	0.01	0.02	0.01	0.03	0.01	-	0.01	0.07	0.04
- Comprehensive income	570	334	405	249	665	150	29	316	1,669	1,049
- EBITDA	687	432	496	348	763	246	343	230	2,289	1,256

Net Earnings for the Quarter

The Company recorded net earnings of \$569,602 during the third quarter ended April 30, 2022, an increase of \$236,093 (71%) compared to prior year. The positive change is explained by an increase in revenues of \$741,569 (see section 4.3), partially offset by an increase in expenses of \$505,476 (see section 4.4).

The above led the Company to record an EBITDA for the quarter of \$686,674 versus \$432,317 last year, an increase of \$254,357.

It should be noted that Earnings Before Interest, Tax, Depreciation & Amortization (“EBITDA”) is not a performance measure defined by IFRS, but we, as well as investors and analysts, consider that this performance measure facilitates the evaluation of our ongoing operations and our ability to generate cash flows to fund our cash requirements,

including our capital expenditures program. Note that our definition of this measure may differ from the ones used by other public corporations. The elements include in the Company's EBITDA are: Net earnings (loss), Depreciation of property, plant, equipment and intangible assets, Depreciation of right-of-use assets, Interest-Net, Income tax expense (recovery).

4.2 Foreign Exchange

The tables below show the fluctuation in the Canadian/US dollar exchange rates which can have a significant impact on the Company's results. Average rates are used to translate revenues and expenses for the period mentioned; closing rates are used to translate assets and liabilities of foreign operations, as well as monetary assets and liabilities at the end of the reporting period.

Consolidated foreign exchange (gain) loss for the quarter		
Quarter ended	April 30, 2022	April 30, 2021
Balance sheet revaluation		
• US cash	(\$2,760)	\$102,058
• US Trade receivables	(\$3,323)	\$13,835
• Other US accounts	\$5	\$7,238
Total (gain) / loss on revaluation	(\$6,078)	\$123,131

Canadian/US dollar		
Quarter ended	April 30, 2022	April 30, 2021
Average rate	1.2667	1.2590
Closing rate	1.2792	1.2285

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 dollar exchange rate can have a significant impact on the reported revenue figures.

Revenues for the quarter ended April 30, 2022 totaled \$2,209,234, an increase of \$741,569 (51%) compared to the same period year ago. The increase in revenues is mainly due an increase in volume of \$748,346 (US\$590,784), due to a combination of COVID-driven increases in the use of heparinase I, and changes in purchasing patterns on the part of several of our major customers.

Revenues Variations – Quarter ended	April 30, 2022 vs. April 30, 2021
Volume/mix/new products impact:	
• Increase due to volume USD	\$590,784
• Decrease due to product mix USD	(\$14,647)
Total increase due to volume/mix USD	\$576,137
Currency impact:	
• Total increase due to volume/mix CAD	\$729,793
• Currency positive effect in CAD	\$11,776
• Total increase in CAD	\$741,569

During third quarter ended April 30, 2022, the average currency rate was 1.2667 compared to 1.2590 in the same quarter last year. This has a positive effect on revenues since the Company sells in US dollars and reports in Canadian dollars.

4.4 Total Expenses for the Quarter

Total expenses before taxes in the third quarter of fiscal 2022 increased by \$505,521 to \$1,639,632 compared to \$1,134,111 in the same quarter year ago, due mainly to an increase in SG&A and cost of sales, partially offset by a positive swing in foreign exchange, as explained below.

Expense details		
Quarter ended	April 30, 2022	April 30, 2021
Cost of sales ¹	\$617,253	\$527,945
R&D expenses ¹	\$86,932	\$65,858
SG&A expenses ¹	\$816,465	\$349,921
Depreciation of PPE ²	\$35,531	\$38,891
Depreciation of right-of-use assets	\$58,056	\$55,790
Foreign exchange (gain) / loss	(\$6,078)	\$123,131
Financial expenses - net	\$31,473	\$8,961
Total expenses before other income	1,639,632	\$1,170,497
Other income (CEWS)	-	(\$36,386)
Total expenses	1,639,632	\$1,134,111

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

2- PPE = Property, plant and equipment and intangible assets.

4.4.1 Cost of Sales

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's production, the standard-cost method is unsuitable). While the actual-cost method is most suitable to the Company's processes, it does result in wide swings from quarter to quarter in the cost of sales 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 sales consists principally of the cost of supplies, royalties, manufacturing labour and the allocation of fixed overheads.

Cost of sales		
Quarter ended	April 30, 2022	April 30, 2021
Revenues	\$2,209,234	\$1,467,665
Cost of sales ³	\$648,572	\$563,317
Gross margin %	71%	62%

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

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

4.4.2 Research and Development Expenses

Research and development (R&D) expenses consisted primarily of personnel expenses, laboratory supplies and external service providers. During the quarter ended April 30, 2022, research and development expenses totaled \$86,932 compared to \$65,858 in the same period year ago mainly due to the development of diamine oxidase (DiaMaze®), an enzyme being developed for the nutraceutical market.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended April 30, 2022, selling, general and administrative (SG&A) expenses totaled \$816,465, an increase of \$466,544 from the same period year ago mainly due to an accrual of the profit sharing program (\$350K) as well as an increase in consultants (\$95K).

5 RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 2022

5.1 Summary of Results

The Company recorded net earnings of \$1,639,631 for the nine months ended April 30, 2022 compared to a net earnings of \$732,080 for the same period year ago. This positive change of \$907,551 is primarily attributable to the increase in revenue of \$1,877,235 (see section 5.3), partially offset by an increase in expenses net of taxes of \$969,684 (see section 5.4).

This resulted in an EBIDTA of \$1,945,668, an increase of \$919,029 versus last year.

Net earnings		
Year-to-date	Fiscal 2022	Fiscal 2021
Revenues	\$5,822,473	\$3,945,238
Net expenses	\$4,182,842	\$3,213,158
Net earnings	\$1,639,631	\$732,080
Earnings per share, basic and diluted	\$0.06	\$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 the Company's results. As mentioned in section 4.2, average rates are used to translate revenues and expenses for the period mentioned; closing rates are used to translate assets and liabilities of foreign operations, as well as monetary assets and liabilities at the end of the reporting period.

Consolidated cumulative foreign exchange (gain) / loss		
Year-to-date	Fiscal 2022	Fiscal 2021
Balance sheet revaluation		
• US Cash	(\$21,329)	\$202,189
• US Trade receivables	\$12,189	\$940
• Other US accounts	(\$35,282)	\$38,392
Total (gain) / loss on revaluation	(\$44,422)	\$241,521

Canadian/US dollar rates		
Year-to-date	April 30, 2022	April 30, 2021
Average rate	1.2633	1.2893
Closing rate	1.2792	1.2285

5.3 Revenues

Revenues for the nine months ended April 30, 2022 totaled \$5,822,473, an increase of \$1,877,235 due to a combination of COVID-driven increases in the use of heparinase I, and changes in quarterly purchasing patterns on the part of several of our major customers.

The positive variance can be attributed to a volume increase of \$2,220,381 (US\$1,757,666) offset by a decrease in product mix of \$268,477 (US\$212,528), and a negative currency effect of \$74,669.

Revenues Variations – Year-to-date	Fiscal 2022 vs. Fiscal 2021
Volume/mix/new products impact:	
• Increase due to volume USD	\$1,757,666
• Decrease due to product mix USD	(\$212,528)
Total increase due to volume/mix USD	\$1,545,138
Currency impact:	
• Total increase due to volume/mix CAD	\$1,951,904
• Currency negative effects CAD	(\$74,669)
• Total increase in CAD	\$1,877,235

5.4 Total Expenses

Total expenses before taxes for the nine months ended April 30, 2022 increased by \$965,776 to \$4,182,842 compared to \$3,217,066 for the same period year ago, due to an increase in the three major expense components as explained below, offset by a foreign exchange positive impact.

Expense details		
Year-to-date	Fiscal 2022	Fiscal 2021
Cost of sales ⁴	\$1,778,961	\$1,586,044
R&D expenses ⁴	\$209,712	\$88,223
SG&A expenses ⁴	\$1,913,008	\$1,232,284
Depreciation of PPE	\$114,844	\$131,497
Depreciation of right-of-use assets	\$163,094	\$152,818
Foreign exchange loss / (gain)	(\$44,422)	\$241,521
Financial expenses - net	\$47,645	\$28,939
Total expenses before other income	4,182,842	\$3,461,326
Other income (CEWS)	-	(\$244,260)
Total expenses	4,182,842	\$3,217,066

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

5.4.1 Cost of Sales

Cost of Sales 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 sales, see section 4.4.1 above.

Cost of sales		
Year-to-date	Fiscal 2022	Fiscal 2021
Revenues	\$5,822,473	\$3,945,238
Cost of sales ⁵	\$1,879,204	\$1,706,293
Gross margin %	68%	57%

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

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

5.4.2 Research and Development Expenses

Research and development (R&D) expenses for the nine months ended April 30, 2022 totaled \$209,712 compared to \$88,223 for the same period year ago. The \$121,489 increase is mainly due to the development of diamine oxidase (DiaMaze[®]), an enzyme being developed for the nutraceutical market.

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the nine months ended April 30, 2022 totaled \$1,913,008 compared to \$1,232,284 for the same period year ago. The variance of \$680,724 is mainly due to a profit sharing program accrual (\$550K), an increase in consultants (\$72K) and stock options expense (\$152K), offset by a decrease in salaries (\$91K).

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 April 30, 2022, the Company increased its net working capital by \$1,839,892 from July 31, 2021. Cash and cash equivalents increased by \$2,525,725 from July 31, 2021 to \$6,959,626.

As at:	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021
Cash and cash equivalents	\$6,959,626	\$6,209,764	\$5,208,690	\$4,433,901	\$4,210,710
Net working capital	\$6,571,226	\$5,942,847	\$5,357,827	\$4,731,334	\$4,560,820

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 financial results of the Company are difficult to predict as the Company's customers have significant variations in their purchasing patterns, as it has been illustrated in the quarterly results over the past few years. The impact of COVID-19 adds further uncertainty as it is possible that some of our customers have increased their inventories over supply-chain concerns, and we expect that, with the reduction in COVID-related hospitalizations there will be a reduction in the use of heparinase-based haemostasis tests.

The Company continues to support a number of our customers who are developing of new clinical devices which contain an IBEX enzyme. Some of these may result in additional revenues in calendar 2022. However, as with all developmental projects, we cannot give assurances that any of these customer-driven projects will come to market and produce significant revenues.

We are continuing with our development of the enzyme DiaMaze® (diamine oxidase). DiaMaze® is an enzyme targeted to persons suffering from histamine intolerance and will be marketed as a nutraceutical. While we continue to make good progress, development of this product relies on a number of third-party suppliers whose deliverables have been slower than expected, due to COVID-19 constraints.

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, 2021 MD&A, as they are the same for the nine months ended April 30, 2022.

9 RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2022 and 2021, 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, 2021 audited consolidated financial statements and the corresponding section of the July 31, 2021 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, 2022.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's April 30, 2022 interim financial statements.

New accounting standards, amendments and interpretations issued and effective for the Company beginning on August 1, 2020 are as follows:

IAS 1, Presentation of Financial Statements ("IAS 1"), and IAS 8, Accounting Policies, Changes in accounting Estimates and Errors ("IAS 8")

Definition of Material (Amendments to IAS 1, Presentation of Financial Statements, and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

IAS 1 and IAS 8 are applicable for annual periods beginning on or after January 1, 2020. The Company does not expect any impact in its financial statements upon the amendments of IAS 1 and IAS 8.

12 OUTSTANDING SHARE DATA**12.1 Common Shares**

As at June 9, 2022, the Company has 24,823,244 common shares outstanding.

12.2 Stock options

As at June 9, 2022, the Company has 1,615,000 stock options outstanding with exercise prices ranging from \$0.14 to \$0.48 and expiry dates ranging from April 2027 to December 2031.

As at June 9, 2022, on an if-converted basis, these stock options would result in the issuance of 1,615,000 additional common shares at an aggregate exercise price of \$407,400.



13 COVID-19 IMPACT

As an “Essential Service” (producing reagents and components for critical care diagnostic tests), IBEX has remained operational throughout the COVID-19 pandemic. To the extent possible, administrative staff work mainly from home and production and lab staff are on site on an as-needed basis. COVID-19 has not impacted our ability to produce and sell.

As noted above, our financial picture has actually improved, as customers have increased their purchases of our products (which mainly end up in diagnostics used in hospitals), however like many companies in the medical environment we do not have a clear picture of how COVID-19 will impact future sales.

The COVID-19 situation has however had an impact on some of our developmental programs, which rely heavily on external suppliers, some of which have been closed down as a result of the pandemic. Some of these programs have resumed in the past months as suppliers resumed operations

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