

## MANAGEMENT'S DISCUSSION & ANALYSIS

December 12, 2007

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the Company's unaudited consolidated interim financial statements for the three months ended October 31, 2007 as well as the audited consolidated financial statements and notes thereto for the years ended July 31 2007 and 2006 which are prepared in accordance with Canadian generally accepted accounting principles. These interim unaudited consolidated financial statements have not been reviewed by the Company's auditors. This MD&A provides a review of the performance of the Company for the three-month period ended October 31, 2007 as compared to the three-month period ended October 31, 2006. Additional information relating to the Company, including the Company's Annual Information Form and Proxy Circular, can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

Where "IBEX" or the "Company" is used, it is referring to IBEX Technologies Inc. and its wholly-owned subsidiaries, unless otherwise indicated. All amounts are in Canadian dollars, unless otherwise indicated. Solely for the convenience of the reader, selected financial results have been translated into U.S. dollars at the October 2007 month-end rate C\$1.00 = US\$ 1.0585. This translation should not be construed as an application of the recommendations relating to the accounting for foreign currency translation, but rather as supplemental information for the reader.

### 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 risk factors section of the MD&A.

### OVERVIEW

IBEX Technologies Inc. (TSX:IBT) is a bioharmaceutical company manufacturing and selling proprietary enzymes and arthritis assays.

Revenue is derived from:

- A group of proprietary glycobiology enzymes (heparinases and chondroitinases) of which the principal enzyme, *Heparinase I* IBEX is used widely in home monitoring devices to monitor heparin and coumadin therapy and in hospitals to assist in the generation of data relative to coagulation and hemostatis; and
- Novel arthritis assays which are used in pharmaceutical research. These assays are based on the discovery of a number of specific molecular biomarkers associated with collagen synthesis and degradation.

We sell our current products, enzymes and diagnostic kits, either directly or through distributors.

## **General Risk Factors**

IBEX products are sold to device makers, pharmaceutical companies for pre-clinical research and contract research organizations for clinical studies. As such IBEX is dependent on the successful marketing by the device makers, the frequency and size of pre-clinical and clinical studies.

IBEX products are sold in US\$ and as such the Company is highly exposed to currency fluctuations.

In addition, due to the speculative nature of the industry, market prices for securities of biotechnology companies may be highly volatile and subject to significant fluctuation and may not necessarily be related to the operating or other performances of such companies.

## **Recent Developments**

During the quarter ended October 31, 2007 and up to the date of this MD&A, the following developments are noted:

- On a comparable year-to-year basis, invoiced sales at \$554,587 were 30% higher than the comparative quarter for the prior year (\$428,068), and up 6% on a 12 months rolling basis. In US\$, the currency of sale, sales were up 54% versus year ago.
- The Company also achieved its previously announced goal to have cash and net working capital in excess of \$1,000,000 at the end of the quarter (at October 31, 2007, the Company's cash and cash equivalents totaled \$1,041,472, and its net working capital was \$1,231,669).
- The Company has been able to execute its restructuring plan effectively, and recorded a loss of \$188,174, versus a loss of \$774,527 in the comparative quarter a year ago, and down from a loss of \$5,508,725 in the prior quarter, which had a significant number of one time expenses due to restructuring.
- On September 7, 2007, the TSX advised IBEX that it was reviewing the eligibility of IBEX for continued listing on the TSX as its listed securities did not maintain a market value of at least three million dollars over a period of 30 consecutive trading days. IBEX has been granted 120 days to regain compliance with TSX listing requirements. IBEX is taking steps to ensure that should it not meet the requirements for continued listing, its shares will be tradable on an alternative exchange.

## **Looking forward**

In addition to optimizing its base business, IBEX remains open to exploring opportunities to maximize shareholders' value through discussions with companies interested in the IBEX infrastructure and its accumulated tax loss carry-forwards.

On an operational basis, IBEX expects to achieve a positive EBITDA in the second quarter and to end the fiscal year with working capital in excess of \$1,000,000.

The Company is also seeking cost-sharing arrangements to assist in the development of two low-cost, low-risk projects:

- A heparinase-containing blood collection tube for use in the clinical research market.
- A new arthritis assay based on a recombinant human CP II. This assay is would measure the human type II collagen carboxy propeptide which is cleaved from type II procollagen following release of newly synthesized procollagen into the matrix.

## GLYCOBIOLOGY/HAEMATOLOGY ENZYMES

IBEX develops and markets a family of proprietary enzymes. The most important enzyme - *Heparinase I IBEX* is incorporated into many point-of-care coagulation monitoring devices to remove heparin, the presence of which will provide aberrant results.

IBEX has focused on the isolation, characterization and high-level expression of glycosaminoglycan GAG lyase enzymes derived from *Flavobacterium heparinum*, a non-pathogenic soil organism. The company has developed a proprietary *Flavobacterium heparinum* production system. This system allows the economic production of high purity recombinant forms of these GAG lyases. These enzymes and their uses are protected by an extensive patent suite.

IBEX produces heparinase I, heparinase II, heparinase III, chondroitinase AC and chondroitinase B. These enzymes are sold through its distributors for research purposes, and directly by IBEX to manufacturers of medical devices.

Of these enzymes, *Heparinase I IBEX* is the most important. Its potential lies in its ability to cleave heparin and low molecular weight heparins and thereby neutralize the effects of heparin, and heparinoids, drugs commonly used in hospitals. *Heparinase I IBEX* recognizes and cleaves a pentasaccharide sequence which occurs in both heparin and the low molecular weight heparins thereby neutralizing their anticoagulant activity.

IBEX produces its enzymes at its own site and, when demand warrants, at larger size third party outside manufacturing facilities monitored by IBEX personnel.

IBEX and its partners have developed several diagnostic applications of Heparinase I IBEX, principally in the point-of-care market. Key customers include Abbott Point of Care, Medtronic, Dade Behring, Haemoscope and Pentapharm.

IBEX is seeking to expand its long-term agreements with major partners. Further, the Company is also working on expanding its customer base in new point-of-care coagulation monitoring devices.

## ARTHRITIS ASSAYS

IBEX arthritis assays enable the study of both the *synthesis* and *degradation* of cartilage components and are powerful tools when used together since they can provide a direct measure of joint damage.

IBEX Arthritis Diagnostic kits and services are marketed and sold to pharmaceutical companies, clinical research organizations and academic institutions for research use only ("RUO"). The marketing of these diagnostic kits is done through key opinion leaders.

**FOR THE THREE-MONTH PERIOD ENDED OCTOBER 31, 2007****Results of Operations**

For the three-months ended October 31, 2007, IBEX recorded a net loss of \$188,174 (US\$199,182) or (\$0.01) per share, compared to a net loss of \$774,527 or (\$0.03) per share for the same period in fiscal 2007. The net loss decrease is primarily attributable to the Company's decision in May 2007 to terminate all research and development activities. The Company did not incur any R&D expenses in the first quarter of fiscal year 2008 versus \$384,252 in the same quarter of the previous year. Other factors contributing to the net loss decrease are: an increase in sales revenues, a decrease in selling, general and administrative expenses partially offset by an increase to foreign exchange loss as the company is exposed to foreign exchange risk by virtue of its sales revenues denominated in U.S. dollars.

The restructuring plan officially ended in October of 2007. The net loss for the first quarter is almost entirely attributable to the balance of expenses relating to the completion of the previously announced restructuring plan.

**Revenue**

Revenues for the three-month period ending October 31, 2007 were \$554,587 (US\$587,030) were 30% higher than the comparative quarter for the prior year (\$428,068) and up to 6% on a 12 months rolling basis. In US\$, the currency of sale, sales were up 54% versus year ago. Invoiced sales revenue increases were seen from both the glycobiology enzyme and arthritis assay lines.

**Selling, General & Administrative Expenses and Cost of Goods Sold**

Selling, general and administrative expenses and cost of goods sold for the three-month period ended October 31, 2007 decreased to \$636,730 (US\$673,978) from \$812,178 for the same period in fiscal 2007. The decrease in expenses in the quarter is mainly due to \$150,000 in due diligence consulting and legal expenses incurred in the same quarter of the prior year relating to merger and acquisition candidates.

## 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 at October 31, 2007.

(in thousands of dollars, excluding per share amounts)	First Quarter October 31	Second Quarter January 31	Third Quarter April 30	Fourth Quarter July 31
<b>Fiscal Year 2008</b>				
Revenue	\$ 555			
Net loss	\$ (188)			
Basic and fully diluted net loss per Common Share	\$ (0.01)			
<b>Fiscal Year 2007</b>				
Revenue <sup>(1)</sup>	\$ 428	\$ 474	\$ 552	\$ 570
Net loss <sup>(2)</sup>	\$ (775)	\$ (311)	\$ (816)	\$ (5,508)
Basic and fully diluted net loss per Common Share	\$ (0.03)	\$ (0.01)	\$ (0.04)	\$ (0.24)
<b>Fiscal Year 2006</b>				
Revenue <sup>(1)</sup>		\$ 530	\$ 496	\$ 452
Net loss		\$ (754)	\$ (854)	\$ (626)
Basic and fully diluted net loss per Common Share		\$ (0.03)	\$ (0.04)	\$ (0.03)

Notes:

<sup>(1)</sup> Research tax credits formerly presented as revenue is now presented as a reduction to research & development expenses. The revenues presented exclude research tax credit for all eight quarters.

<sup>(2)</sup> Included in the Net loss of the fourth quarter of fiscal year 2007 are amounts of \$3,817,000 as write down for impaired intangible assets and \$1,061,000 as write down for an unrecoverable loan plus accrued interest.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

The activities of IBEX have been primarily financed through the issuance of capital stock, government assistance, the sale of diagnostics glycobiology enzymes and biomarkers and the sale in 2002 of its therapeutic enzyme business.

As of October 31, 2007, IBEX had \$1,041,372 in cash and cash equivalents and its net working capital was \$1,231,669. IBEX expects to generate a positive cash flow beginning with the fiscal quarter commencing November 1, 2007.

### Contractual Obligations

Other than the following, the Company's contractual obligations are as described in the Company's annual MD&A, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**RELATED PARTY TRANSACTIONS**

During the three-month ended October 31, 2007, the Company had the following related party transactions which were measured at the exchange amount as they were in the ordinary course of business:

IBEX paid management consulting fees to a shareholder of the Company relating to advice provided on intellectual property matters. The total fees charged to the Company were \$4,375.

The Company received rental income from an IBEX shareholder for office space occupied by the shareholder at the Company's business address. The amount of rental income received or to be received totals \$8,755.

**CRITICAL ACCOUNTING ESTIMATES**

The Company's critical accounting estimates are as described in the Company's annual MD&A, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

**ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

The new accounting pronouncements and the impact on the financial statements are as described in the Company's unaudited consolidated interim financial statements for the three months ended October 31, 2007, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Below is an abbreviated version of the impact of the new accounting pronouncements.

On August 1, 2007, the company adopted the recommendations included in the following sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook: Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement and Section 3865, Hedges, which did not have an impact on the company as it does not use hedge accounting. These standards provide accounting guidelines for recognition and measurement of financial assets, financial liabilities and non-financial derivatives as well as the introduction of a new statement of comprehensive income.

The company's adoption of these new Financial Instruments standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments. Embedded foreign currency derivatives gave rise to transition amounts and were the only items that had an effect on the financial statements.

During the three-month period ended October 31, 2007, the cumulative impact of adopting these new standards: i) for fiscal years prior to the current fiscal year was recognized in the consolidated financial statements as a one-time increase of \$4,711 to both deficit and accounts payables, and, ii) the first quarter of fiscal year 2008 was an increase of \$38,837 in the foreign exchange and an increase of the accounts payables.

**NEW ACCOUNTING STANDARDS ISSUED AND NOT ADOPTED****Financial instruments - disclosure and presentation**

In December 2006, the CICA published the following two sections of the CICA Handbook: Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These standards introduce disclosure and presentation requirements that will

enable financial statements' users to evaluate, and enhance their understanding of, the significance of financial instruments for the entity's financial position, performance and cash flows, and the nature and extent of risks arising from financial instruments to which the entity is exposed, and how those risks are managed.

## **Capital disclosures**

In December 2006, the CICA published section 1535 of the Handbook, Capital disclosures, which requires disclosure of both qualitative and quantitative information that enables financial statements' users to evaluate the entity's objectives, policies and processes for managing capital.

## **Inventories**

In January 2007, the CICA published section 3031 of the Handbook, Inventories, which prescribes the accounting treatment for inventories. Section 3031 provides guidance on the determination of costs and its subsequent recognition as an expense, and provides guidance on the cost formulas used to assign costs to inventories.

These standards must be adopted for the company's fiscal year beginning on August 1, 2008. While the company is currently assessing the impact of these new recommendations on its financial statements, it does not expect the recommendations to have a significant impact on its financial position, earnings or cash flows.

## **FINANCIAL INSTRUMENTS**

At October 31, 2007, the Company's financial instruments consisted mainly of cash and cash equivalents, receivables, accounts payable & accrued liabilities and embedded derivatives from a contract for the sale of non-financial items that is denominated in a currency other than the Company's and the counter-party's functional currency. The primary objective of the Company's investment policy is the protection of principal and accordingly the Company invests in high-grade securities. The Company does not use derivative financial instruments for speculative purposes.

## **RISK FACTORS**

IBEX's business involves certain risks and uncertainties that could cause the actual results of its business to differ materially from management expectations. Certain risks are inherent for drug and diagnostics developers, while others are more specific to IBEX.

While management believes that IBEX's target markets offer significant revenue generating potential, no assurance can be given that these assumptions will prove correct. Several factors may negatively impact IBEX's anticipated business development. The following section describes both general and specific risks that could affect IBEX.

## **Market Demand**

Changes in market demand could affect sales of the Company's enzyme reagents and sales of its arthritis tests into research applications. A decrease in demand for such products could have a material adverse effect on the Company.

## **Regulatory Approval**

The current line of IBEX products are not subject to regulatory approval. However, there is no guarantee that this may not change in the future. Any such changes may have the effect of significantly increasing the cost of doing business for IBEX.

## **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 patents 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.

## **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.

## **Financial and Human Resources**

There can be no assurance that IBEX will achieve its objective of possessing \$1 million in cash and cash equivalents at the end of January 2008 nor that it will succeed to generate a positive cash flow on a quarter to quarter basis and nor that it will be able to access capital at the necessary time and on favorable terms that support the continued operations of the Company. If adequate funding is not available, IBEX may be required to reduce or eliminate part of its operations.

IBEX relies upon a small staff of key employees who possess the knowledge and know-how to continue the Company's operations. There is no assurance that the Company will be able to maintain its personnel.

## **Contingencies**

In the normal course of operations, claims may arise against the company pertaining to undesired side effects with respect to products presently being sold or 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 the Company's results of operations or financial position.

## **Other Risks**

The Company is exposed to market risks related to volatility in interest rates for the Company's investment portfolio and foreign currency exchange rates related to sales revenue and purchases of supplies and services made in U.S. dollars. In addition, the Company's share price is subject to equity market risk, which may result in significant speculation and volatility of trading due to the uncertainty inherent in the Company's business and in the biotechnology industry in general. The expectations of the Company made by securities analysts could also have a significant impact on the trading price of IBEX's common shares.

In addition, the Company's failure to partner with a larger pharmaceutical company on certain strategic initiatives could significantly inhibit the Company's ability to develop a high throughput platform for its assays.

## **OUTSTANDING SHARE DATA**

### **Authorized:**

At December 12, 2007, 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

Voting common shares

### **Issued and Outstanding:**

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

#### **Common shares**

As of December 12, 2007 the Company had 24,703,244 common shares outstanding.

#### **Stock options**

As of December 12, 2007 the company had 1,534,168 stock options outstanding with exercise prices ranging from \$0.18 to \$2.55 and expiry dates ranging from June 24, 2007 to January 31, 2017. At December 12, 2007, on an if-converted basis, these stock options would result in the issuance of 1,534,168 common shares at an aggregate exercise price of \$557,802.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer and Controller, together with other members of management, after evaluating the effectiveness of the company's disclosure controls and procedures as of October 31, 2007, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer and Controller, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's GAAP as of October 31, 2007, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect the Company's internal control over financial reporting.