



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2019

**THREE MONTHS ENDED
OCTOBER 31, 2018**

As at December 13, 2018



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2018**

December 13, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

December 13, 2018

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. (“Company”) were approved by the Audit Committee and the Board of Directors on December 13, 2018. This MD&A provides a review of the developments and results of operations of the Company during the first quarter ended October 31, 2018 compared with the first quarter ended October 31, 2017.

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, 2018 and 2017.

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 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 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.

IBEX produces its enzymes at its sites in Montréal, Quebec, 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 for the making of disposable medical 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: Q1 FISCAL 2019

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)	October 31		July 31		April 30		January 31		Full Year	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
- Revenues	1,039	1,183	1,265	1,460	1,389	1,115	893	1,542	4,586	5,300
- Net (loss) earnings	(209)	130	(19)	2,359	210	1	(416)	423	(434)	2,913
- (Loss) earnings per common share	(0.01)	0.01	-	0.09	0.01	-	(0.02)	0.02	(0.02)	0.11
- Comprehensive (loss) income	(202)	151	(8)	2,289	238	49	(447)	390	(419)	2,879

Net Loss for the Quarter

The Company recorded a net loss of \$208,741 during the first quarter ended October 31, 2018 compared to net earnings of \$129,859 for the same period year ago. This change of \$338,600 is related mainly to an increase in expenses of \$195,060 (see section 4.4), and a decrease in revenues of \$143,540.

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		
Quarter ended	October 31, 2018	October 31, 2017
Balance sheet revaluation		
• US cash	(\$10,853)	(\$55,005)
• US Trade receivables	(\$7,750)	(\$47,655)
• Other US accounts	(\$4,404)	\$20,562
Total gain on revaluation	(\$23,007)	(\$82,098)

Canadian/US dollar		
Quarter ended	October 31, 2018	October 31, 2017
Average rate	1.3029	1.2498
Closing rate	1.3142	1.2893

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 October 31, 2018 totaled \$1,039,473, a decrease of \$143,540 (12%) compared to the same period year ago. The decrease in revenues traces mainly to the changes in quarterly purchases patterns on the part of our major customers.

The net decrease of \$143,540 in revenues vs. the same period year ago can be attributed to an actual decrease in operating revenues of \$186,052 (US\$142,794) and a positive variance of \$42,512 due to the impact of currency exchange.

The negative variance of US\$142,794 vs. the same quarter in the previous year can be attributed to volume of US\$138,754 and new products of US\$15,355, offset by a positive variance in product mix of US\$11,315.

Revenues Variations – Quarter ended	October 31, 2018 vs. October 31, 2017
Volume/mix/new products impact:	
• Decrease due to volume USD	(\$138,754)
• Increase due to product mix USD	\$11,315
• Decrease due to new products USD	(\$15,355)
Total decrease due to volume/mix/new products USD	(\$142,794)
Currency impact:	
• Total decrease due to volume/mix/new products CAD	(\$186,052)
• Currency positive effects in CAD	\$42,512
• Total decrease in CAD	(\$143,540)

During first quarter ended October 31, 2018, the average currency rate was 1.3029 compared to 1.2498 in the same quarter last year. This translates to a gain for the Company since it sells in US dollars and reports in Canadian dollars.

4.4 Total Expenses for the Quarter

Total expenses in the first quarter of fiscal 2019 increased to \$1,248,214 compared to \$1,053,154 in the same quarter year ago. The increase of \$195,060 is related mainly to an increase in salaries and benefits expense of \$107,411 and the swing in foreign exchange of \$59,091 (gain of \$23,007 in the current quarter vs. gain of \$82,098 for the same period year ago).

Expense details		
Quarter ended	October 31, 2018	October 31, 2017
Cost of sales ¹	\$685,487	\$673,122
R&D expenses ¹	\$58,748	\$47,065
SG&A expenses ¹	\$460,773	\$359,109
Depreciation of PPE ²	\$71,167	\$60,908
Foreign exchange gain	(\$23,007)	(\$82,098)
Financial expenses - net	\$5,046	\$10,048
Total expenses	\$1,258,214	\$1,068,154
Other gains	(\$10,000)	(\$15,000)
Total expenses after other gains	\$1,248,214	\$1,053,154

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

2- PPE = Property, plant and equipment.

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 costs of supplies, royalties, manufacturing labour and the allocation of fixed overheads.

Cost of sales		
Quarter ended	October 31, 2018	October 31, 2017
Revenues	\$1,039,473	\$1,183,013
Cost of sales ³	\$745,578	\$720,513
Gross margin %	28%	39%

3- Includes related depreciation expense 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 Expenses

Research and development (R&D) expenses consisted primarily of personnel expenses, laboratory supplies and external service providers. During the quarter ended October 31, 2018, research and development expenses totaled \$58,748 compared to \$47,065 in the same period year ago.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended October 31, 2018, selling, general and administrative (SG&A) expenses totaled \$460,773 compared to \$359,109 in the same period year ago. The increase of \$101,664 traces mainly to an increase in salaries and benefits expense.

5 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 October 31, 2018, the Company had net working capital of \$3,447,689 compared to net working capital of \$3,619,456 as at July 31, 2018. Cash and cash equivalents decreased by \$282,364 during the quarter to \$2,858,008.

As at:	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
Cash and cash equivalents	\$2,858,008	\$3,140,372	\$2,696,404	\$2,708,984	\$3,108,941
Net working capital	\$3,447,689	\$3,619,456	\$3,512,390	\$3,216,453	\$3,501,390

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

As always, future results for the Company are difficult to predict since the Company's customers have wide swings in their purchase patterns. Based on what we see at the moment, management expects that revenues and profitability in Fiscal 2019 will be lower than the previous fiscal year.

That notwithstanding, 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, 2018 MD&A, as they are the same for the three months ended October 31, 2018.

8 RELATED PARTY TRANSACTIONS

During the three months ended October 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.

9 CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the Company's July 31, 2018 audited consolidated financial statements and the corresponding section of the July 31, 2018 MD&A to review the Company's critical accounting estimates. They were the same as those used in the interim financial statements for the three months ended October 31, 2018.

10 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's October 31, 2018 interim financial statements.

11 OUTSTANDING SHARE DATA

11.1 Common Shares

As at December 13, 2018, the Company has 24,773,244 common shares outstanding.

11.2 Stock options

As at December 13, 2018, the Company has 1,505,000 stock options outstanding with exercise prices ranging from \$0.05 to \$0.24 and expiry dates ranging from December 2019 to December 2027.

As at December 13, 2018, on an if-converted basis, these stock options would result in the issuance of 1,505,000 additional common shares at an aggregate exercise price of \$312,375.