IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2019

NINE MONTHS ENDED
APRIL 30, 2019

As at June 12, 2019

IBEX

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED APRIL 30, 2019

June 12, 2019

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MANAGEMENT DISCUSSION AND ANALYSIS

June 12, 2019

1 PREAMBLE

The following Management Discussion and Analysis ("MD&A") and 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 June 12, 2019. The MD&A provides a review of the developments and results of operations of the Company during the third quarter ended April 30, 2019 compared with the third quarter ended April 30, 2018.

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, 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 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 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, 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 for the making of disposable medical devices 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 American and the rest of the world. The kits are produced in IBEX facilities.

4 RESULTS OF OPERATIONS: Q3 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)	April 30		January 31		October 31		July 31		4 Quarters	
	2019 $	2018 $	2019 $	2018 $	2018 $	2017 $	2018 $	2017 $	2019 $	2018 $
- Revenues	669	1,389	1,433	893	1,039	1,183	1,265	1,460	4,406	4,925
- Net (loss) earnings	(519)	210	43	(416)	(209)	130	(19)	2,359	(704)	2,283
- (Loss) earnings per common share	(0.02)	0.01	-	(0.02)	(0.01)	0.01	-	0.09	(0.03)	0.09
- Comprehensive (loss) income	(508)	238	44	(447)	(202)	151	(8)	2,289	(674)	2,231

Net earnings for the Quarter

The Company recorded a net loss of $518,700 during the third quarter ended April 30, 2019 compared to a net earnings of $209,806 for the same period a year ago. This negative change of $725,506 is related mainly to a decrease in revenues of $720,803 (see section 4.3).

4.2 Foreign Exchange

The tables below show the fluctuation in the Canadian/US dollar exchange rates which can have a significant impact on 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	**April 30, 2019**	April 30, 2018
Balance sheet revaluation		
• US cash	**($37,766)**	$73,821
• US Trade receivables	**($6,875)**	$16,364
• Other US accounts	**($4,694)**	($193,104)
Total gain on revaluation	**($49,335)**	($102,919)

Canadian/US dollar		
Quarter ended	**April 30, 2019**	April 30, 2018
Average rate	**1.3317**	1.2750
Closing rate	**1.3423**	1.2836

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, 2019 totaled $668,509, a decrease of $720,803 (52%) compared to the same period year ago. The decrease in revenues traces mainly to a reduction in sales to one customer who is facing generic competition in China, and to another customer who was purchasing product for the development of a new diagnostic test. That development program is now completed.

The net decrease of $720,803 in revenues vs. the same period year ago comprises an actual decrease in revenues of $787,797 (US$591,573) and a positive variance of $66,994 due to the impact of currency exchange.

The negative variance of US$591,573 vs. the same quarter in the previous year comprises a volume decrease of US$690,079, offset by positive variances in new products of US$97,399, and product mix of US$1,107.

Revenues Variations – Quarter ended	April 30, 2019 vs. April 30, 2018
Volume/mix/new products impact:	
• Decrease due to volume USD	($690,079)
• Increase due to product mix USD	$1,107
• Increase due to new products USD	$97,399
Total decrease due to volume/mix/new products USD	($591,573)
Currency impact:	
• Total decrease due to volume/mix/new products CAD	($787,797)
• Currency positive effects in CAD	$66,994
• Total decrease in CAD	($720,803)

During third quarter ended April 30,2019, the average currency rate was 1.3317 compared to 1.2750 in the same quarter last year. This translates to a gain for the Company since its sells in US dollars and reports in Canadian dollars.

4.4 Total Expenses for the Quarter

Total expenses in the third quarter of fiscal 2019 were essentially unchanged vs. the same quarter year go ($1,187,209 compared to $1,179,506).

Expense details		
Quarter ended	**April 30, 2019**	April 30, 2018
Cost of sales[1]	**$535,149**	$763,537
R&D expenses[1]	**$75,839**	$43,233
SG&A expenses[1]	**$553,668**	$406,357
Depreciation of PPE[2]	**$69,453**	$76,682
Foreign exchange gain	**($49,335)**	($102,919)
Financial expenses - net	**$2,435**	$7,616
Total expenses	**$1,187,209**	$1,194,506
Other gains	**-**	($15,000)
Total expenses after other gains	**$1,187,209**	$1,179,506

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 however result in the 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	**April 30, 2019**	April 30, 2018
Revenues	**$668,509**	$1,389,312
Cost of sales[3]	**$594,105**	$820,968
Gross margin %	**11%**	41%

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 April 30, 2019, research and development expenses totaled $75,839 compared to $43,233 in the same period year ago.

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4.4.3 Selling, General and Administrative Expenses

During the quarter ended April 30, 2019, selling, general and administrative (SG&A) expenses totaled $553,668 compared to $406,357 in the same period year ago. The increase of $147,311 traces mainly to a payment of $53,400 relating to Workmen's Compensation, and an accrual of $30,000 resulting from a change in Company policy regarding personnel time off and overtime (the Workmen's Compensation amount consists of four years of back payments resulting from the fact that the Company had previously been misclassified in an industry category with a lower rate).

5 RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 2019

5.1 Summary of Results

The Company recorded a net loss of $684,643 for the nine months ended April 30, 2019 compared to a net loss of $75,931 for the same period year ago. This negative change of $608,712 is primarily attributable to the decrease in revenues of $324,485 (see section 5.3), combined with an increase in expenses of $284,227 (see section 5.4).

Net loss		
Year-to-date	**Fiscal 2019**	Fiscal 2018
Revenues	**$3,140,614**	$3,465,099
Net expenses	**$3,825,257**	$3,541,030
Net loss	**($684,643)**	($75,931)
Loss per share, basic and diluted	**($0.03)**	($0.00)

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 and monetary assets and liabilities at the end of the reporting period.

Consolidated cumulative foreign exchange (gain) loss		
Year-to-date	**Fiscal 2019**	Fiscal 2018
Balance sheet revaluation		
• US Cash	**($39,593)**	($48,086)
• US Trade receivables	**($6,949)**	($62,504)
• Other US accounts	**($16,798)**	$26,348
Total (gain) loss on revaluation	**($63,340)**	($84,242)

Canadian/US dollar rates		
Year ended	**April 30, 2019**	April 30, 2018
Average rate	**1.3219**	1.2635
Closing rate	**1.3423**	1.2836

5.3 Revenues

Revenues for the nine months ended April 30, 2019 totaled $3,140,614 compared to $3,465,099 for the same period year ago. The decrease in revenues traces mainly to a reduction in sales to one customer who is facing generic competition in China, and to another customer who was purchasing product for the development of a new diagnostic test. That development program is now completed.

The net decrease in revenues vs. the same period year ago was $324,485, of which $487,648 (US$369,104) can be attributed to an actual decrease in revenues and the balance of $163,163 to the positive currency impact.

The negative variance in revenues came from a volume variance of US$396,112 and a product mix variance of $47,536, offset by a positive variance in new products of US$74,544.

Revenues Variations – Year-to-date	Fiscal 2019 vs. Fiscal 2018
Volume/mix/new products impact:	
• Decrease due to volume USD	($396,112)
• Decrease due to product mix USD	($47,536)
• Increase due to new products USD	$74,544
Total decrease due to volume/mix/new products USD	($369,104)
Currency impact:	
• Total decrease due to volume/mix/new products CAD	($487,648)
• Currency positive effects CAD	$163,163
• Total decrease in CAD	($324,485)

5.4 Total Expenses

Total expenses for the nine months ended April 30, 2019 totaled $3,825,257 compared to $3,541,030 for the same period year ago. The increase of $284,227 traces mainly to an increase in salaries and benefits expense of $362,963 due to new hires, assessment from Workmen's Compensation and a change in company policy (see section 5.4.3) partially offset by the positive impact of inventory allocation of $92,907.

Expense details		
Year-to-date	**Fiscal 2019**	Fiscal 2018
Cost of sales[4]	**$1,995,734**	$2,046,614
R&D expenses[4]	**$248,987**	$144,188
SG&A expenses[4]	**$1,431,917**	$1,236,944
Depreciation of PPE	**$210,522**	$216,088
Foreign exchange gain	**($63,340)**	($84,242)
Financial expenses - net	**$11,437**	$26,438
Total expenses	**$3,835,257**	$3,586,030
Other gains	**($10,000)**	($45,000)
Total expenses after other gains	**$3,825,257**	$3,541,030

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 2019**	Fiscal 2018
Revenues	**$3,140,614**	$3,465,099
Cost of sales[5]	**$2,173,838**	$2,213,171
Gross margin %	**31%**	36%

5- 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 overheads to inventory) rather than to an 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, 2019 totaled $248,987 compared to $144,188 for the same period year ago.

The primary focus of the R&D is the improvement of our arthritis assay and early-stage development on a new application for the enzyme diamine oxidase

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the nine months ended April 30, 2019 totaled $1,431,917 compared to $1,236,944 for the same period year ago. The increase of $194,973 is related mainly to a payment of $53,400 relating to Workmen's Compensation, and an accrual of $30,000 resulting from a change in Company policy regarding personnel time off and overtime (the Workmen's Compensation amount consists of four years of back payments resulting from the fact that the Company had previously been misclassified in an industry category with a lower rate).

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, 2019, the Company had net working capital of $3,068,584 compared to net working capital of $3,619,456 as at July 31, 2018. Cash and cash equivalents decreased by $159,788 to $2,980,584 compared to $3,140,372 as at July 31, 2018.

As at:	**April 30, 2019**	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018
Cash and cash equivalents	**$2,980,584**	$3,327,402	$2,858,008	$3,140,372	$2,696,404
Net working capital	**$3,068,584**	$3,556,616	$3,447,689	$3,619,456	$3,512,390

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.

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 previously reported, we expect to see lower revenues in Fiscal 2019 vs. Fiscal 2018 mainly due to a reduction in sales to several customers, one of which who is facing generic competition in China, and another who was purchasing product for the development of a new diagnostic test. That development program is now completed.

These factors point to a significant reduction in net earnings for Fiscal 2019 vs. Fiscal 2018.

On the positive side, the previously announced closure of the Iowa facility will produce operational savings of approximately $800,000 annually starting in Fiscal 2020 and an additional $200,000 annually when the facility is sold, however the Company expects to incur $150,000 in one-time severance and other related costs which will be booked in the fourth quarter of this fiscal year.

The Company continues to work on a number of heparinase-containing clinical device projects with its key customers, some of which may result in additional revenues in Fiscal 2020 and beyond; however, as with all developmental projects, we cannot give any assurances that any of these customer-driven projects will come to market and produce significant 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, 2018 MD&A, as they are the same for the nine months ended April 30, 2019.

9 RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2019 and 2018, 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, 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 nine months ended April 30, 2019.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's April 30, 2019 interim financial statements.

12 OUTSTANDING SHARE DATA

12.1 Common Shares

As at June 12, 2019, the Company has 24,773,244 common shares outstanding.

12.2 Stock Options

As at June 12, 2019, the Company has 1,805,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from December 2019 to December 2028.

As at June 12, 2019, on an if-converted basis, these stock options would result in the issuance of 1,805,000 common shares at an aggregate exercise price of $355,875.

13 CLOSE OF IOWA PRODUCTION FACILITY

On March 12, 2019, IBEX reported that it plans to close its Iowa production facility as of July 31, 2019.

The Iowa production facility came with the 2013 acquisition of Bio-Research Products Inc. ("BRP") a company based in North Liberty, Iowa. BRP produces, among other things, a series of enzymes used in clinical diagnostics which complements the IBEX enzyme product line. The production of the BRP clinical diagnostics enzymes will be transferred to the IBEX Montréal production facility.

The North Liberty facility will initially be put up for sale as a functioning protein production facility with all the equipment required for the production of clinical diagnostic enzymes and botanical extracts. The property consists of a fermentation suite with a 300 litre bio-reactor, 2,200 square feet of wet-lab space, 1,200 square feet of production space for downstream production and 4,450 square feet of warehouse space. The facility sits on 5.43 acres of land, of which 3.54 acres is available for future expansion.

In the event that there are no buyers for the site as a protein production facility, the Company will move certain valuable equipment to expand its production capacity in Montreal, and market the site for general light industry purposes.

The Company expects to incur $150,000 in shut-down related costs in the fourth quarter of this fiscal year.

The initial operating benefit from the closure of the site will begin to flow into the financial results in the second quarter of Fiscal 2020 (the quarter ending January 31, 2020). The subsequent operating benefit will be realized when the property is sold.

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