



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2020

**SIX MONTHS ENDED
JANUARY 31, 2020**

As at March 25, 2020

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JANUARY 31, 2020
March 25, 2020**

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MANAGEMENT DISCUSSION AND ANALYSIS

March 25, 2020

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 March 25, 2020. This MD&A provides a review of the developments and results of operations of the Company during the second quarter ended January 31, 2020 compared with the second quarter ended January 31, 2019.

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, 2019 and 2018.

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.

Up to July 31, 2019, IBEX produced its enzymes at its sites in Montreal, Quebec, and in North Liberty, Iowa, as well as at a third party manufacturing facility monitored by IBEX personnel. As of July 31, 2019, the Iowa facility was closed and production of products produced at that site was transferred to the Montreal site.

The Company's products 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.

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: Q2 FISCAL 2020

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)	January 31		October 31		July 31		April 30		Full Year	
	2020 \$	2019 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2020 \$	2019 \$
- Revenues	1,005	1,433	1,079	1,039	1,167	1,265	669	1,389	3,920	5,126
- Net (loss) earnings	(29)	43	64	(209)	(583)	(19)	(519)	210	(1,067)	25
- (Loss) earnings per common share	-	-	-	(0.01)	(0.02)	-	(0.02)	0.01	(0.04)	-
- Comprehensive (loss) income	(30)	44	64	(202)	(588)	(8)	(508)	238	(1,062)	72

Net Earnings for the Quarter

The Company recorded a net loss of \$29,003 during the second quarter ended January 31, 2020 compared to net earnings of \$42,798 for the same period year ago. This negative change of \$71,801 is related mainly to a decrease in revenues of \$427,771 (see section 4.3), partially offset by a decrease in expenses of \$355,970 (see section 4.4).

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	January 31, 2020	January 31, 2019
Balance sheet revaluation		
• US cash	(\$11,833)	\$9,026
• US Trade receivables	(\$4,107)	\$7,676
• Other US accounts	(\$423)	(\$7,700)
Total (gain) loss on revaluation	(\$16,363)	\$9,002

Canadian/US dollar		
Quarter ended	January 31, 2020	January 31, 2019
Average rate	1.3166	1.3311
Closing rate	1.3233	1.3144

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 January 31, 2020 totaled \$1,004,861, a decrease of \$427,771 (30%) compared to the same period year ago. The decrease in revenues traces mainly to changes in quarterly purchasing patterns on the part of several of our major customers.

The net decrease of \$427,771 in revenues vs. the same period year ago can be attributed to an actual decrease in revenues of \$414,052 (US\$314,486) and a negative variance of \$13,719 due to the impact of currency exchange.

The negative variance of US\$314,486 vs. the same quarter in the previous year can be attributed to volume for US\$277,173 and product mix for \$37,313.

Revenues Variations – Quarter ended	January 31, 2020 vs. January 31, 2019
Volume/mix/new products impact:	
• Decrease due to volume USD	(\$277,173)
• Decrease due to product mix USD	(\$37,313)
Total decrease due to volume/mix USD	(\$314,486)
Currency impact:	
• Total decrease due to volume/mix CAD	(\$414,052)
• Currency negative effects in CAD	(\$13,719)
• Total decrease in CAD	(\$427,771)

During second quarter ended January 31, 2020, the average currency rate was 1.3166 compared to 1.3311 in the same quarter last year. This translates to a loss 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 second quarter of fiscal 2020 decreased to \$1,033,864 compared to \$1,389,834 in the same quarter year ago. The decrease of \$355,970 is related mainly to the closing of the North Liberty, Iowa production facility on July 31, 2019 for \$313,727.

Expense details		
Quarter ended	January 31, 2020	January 31, 2019
Cost of sales ¹	\$495,925	\$775,098
R&D expenses ¹	\$24,317	\$114,400
SG&A expenses ¹	\$414,008	\$417,476
Depreciation of PPE ²	\$59,594	\$69,902
Depreciation of right-of-use assets	\$42,213	-
Foreign exchange (gain) loss	(\$16,363)	\$9,002
Financial expenses - net	\$14,170	\$3,956
Total expenses before other gains	\$1,033,864	\$1,389,834
Other gains	-	-
Total expenses	\$1,033,864	\$1,389,834

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

Cost of sales		
Quarter ended	January 31, 2020	January 31, 2019
Revenues	\$1,004,861	\$1,432,632
Cost of sales ³	\$544,204	\$834,155
Gross margin %	46%	42%

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

The increase in gross margin traces to cost allocation (the level of transfer of salaries, supplies, royalties and overhead to inventory) rather than to a decrease in the costs of materials or labour.

The increase of gross margin also reflects a decrease in the cost of sales related to the closing of the North Liberty, Iowa production facility on July 31, 2019.

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 January 31, 2020, research and development expenses totaled \$24,317 compared to \$114,400 in the same period year ago. The decrease of \$90,083 traces mainly to a decrease in contracts and collaborators expenses, and the closing of the North Liberty, Iowa production facility on July 31, 2019.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended January 31, 2020, selling, general and administrative (SG&A) expenses totaled \$414,008 compared to \$417,476 in the same period year ago.

5 RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JANUARY 31, 2020

5.1 Summary of Results

The Company recorded net earnings of \$35,460 for the six months ended January 31, 2020 compared to a net loss of \$165,943 for the same period year ago. This positive change of \$201,403 is primarily attributable to the decrease in expenses of \$589,907 (see section 5.4), partially offset by a decrease in revenues of \$388,504 (see section 5.3).

Net earnings (loss)		
Year-to-date	Fiscal 2020	Fiscal 2019
Revenues	\$2,083,601	\$2,472,105
Net expenses	\$2,048,141	\$2,638,048
Net earnings (loss)	\$35,460	(\$165,943)
Loss per share, basic and diluted	-	(\$0.01)

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 2020	Fiscal 2019
Balance sheet revaluation		
• US Cash	(\$9,311)	(\$1,827)
• US Trade receivables	(\$7,712)	(\$74)
• Other US accounts	\$3,726	(\$12,104)
Total gain on revaluation	(\$13,297)	(\$14,005)

Canadian/US dollar rates		
Year ended	January 31, 2020	January 31, 2019
Average rate	1.3201	1.3170
Closing rate	1.3233	1.3144

5.3 Revenues

Revenues for the six months ended January 31, 2020 totaled \$2,083,601 compared to \$2,472,105 for the same period year ago. The decrease in revenues traces mainly to changes in quarterly purchasing patterns on the part of several of our major customers.

The net decrease in revenues vs. the same period year ago was \$388,504, of which \$391,446 (US\$297,407) can be attributed to an actual decrease in revenues and the balance of \$2,942 to the positive currency impact.

The negative variance in revenues came from a volume variance of US\$380,617, offset by a positive variance in product mix of US\$83,210.

Revenues Variations – Year-to-date	Fiscal 2020 vs. Fiscal 2019
Volume/mix/new products impact:	
• Decrease due to volume USD	(\$380,617)
• Increase due to product mix USD	\$83,210
Total decrease due to volume/mix USD	(\$297,407)
Currency impact:	
• Total decrease due to volume/mix CAD	(\$391,446)
• Currency positive effects CAD	\$2,942
• Total decrease in CAD	(\$388,504)

5.4 Total Expenses

Total expenses for the six months ended January 31, 2020 totaled \$2,048,141 compared to \$2,638,048 for the same period year ago. The decrease of \$589,907 is related mainly to the closing of the North Liberty, Iowa production facility on July 31, 2019 for \$538,209.

Expense details		
Year-to-date	Fiscal 2020	Fiscal 2019
Cost of sales ⁴	\$913,334	\$1,460,585
R&D expenses ⁴	\$87,366	\$173,148
SG&A expenses ⁴	\$832,359	\$878,249
Depreciation of PPE	\$118,033	\$141,069
Depreciation of right-of-use assets	\$84,425	-
Foreign exchange gain	(\$13,297)	(\$14,005)
Financial expenses - net	\$25,921	\$9,002
Total expenses before other gains	\$2,048,141	\$2,648,048
Other gains	-	(\$10,000)
Total expenses	\$2,048,141	\$2,638,048

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 2020	Fiscal 2019
Revenues	\$2,083,601	\$2,472,105
Cost of sales ⁵	\$1,009,297	\$1,579,733
Gross margin %	52%	36%

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

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

The increase of gross margin also reflects a decrease in the cost of sales related to the closing of the North Liberty, Iowa production facility on July 31, 2019.

5.4.2 Research and Development Expenses

Research and development (R&D) expenses for the six months ended January 31, 2020 totaled \$87,366 compared to \$173,148 for the same period year ago. The decrease of \$85,782 traces mainly to a decrease in contracts and collaborators expenses, and the closing of the North Liberty, Iowa production facility on July 31, 2019.

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the six months ended January 31, 2020 totaled \$832,359 compared to \$878,249 for the same period year ago.

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, 2020, the Company had net working capital of \$2,832,532 compared to net working capital of \$2,838,173 as at July 31, 2019. Cash and cash equivalents increased by \$423,922 to \$3,003,781 compared to July 31, 2019.

As at:	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019
Cash and cash equivalents	\$3,003,781	\$2,499,542	\$2,579,859	\$2,980,584	\$3,327,402
Net working capital	\$2,832,532	\$2,779,996	\$2,838,173	\$3,068,584	\$3,556,616

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.

We expect to see Fiscal 2020 revenues to be roughly equivalent to last year, however with the closure of the Iowa facility and the consequent reduction in expenses, we expect to be net earnings positive for the year.

The Company continues to work on a number of new heparinase-containing clinical device projects with its key customers, some of which may result in additional revenues in Fiscal 2021 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, 2019 MD&A, as they are the same for the six months ended January 31, 2020.

9 RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2020 and 2019, other than the transactions and amounts described in *Note 10* 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, 2019 audited consolidated financial statements and the corresponding section of the July 31, 2019 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, 2020, with the exception of new judgments involved with IFRS 16 adoption as describe in *Note 2* of the interim financial statements.

11 ACCOUNTING STANDARDS AND AMENDMENTS

On August 1, 2019, the Company adopted IFRS 16 "Leases" using the modified retrospective approach measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

The cumulative effect of initially applying IFRS 16 was recognized as a \$678,171 right-of-use assets with a corresponding lease liabilities.

Please refer to *Note 2* of the Company's January 31, 2020 interim financial statements.

12 OUTSTANDING SHARE DATA**12.1 Common Shares**

As at March 25, 2020, the Company has 24,773,244 common shares outstanding.

12.2 Stock options

As at March 25, 2020, the Company has 1,520,000 stock options outstanding with exercise prices ranging from \$0.05 to \$0.24 and expiry dates ranging from July 2023 to December 2028.

As at March 25, 2020, on an if-converted basis, these stock options would result in the issuance of 1,520,000 additional common shares at an aggregate exercise price of \$251,375.

13 SUBSEQUENT EVENTS

Sale of BRP's assets

Subsequent to the end of the second quarter, the Company accepted an offer from a third party to purchase the land, buildings, and equipment owned by the Company's Bio-Research Products subsidiary in Iowa.

The transaction is expected to close on May 1, 2020 subjected to normal closing conditions.

If the sale is completed as is, the Company will recorded an impairment of approximately \$100,000. Since the property is secured by a \$734,265 USD mortgage, the transaction will have a modest positive cash impact.

From an operational point of view, the Company expects an annual reduction in expenses of approximately \$170,000 USD per annum as a result of this sale of assets.

As previously reported, the production of all major products which IBEX acquired during the purchase of BRP have been moved to Montreal and represent an important augmentation to the IBEX product portfolio.

COVID-19

As an "Essential Service" IBEX will continue with the production of reagents and components for critical care diagnostic tests. However, the fallout from Covid-19 is affecting the way we do business. Administrative staff are working from home and production staff are on site only when required.

With the combination of existing inventories and the reduced production schedule we expect to be able to maintain continuity of supply for our customers unless the current environment changes dramatically.

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