IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2021

SIX MONTHS ENDED
JANUARY 31, 2021

As at March 17, 2021

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JANUARY 31, 2021
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MANAGEMENT DISCUSSION AND ANALYSIS

March 17, 2021

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 17, 2021. This MD&A provides a review of the developments and results of operations of the Company during the second quarter ended January 31, 2021 compared with the second quarter ended January 31, 2020.

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, 2020 and 2019.

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 2021

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	
	2021 $	2020 $	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $	2021 $	2020 $
- Revenues	1,312	1,005	1,165	1,079	1,447	1,167	1,679	669	5,603	3,920
- Net (loss) earnings	249	(29)	150	64	304	(583)	626	(519)	1,329	(1,067)
- (Loss) earnings per common share	0.01	-	0.01	-	0.01	(0.02)	0.02	(0.02)	0.05	(0.04)
- Comprehensive (loss) income	249	(30)	150	64	316	(588)	613	(508)	1,328	(1,062)

Net Earnings for the Quarter

The Company recorded a net earnings of $248,505 during the second quarter ended January 31, 2021 compared to net loss of $29,003 for the same period year ago. This positive change of $277,508 is related mainly to an increase in revenues of $308,054 (see section 4.3), partially offset by an increase in expenses before taxes of $30,493 (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 loss (gain)		
Quarter ended	**January 31, 2021**	January 31, 2020
Balance sheet revaluation		
• US cash	**$96,811**	($11,833)
• US Trade receivables	**$5,347**	($4,107)
• Other US accounts	**$11,305**	($423)
Total loss / (gain) on revaluation	**$113,463**	($16,363)

Canadian/US dollar		
Quarter ended	**January 31, 2021**	January 31, 2020
Average rate	**1.2867**	1.3166
Closing rate	**1.2780**	1.3233

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, 2021 totaled $1,312,915, an increase of $308,054 (31%) compared to the same period year ago. The increase in revenues traces mainly to changes in quarterly purchasing patterns on the part of several of our major customers.

Revenues comprise both actual sales and the effect of currency changes. The net increase in revenues vs. the same period year ago was $320,907 (US$249,403) which included a negative variance of $12,853 due to the impact of currency exchange.

The positive variance of US$249,403 vs. the same quarter in the previous year can be attributed to volume for US$174,939 and product mix for US$74,464.

Revenues Variations – Quarter ended	January 31, 2021 vs. January 31, 2020
Volume/mix/new products impact:	
• Increase due to volume USD	$174,939
• Increase due to product mix USD	$74,464
Total increase due to volume/mix USD	$249,403
Currency impact:	
• Total increase due to volume/mix CAD	$320,907
• Currency negative effects in CAD	($12,853)
• Total increase in CAD	$308,054

During second quarter ended January 31, 2021, the average currency rate was 1.2867 compared to 1.3166 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 before taxes in the second quarter of fiscal 2021 increased by $30,493 to $1,064,357 compared to $1,033,864 in the same quarter year ago.

Expense details		
Quarter ended	**January 31, 2021**	January 31, 2020
Cost of sales[1]	**$555,686**	$495,925
R&D expenses[1]	**$15,147**	$24,317
SG&A expenses[1]	**$435,635**	$414,008
Depreciation of PPE[2]	**$42,638**	$59,594
Depreciation of right-of-use assets	**$51,100**	$42,213
Foreign exchange loss/ (gain)	**$113,463**	($16,363)
Financial expenses - net	**$10,394**	$14,170
Total expenses before other gains	**$1,224,063**	$1,033,864
Other income (CEWS)	**($159,706)**	-
Total expenses	**$1,064,357**	$1,033,864

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	**January 31, 2021**	January 31, 2020
Revenues	**$1,312,915**	$1,004,861
Cost of sales[3]	**$610,376**	$544,204
Gross margin %	**54%**	46%

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 overheads to inventory) rather than to a decrease 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 January 31, 2021, research and development expenses totaled $15,147 compared to $24,317 in the same period year ago.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended January 31, 2021, selling, general and administrative (SG&A) expenses totaled $435,635, an increase of $21,627 from the same period year ago.

5 RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JANUARY 31, 2021

5.1 Summary of Results

The Company recorded net earnings of $398,571 for the six months ended January 31, 2021 compared to a net earnings of $35,460 for the same period year ago. This positive change of $363,111 is primarily attributable to the increase in revenue of $393,972 (see section 5.4), partially offset by an increase in expenses net of taxes of $30,861 (see section 5.3).

Net earnings		
Year-to-date	**Fiscal 2021**	Fiscal 2020
Revenues	**$2,477,573**	$2,083,601
Net expenses	**$2,079,002**	$2,048,141
Net earnings	**$398,571**	$35,460
Earnings per share, basic and diluted	**0.02**	-

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 loss / (gain)		
Year-to-date	**Fiscal 2021**	Fiscal 2020
Balance sheet revaluation		
• US Cash	**$100,130**	($9,311)
• US Trade receivables	**($12,894)**	($7,712)
• Other US accounts	**$31,154**	$3,726
Total loss / (gain) on revaluation	**$118,390**	($13,297)

Canadian/US dollar rates		
Year-to-date	**January 31, 2021**	January 31, 2020
Average rate	**1.3044**	1.3201
Closing rate	**1.2780**	1.3233

5.3 Revenues

Revenues for the six months ended January 31, 2021 totaled $2,477,573, an increase of $393,972 tracing mainly to 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 $306,542 (US$235,006) and an increase in price variance of $113,908 (US$87,326), offset by a negative currency effect of $26,478.

Revenues Variations – Year-to-date	Fiscal 2021 vs. Fiscal 2020
Volume/mix/new products impact:	
• Increase due to volume USD	$235,006
• Increase due to product mix USD	$87,326
Total increase due to volume/mix USD	$322,332
Currency impact:	
• Total increase due to volume/mix CAD	$420,450
• Currency negative effects CAD	($26,478)
• Total increase in CAD	$393,972

5.4 Total Expenses

Total expenses before taxes for the six months ended January 31, 2021 increased by $34,814 to $2,082,955 compared to $2,048,141 for the same period year ago.

Expense details		
Year-to-date	**Fiscal 2021**	Fiscal 2020
Cost of sales[4]	**$1,038,220**	$913,334
R&D expenses[4]	**$22,365**	$87,366
SG&A expenses[4]	**$902,242**	$832,359
Depreciation of PPE	**$92,606**	$118,033
Depreciation of right-of-use assets	**$97,028**	$84,425
Foreign exchange loss / (gain)	**$118,390**	($13,297)
Financial expenses - net	**$19,978**	$25,921
Total expenses before other gains	**$2,290,829**	$2,048,141
Other income (CEWS)	**($207,874)**	-
Total expenses	**$2,082,955**	$2,048,141

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 2021**	Fiscal 2020
Revenues	**$2,477,573**	$2,083,601
Cost of sales[5]	**$1,142,976**	$1,009,297
Gross margin %	**54%**	52%

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.

5.4.2 Research and Development Expenses

Research and development (R&D) expenses for the six months ended January 31, 2021 totaled $22,365 compared to $87,366 for the same period year ago. The decrease of $65,001 is a result mainly of vacancy in our R&D staffing.

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the six months ended January 31, 2021 totaled $902,242 compared to $832,359 for the same period year ago. The variance of $69,883 is mainly due to an increase in salaries due to overlapping personnel and hiring costs during a time of transition primarily during the first quarter.

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, 2021, the Company had net working capital of $4,275,151 compared to net working capital of $3,805,040 as at July 31, 2020. Cash and cash equivalents decreased by $309,736 during the quarter to $3,851,406.

As at:	**January 31, 2021**	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020
Cash and cash equivalents	**$3,851,406**	$4,161,142	$3,705,517	$2,843,130	$3,003,781
Net working capital	**$4,275,151**	$3,935,924	$3,805,040	$3,603,324	$2,832,532

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 to the picture.

Despite the good results for the first half we do not foresee Fiscal 2021 to be as profitable as Fiscal 2020, as customers who may have advanced purchases in Fiscal 2020 to protect against supply-chain interruptions may reduce some of their inventory in our Fiscal 2021. We have observed the significant postponement of cardiovascular surgeries during calendar 2020 and do not expect that we will return to normal levels in the first half of calendar 2021. This will have the impact of bloating the inventory levels of some of our customers and we might see lower sales in the next few quarters as a result.

We did have the benefit of the Canada Emergency Wage Subsidy this quarter which amounted to $207,874. Due to the extension of the government program to June 2021, we may see further benefits of the program in the upcoming quarters.

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 assurances that any of these customer-driven projects will come to market and produce significant revenues.

We are also advancing our enzyme DiaMaze® (diamine oxidase) into the development phase. DiaMaze is an enzyme targeted to persons suffering from histamine intolerance and will be marketed as a nutraceutical. Introduction is not expected before Fiscal 2023.

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).

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, 2020 MD&A, as they are the same for the six months ended January 31, 2021.

9 RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2021 and 2020, 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, 2020 audited consolidated financial statements and the corresponding section of the July 31, 2020 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, 2021.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's January 31, 2021 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 March 17, 2021, the Company has 24,823,244 common shares outstanding. After January 31, 2021, 50,000 stock options were exercised, increasing the common shares to the abovementioned total.

12.2 Stock options

As at March 17, 2021, the Company has 1,350,000 stock options outstanding with exercise prices ranging from $0.14 to $0.24 and expiry dates ranging from April 2027 to January 2030. After January 31, 2021, 50,000 stock options were exercised and 50,000 stock options had to be cancelled.

As at March 17, 2021, on an if-converted basis, these stock options would result in the issuance of 1,350,000 additional common shares at an aggregate exercise price of $226,375.

13 SALE OF IOWA PRODUCTION FACILITY

The Company closed operations at its North Liberty, Iowa production facility on July 31, 2019 and the facility was sold in June 2020.

The Company has taken a non-cash impairment of $35,492 in Fiscal 2020 related to the land, building and equipment.

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

14 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. COVID-19 has thus far not impacted our ability to produce and sell.

As noted above, our current financial operating results and balance sheet have actually improved, as customers have increased their purchases of certain products to protect against supply chain interruptions. However, we expect that this trend will not continue and in fact may reverse as customers used up their existing inventories.

The COVID-19 situation has, however, had a negative 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. We expect some of these programs to resume in the upcoming months as suppliers partially resume operations.

The Company has met all requirements under the Canada Emergency Wage Subsidy (CEWS). The CEWS is recorded in "Other income" in the Company's audited and unaudited interim condensed consolidated financial statements and notes.

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