



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2022

YEAR ENDED JULY 31, 2022

As at November 9, 2022

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MANAGEMENT DISCUSSION AND ANALYSIS

November 9, 2022

1 PREAMBLE

The following Management Discussion and Analysis (“MD&A”) and the audited consolidated financial statements of IBEX Technologies Inc. (the “Company”) were approved by the Audit Committee and the Board of Directors on November 9, 2022. This MD&A provides a review of the developments and results of operations of the Company during the fourth quarter and the fiscal year ended July 31, 2022 compared with the fourth quarter and the fiscal year ended July 31, 2021.

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, 2022 and 2021.

The Company’s audited consolidated 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.

The Company’s products are sold directly by the Company to manufacturers of medical devices, quality control labs, low molecular weight heparin manufacturers 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 hemostasis 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 hemostasis.

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.

The Company also makes enzymes which are used in producing diagnostic tests for acetaminophen poisoning and enzymes which are used in tests for homocystinuria.

In addition to making and selling enzymes, IBEX also provides lyophilization services for the making of disposable medical diagnostic 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: Q4 FISCAL 2022

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)	Q4		Q3		Q2		Q1		Full Year	
	2022 \$	2021 \$								
- Revenues	2,070	1,361	2,209	1,468	1,832	1,313	1,781	1,165	7,892	5,306
- Net earnings & comprehensive income	35	29	570	334	405	249	665	150	1,674	762
- Earnings per common share	-	-	0.02	0.01	0.02	0.01	0.03	0.01	0.07	0.03
- EBITDA	815	343	687	432	496	348	763	246	2,761	1,369

Net Earnings for the Quarter

The Company recorded net earnings of \$34,764 during the fourth quarter ended July 31, 2022 compared to net earnings of \$29,424 for the same period year ago. Revenues of \$709,065 (see section 4.3), were offset by an increase in expenses of \$199,221 and an increase in the tax provision of \$504,504 (see section 4.4).

EBITDA for the quarter was \$815,219 versus \$343,000 last year, an increase of \$472,219.

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).

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	July 31, 2022	July 31, 2021
Balance sheet revaluation		
• US cash	(\$25,014)	(\$97,106)
• US Trade receivables	\$4,454	(\$32,215)
• Other US accounts	\$5,876	\$21,571
Total (gain) / loss on revaluation	(\$14,684)	(\$107,750)

Canadian/US dollar		
Quarter ended	July 31, 2022	July 31, 2021
Average rate	1.2869	1.2291
Closing rate	1.2824	1.2462

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 July 31, 2022 totaled \$2,070,014, an increase of \$709,065 (52%) compared to the same period year ago. The increase in revenues is mainly due an increase in volume of \$470,250 (US\$365,413) and product mix of \$182,537 (US\$141,843) due to a combination of COVID-driven increases in the use of heparinase I, and by customers increasing their inventories to protect against supply-chain interruptions.

Revenues Variations – Quarter ended	July 31, 2022 vs. July 31, 2021
Volume/mix impact:	
• Increase due to volume USD	\$365,413
• Increase due to product mix USD	\$141,843
Total increase due to volume/mix USD	\$507,256

Currency impact:	
• Total increase due to volume/mix CAD	\$652,787
• Currency positive effect in CAD	\$56,278
• Total increase in CAD	\$709,065

During the fourth quarter ended July 31, 2022, the average exchange rate was 1.2869 compared to 1.2291 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 fourth quarter of Fiscal 2022 increased to \$1,323,022 compared to \$1,123,801 in the same quarter year ago. The increase of \$199,221 relates mainly to a negative foreign exchange impact versus last year for the same quarter as well as an increase in cost of sales and R&D expenses offset by R&D tax credits claimed for FY2022.

Expense details		
Quarter ended	July 31, 2022	July 31, 2021
Cost of sales ¹	\$624,922	\$526,103
R&D expenses ¹	\$132,138	\$52,835
SG&A expenses ¹	\$596,242	\$580,033
Depreciation of PPE ²	\$34,370	\$48,803
Depreciation of right-of-use assets	\$57,627	\$52,067
Foreign exchange (gain) / loss	(\$14,684)	(\$107,750)
Financial expenses - net	(\$17,936)	\$10,486
Total expenses before other income	\$1,412,679	\$1,162,577
Other income	(\$89,657)	(\$38,776)
Total expenses	\$1,323,022	\$1,123,801

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	July 31, 2022	July 31, 2021
Revenues	\$2,070,014	\$1,360,949
Cost of sales ³	\$655,080	\$565,924
Gross margin %	68%	58%

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

Any increase/decrease in gross margin relates to cost allocation (the level of transfer of salaries, supplies, royalties and overhead to inventory) rather than to a decrease/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 July 31, 2022, research and development expenses totaled \$132,138 compared to \$52,835 in the same period year ago. The increase relates mainly to expenses incurred due to the DiaMaze® and other development projects.

4.4.3 Selling, General and Administrative Expenses

During the quarter-ended July 31, 2022, selling, general and administrative (SG&A) expenses totaled \$596,242 compared to \$580,033 in the same period year ago, resulting in a marginal increase of \$16,209, due to an increase in professional fees.

4.4.4 Income Tax Expense (Recovery)

During the quarter ended July 31, 2022, income tax expense totaled \$712,228 compared to an income tax expense of \$207,724 in the same period year ago. The income tax expense are mainly non-cash components having as counterpart the deferred income tax assets in the consolidated statements.

5 RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2022

5.1 Summary of Year Results

The Company recorded net earnings of \$1,674,395 for the year ended July 31, 2022 compared to net earnings of \$761,503 for FY2021. This increase of \$912,892 is mainly due to an increase in revenues of \$2,586,300 offset by an increase in expenses of \$1,164,997 before taxes, and an increase in the tax provision of \$508,411.

EBITDA recorded was \$2,760,885, an increase of \$1,391,247 versus last year.

Net earnings		
Year ended	July 31, 2022	July 31, 2021
Revenues	\$7,892,487	\$5,306,187
Operating expenses	\$5,505,864	\$4,340,867
Earnings before income taxes	\$2,386,623	\$965,320
Income tax expense	\$712,228	\$203,817
Net earnings	\$1,674,395	\$761,503
Earnings per share, basic	\$0.07	\$0.03
Earnings per share, diluted	\$0.06	\$0.03

5.2 Foreign Exchange

The table below shows the fluctuation in the Canadian/US dollar 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 ended	July 31, 2022	July 31, 2021
Balance sheet revaluation		
• US Cash	(\$46,343)	\$105,082
• US Trade receivables	\$16,643	(\$31,274)
• Other US accounts	(\$29,405)	\$59,963
Total (gain) / loss on revaluation	(\$59,105)	\$133,771

Canadian/US dollar		
Year ended	July 31, 2022	July 31, 2021
Average rate	1.2692	1.2742
Closing rate	1.2824	1.2462

For a more detailed explanation of the foreign exchange impact, see Risks and Uncertainties in section 8.9.

5.3 Revenues for the Year

Revenues for the year ended July 31, 2022 totaled \$7,892,467 compared to \$5,306,187 for the same period year ago, an increase of \$2,586,300 due to a combination of COVID-driven increases in the use of heparinase I, and by customers increasing their inventories to protect against supply-chain interruptions.

The positive variance in revenues came mainly from a volume increase of \$2,694,612 (US\$2,123,079), and a decrease in product mix of \$89,713 (US\$70,685).

Revenues Variations – Year ended	July 31, 2022 Vs. July 31, 2021
Volume/mix impact:	
• Increase due to volume USD	\$2,123,079
• Decrease due to product mix USD	(\$70,685)
Total increase due to volume/mix USD	\$2,052,394
Currency impact:	
• Total increase due to volume/mix CAD	\$2,604,899
• Currency negative effect in CAD	(\$18,599)
• Total increase in CAD	\$2,586,300

5.4 Total Expenses for the Year

Total expenses for the year ended July 31, 2021 totaled \$5,505,864 compared to \$4,340,867 for the same period year ago. The increase in operating expenses of \$1,164,997 is mainly due to an increase in cost of sales, R&D and SG&A expenses and a decrease in other income offset by a positive impact in foreign exchange.

Expense details		
Year ended	July 31, 2022	July 31, 2021
Cost of sales ⁴	\$2,403,884	\$2,112,149
R&D expenses ⁴	\$341,850	\$141,057
SG&A expenses ⁴	\$2,509,250	\$1,812,316
Depreciation of PPE	\$149,214	\$180,300
Depreciation of right-of-use assets	\$220,719	\$204,885
Foreign exchange loss / (gain)	(\$59,105)	\$133,771
Financial expenses - net	\$29,709	\$39,425
Total expenses before other income	\$5,595,521	\$4,623,903
Other income	(\$89,657)	(\$283,036)
Total expenses	\$5,505,864	\$4,340,867

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

5.4.1 Cost of Sales

Cost of sales consists primarily 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 ended	July 31, 2022	July 31, 2021
Revenues	7,892,487	5,306,187\$
Cost of sales ⁵	2,534,284	2,272,217\$
Gross margin %	68%	57%

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

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

5.4.2 Research and Development Expenses

Research and development (R&D) expenses for the year ended July 31, 2022 totaled \$341,850 compared to \$141,057 for the same period year ago. The increase of \$200,793 is mainly due to the DiaMaze® development program and other development expenses incurred this fiscal year.

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the year ended July 31, 2022 totaled \$2,509,250 compared to \$1,812,316 for the same period year ago. The variance of \$696,934 is mainly due to an increase in the profit sharing program (\$455K), an increase in consultants and professional fees (\$116K) and stock options expense (\$154K), offset by a decrease in salaries (\$66K).

5.4.4 Income Tax Expense (Recovery)

Income tax expense totaled \$712,228 compared to an income tax expense of \$203,817 for the same period year ago. The income tax expense is mainly a non-cash component having as counterpart the deferred income tax assets in the consolidated statements.

6 LIQUIDITY AND CAPITAL RESOURCES

6.1 Overview

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 July 31, 2022, the Company's net working capital increased to \$7,318,308 compared to net working capital of \$4,731,334 as at July 31, 2021. Cash and cash equivalents increased by \$3,207,151 during the fiscal year to \$7,641,052.

As at:	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021
Cash and cash equivalents	\$7,641,052	\$6,959,626	\$6,209,764	\$5,208,690	\$4,433,901
Net working capital	\$7,318,308	\$6,571,226	\$5,942,847	\$5,357,827	\$4,731,334

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.

6.2 Contractual Obligations

Contractual obligations are operating lease commitments.

(in thousands of dollars)	Year ending July 31, 2022				
	Total	2023	2024	2025	2026+
Contractual obligations	\$1,934	\$241	\$242	\$252	\$1,199

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 can be seen from our quarterly results over the past few years. The impact of COVID-19 has added further uncertainty to the picture as not only has the COVID-related use of heparinase increased sales, customers have also built up inventories to protect against supply chain interruptions.

The Company continues to work on a number of new heparinase-containing clinical device projects with its key customers. 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 continue development work on our enzyme diamine oxidase (DiaMaze®). Diamine oxidase is an enzyme targeted to persons suffering from histamine intolerance and will be marketed as a nutraceutical. While we continue to make progress, development of this product relies on a number of third-party suppliers whose deliverables have been slower than desired due to COVID-19 constraints.

We are approaching an inflection point in the development of DiaMaze where, if we continue, expenses for research and production of food-grade finished product will significantly increase and will have a negative impact on profitability.

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.

8.1 Dependence on Key Customers

IBEX is highly dependent on a few key customers. A change in their needs due to changes in technology, production efficiencies or market demand can have a significant effect on the profitability of the Company.

8.2 Market Demand

IBEX products are sold to device manufacturers, pharmaceutical companies for pre-clinical research, and contract research organizations for clinical studies. As such, IBEX is dependent on successful marketing by device manufacturers and, in the case of our arthritis assays, the frequency and size of pre-clinical and clinical studies. A decrease in demand for such products could have a material adverse effect on the Company.

8.3 Regulatory Approval

Since IBEX produces assays for research and development and device components for third parties, and is not the manufacturer of record, the cost of regulatory compliance, while not insignificant, is manageable within the context of the Company's turnover to remain competitive. However, there is no guarantee that this may not change in the future. Any such changes might have the effect of significantly increasing the cost of doing business for IBEX.

8.4 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.

8.5 Financial Resources

IBEX has limited financial resources and limited opportunities to raise additional capital should the occasion warrant. There can be no assurance that IBEX will be able to improve or maintain a positive cash flow if events in the marketplace change materially.

8.6 Reliance on Key Personnel

IBEX relies upon a small staff of key employees who possess the knowledge and expertise to continue the Company's operations. There is no assurance that the Company will be able to retain its key personnel, or readily replace those who may leave.

8.7 Contingencies

In the normal course of operations, claims may arise against the Company with respect to products 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 its results of operations or financial position.

8.8 Foreign Exchange Risks

The Company is exposed to currency risks due to its export of goods manufactured in Canada. A change in the currency exchange rate between the Canadian dollar and the US dollar could have a material effect on its consolidated results of operations, financial position or cash flows. From time to time, the Company mitigates such risks by using foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. On April 25, 2022 and June 17, 2022, the Company entered into forward foreign exchange contracts under which it has undertaken to sell a total of \$2,300,000 USD to Canadian dollars at future dates, at varying rates, to April 2023.

As mentioned above, the Company is exposed to foreign exchange risk primarily as a result of revenues denominated in US dollars. Monetary balances denominated in foreign currencies as at July 31, 2022 and July 31, 2021 were as follows:

	July 31, 2022		July 31, 2021	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	1,240,539	967,357	660,074	529,670
Trade and other receivables	869,244	677,826	834,869	669,932
Trade and other payables	44,265	34,517	42,100	33,783

8.9 Interest Rate Risk

The Company's interest rate risk was related to the long-term debt. The Company no longer has an interest rate risk since the long term debt was repaid in June 2020.

8.10 Credit Risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, as well as trade and other receivables. Cash and cash equivalents consist of bank balances and money market funds maintained at financial institutions with high credit ratings. Therefore, the Company considers the risk of non-performance for cash and cash equivalents to be low.

The aging of trade accounts receivable as at July 31, 2022 was as follows:

	CA\$	%
Current	869,244	100
Past due 31-90 days	-	-
Past due over 90 days	-	-
	869,244	100

The Company's exposure to credit risk for trade accounts receivable for customers with greater than 10% of the total balance was as follows:

	July 31, 2022 %	July 31, 2021 %
Customer 1	64	64
Customer 2	25	7

8.11 Fair Value of Financial Instruments

The Company has evaluated the fair value of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value.

The Company categorizes its financial instruments according to three hierarchical levels:

- Level 1 - Measurement based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - Valuation techniques based primarily on observable market data; and
- Level 3 - Valuation techniques not based primarily on observable market data.

As at July 31, 2022 and 2021, there are no financial instruments that were accounted for using fair value.

8.12 Information technology systems

The Company depends on information technology systems (“IT systems”) to manage numerous aspects of our business transactions and to provide complete and reliable information to management. Our IT systems are an essential component of our business and growth strategies, and obsolescence of or a serious disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power outage or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches, cyberattacks, computer viruses and laws and regulations necessitating mandatory upgrades and timelines with which we may not be able to comply. Any serious disruption could adversely affect our operations, our competitive position and/or reputation, and could lead to claims that could have an adverse effect on profitability.

9 RELATED PARTY TRANSACTIONS

During the years ended July 31, 2022 and 2021, other than the transactions and amounts described in Note 9 in our audited consolidated financial statements, the Company did not have any other related party transactions.

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the estimated useful life of assets, the valuation of long-lived assets, and the valuation of tax attributes. It is possible that actual results could differ from those estimates, and such differences could be material. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of loss and comprehensive loss in the period in which they become known. We have identified the following areas which we believe require management’s most subjective judgments, often requiring the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods.

10.1 Valuation of Unrecognized Tax Attributes

Periodically, judgment is required in determining whether deferred income tax assets are recognized on the statement of financial position. Deferred income tax assets require management to assess the probability that the Company will generate taxable profits in future periods in order to utilize deferred income tax assets. Once the evaluation is completed, if the Company believes that it is probable that some portion of deferred income tax assets will be realized, a deferred income tax asset is recognized on the balance sheet. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the reporting date could be

impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit its ability to obtain tax deductions in future periods.

Management judgment is required in determining whether a deferred income tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in assessing management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Company and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred income tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

10.2 Impairment of Non-Financial Assets

Assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable and when criteria of assets held for sale are met. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and current, historical or projected losses that demonstrate continuing losses, decrease in market capitalization and deferral of capital investments.

The Company's recoverable amount measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts.

11 ACCOUNTING STANDARDS AND AMENDMENTS

A number of new standards or amendments to standards and interpretations will be effective for the fiscal year beginning August 1, 2022 or after. The Company does not expect that these new standards or amendments will have a significant impact on its consolidated financial statements.

12 NCIB

On July 29, 2022, the Company announced that the Toronto Stock Venture Exchange approved its notice of intention to launch a Normal Course Issuer Bid ("2023 NCIB"). Under the terms of the 2023 NCIB, the Company may purchase for cancellation up to 1,800,000 common shares of the Company, which represented 10% of its public float as at July 29, 2022. The 2023 NCIB commenced on August 5, 2022 and will end on the earlier of August 4, 2023 or when the Company completes its maximum purchases under the NCIB. Furthermore, IBEX entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under IBEX's automatic share purchase plan, the broker may purchase common shares, which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. After year-end and as of the date of the financial statements, 39,000 shares were repurchased and cancelled for a total of \$17,305.

13 OUTSTANDING SHARE DATA

13.1 Authorized

As at November 9, 2022, the Company's authorized capital stock consists of an unlimited number of:

- First preferred shares, cumulative, redeemable, 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. All preferred shares were converted into common shares;
- Second preferred shares, cumulative, redeemable, convertible, issuable in series;

- Third preferred shares, issuable in series; and
- Common shares.

13.2 Issued and Outstanding

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

13.2.1 Common Shares

As at November 9, 2022, the Company has 24,784,244 common shares outstanding, which consists of 24,823,244 shares outstanding as of July 31, 2022 less 39,000 shares cancelled after year-end as per the NCIB (see note 12).

13.2.2 Stock options

As at November 9, 2022, the Company has 1,615,000 stock options outstanding with exercise prices ranging from \$0.14 to \$0.48 and expiry dates ranging from April 2027 to December 2031.

As at November 9, 2022, on an if-converted basis, these stock options would result in the issuance of 1,615,000 additional common shares at an aggregate exercise price of \$407,400.

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 on an as-needed basis. COVID-19 has not impacted our ability to produce and sell.

As noted above, our financial picture has actually improved, as customers have increased their purchases of our products (which mainly end up in diagnostics used in hospitals), however like many companies in the medical environment we do not have a clear picture of how COVID-19 will impact future sales.

The COVID-19 situation has however had an 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. Some of these programs have resumed in the past months as suppliers resumed operations.

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