



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2023

**NINE MONTHS ENDED
APRIL 30, 2023**

As at June 6, 2023



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED APRIL 30, 2023
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MANAGEMENT DISCUSSION AND ANALYSIS

June 6, 2023

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 June 6, 2023. This MD&A provides a review of the developments and results of operations of the Company during the third quarter ended April 30, 2023 compared with the third quarter ended April 30, 2022.

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 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.

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.

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: Q3 FISCAL 2023

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)	Q3		Q2		Q1		Q4		12 Mos Ending Apr 30	
	F2023 \$	F2022 \$	F2023 \$	F2022 \$	F2022 \$	F2021 \$	F2022 \$	F2021 \$	2023 \$	2022 \$
- Revenues	2,264	2,209	1,722	1,832	1,752	1,781	2,070	1,361	7,808	7,183
- Net earnings	891	570	100	405	679	665	35	29	1,705	1,669
- Earnings per common share	0.03	0.02	0.00	0.02	0.03	0.03	-	-	0.06	0.07
- EBITDA	920	687	117	496	741	763	815	343	2,593	2,289

4.1 Net Earnings & EBITDA for the Quarter

Net earnings were \$891,431 during the third quarter ended April 30, 2023, an increase of \$321,829 compared to prior year. The difference is explained by an increase in revenues of \$54,962 (see section 4.3), a decrease in expenses before tax of \$258,087 (see section 4.4), and a tax recovery of \$8,780.

EBITDA for the quarter was \$919,650 versus \$686,674 last year, an increase of \$232,976, due mainly to a decrease in expenses.

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 loss (gain)		
Quarter ended	April 30, 2023	April 30, 2022
Balance sheet revaluation		
• US cash	\$32,789	(\$2,760)
• US Trade receivables	(\$10,621)	(\$3,323)
• Other US accounts	\$10,326	\$5
Total loss / (gain) on revaluation	\$32,494	(\$6,078)

Canadian/US dollar		
Quarter ended	April 30, 2023	April 30, 2022
Average rate	1.3570	1.2667
Closing rate	1.3485	1.2792

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.

4.3 Revenues for the Quarter

Revenues for the quarter ended April 30, 2023, totaled \$2,264,196, up \$54,962 from \$2,209,234 for the same period the prior year, and 54% higher than the same period in fiscal 2021.

Fiscal 2023 revenues were higher than expected which we attribute mainly to underlying growth of the market segments in which we compete.

Revenues comprise both actual sales and the effect of currency changes. The slight increase in revenues is due mainly to a positive currency impact of \$161,019 offset by a decrease in volume of \$80,507 (US\$59,327) and a decrease in product mix of \$25,550 (US\$18,827).

Revenues Variations – Quarter ended	April 30, 2023 vs. April 30, 2022
Volume/mix/new products impact:	
• Decrease due to volume USD	(\$59,327)
• Decrease due to product mix USD	(\$18,827)
Total decrease due to volume/mix USD	(\$78,154)

Currency impact:	
• Total decrease due to volume/mix CAD	(\$106,057)
• Currency positive effects in CAD	\$161,019
• Total increase in CAD	\$54,962

4.4 Total Expenses for the Quarter

Total expenses before tax for the third quarter of fiscal 2023 decreased by \$258,087 to \$1,381,545 compared to \$1,639,632 in the same quarter year ago. The decrease is due mainly to the recording of SR&ED tax credits for FY2022 and FY2023 of \$195,617, a decrease in financial expenses of \$100,466 (due to the increase in interest income on the cash balances), offset mainly by an increase in R&D expenses of \$52,607.

Expense details		
Quarter ended	April 30, 2023	April 30, 2022
Cost of sales ¹	\$562,632	\$617,253
R&D expenses ¹	\$139,539	\$86,932
SG&A expenses ¹	\$798,519	\$816,465
Depreciation of PPE ²	\$47,202	\$35,531
Depreciation of right-of-use assets	\$65,769	\$58,056
Foreign exchange loss/ (gain)	\$32,494	(\$6,078)
Financial expenses - net	(\$68,993)	\$31,473
Total expenses before other gains	\$1,577,162	\$1,639,632
Other (gains) / losses	(\$195,617)	-
Total expenses before tax	1,381,545	\$1,639,632

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.

The variance in gross margin is due 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.

Cost of sales		
Quarter ended	April 30, 2023	April 30, 2022
Revenues	\$2,264,196	\$2,209,234
Cost of sales ³	\$597,965	\$648,572
Gross margin %	74%	71%

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

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, 2023, research and development expenses totaled \$139,539 compared to \$86,932 in the same period year ago mainly due to salaries allocated to the development of diamine oxidase (DiaMaze®), an enzyme being developed for the mitigation of symptoms associated with histamine intolerance for the nutraceutical market.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended April 30, 2023, selling, general and administrative (SG&A) expenses totaled \$798,519, a decrease of \$17,946 from the same period year ago. The decrease is mainly due to a decrease in consultant fees, offset by an increase in professional fees and directors' fees.

5 RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 2023

Summary of Results

The following table is a summary of selected year to date consolidated financial information of the Company for the nine months ending April 30, 2023.

Net earnings		
Year-to-date	Fiscal 2023	Fiscal 2022
Revenues	\$5,737,837	\$5,822,473
Net expenses	\$4,067,866	\$4,182,842
Net earnings	\$1,669,971	\$1,639,631
Earnings per share, basic and diluted	0.06	\$0.06
EBITDA	\$1,778,130	\$1,945,668

5.1 Net Earnings & EBITDA

Net earnings were \$1,669,971 for the nine months ended April 30, 2023 compared to net earnings of \$1,639,631 for the same period year ago. This increase of \$30,340 is attributable to a decrease in expenses totaling \$106,196 (see section 5.4) offset by a decrease in revenues of \$84,636 (see section 5.3), and a tax recovery of \$8,780.

EBITDA decreased by \$167,538 when compared to YTD FY2022 despite the increase in net earnings due mainly to the increased interest income in F2023 vs F2022 (interest revenue is not included in EBITDA). The interest revenue in F2023 was \$248,813 vs \$14,867 in F2022.

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 2023	Fiscal 2022
Balance sheet revaluation		
• US Cash	\$48,465	(\$21,329)
• US Trade receivables	\$3,569	\$12,189
• Other US accounts	(\$10,035)	(\$35,282)
Total loss / (gain) on revaluation	\$41,999	(\$44,422)

Canadian/US dollar rates		
Year-to-date	April 30, 2023	April 30, 2022
Average rate	1.3457	1.2633
Closing rate	1.3485	1.2792

5.3 Revenues

Revenues for the nine months ended April 30, 2023, totaled \$5,737,837, a decrease of \$84,636 as compared to \$5,822,473 in the same period of the prior year, but 45% higher than the same period in fiscal 2021.

Fiscal 2023 revenues were higher than expected which we attribute mainly to underlying growth of the market segments in which we compete

The lower sales are attributed to a volume decrease of \$549,307 (US\$408,195) offset by an increase in product mix of \$68,615 (US\$50,988), and a positive currency effect of \$396,056.

Revenues Variations – Year-to-date	Fiscal 2023 vs. Fiscal 2022
Volume/mix/new products impact:	
• Decrease due to volume USD	(\$408,195)
• Increase due to product mix USD	\$50,988
Total decrease due to volume/mix USD	(\$357,207)
Currency impact:	

• Total decrease due to volume/mix CAD	(\$480,692)
• Currency positive effects CAD	\$396,056
• Total decrease in CAD	(\$84,636)

5.4 Total Expenses

Total expenses before taxes for the nine months ended April 30, 2023 decreased by \$106,196 to \$4,076,646 compared to \$4,182,842 for the same period a year ago mainly due to a decrease in financial expenses of \$222,692 relating to higher interest revenue on our cash balances., an increase in other gains relating to the recording of SR&ED tax credits for FY2022 and FY2023, offset by R&D expenses increase of \$290,991.

Expense details		
Year-to-date	Fiscal 2023	Fiscal 2022
Cost of sales ⁴	\$1,596,568	\$1,778,961
R&D expenses ⁴	\$500,702	\$209,712
SG&A expenses ⁴	\$1,987,428	\$1,913,008
Depreciation of PPE	\$117,889	\$114,844
Depreciation of right-of-use assets	\$197,270	\$163,094
Foreign exchange loss / (gain)	\$41,999	(\$44,422)
Financial expenses - net	(\$175,046)	\$47,645
Total expenses before other gains	\$4,266,810	\$4,182,842
Other (gains) / losses	(\$190,164)	-
Total expenses	\$4,076,646	\$4,182,842

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 2023	Fiscal 2022
Revenues	\$5,737,837	\$5,822,473
Cost of sales ⁵	\$1,693,932	\$1,879,204
Gross margin %	70%	68%

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

The increase in gross margin is due 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 nine months ended April 30, 2023 totaled \$500,703 compared to \$209,712 for the same period year ago. The \$290,991 increase is due mainly to an increase in salaries allocated to the development of diamine oxidase (DiaMaze®), an enzyme being developed for the

mitigation of symptoms associated with histamine intolerance for the nutraceutical market, as well as other developmental projects.

5.4.3 Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the nine months ended April 30, 2023 totaled \$1,987,428 compared to \$1,913,008 for the same period year ago. The variance of \$74,420 is mainly due to an increase in directors' fees and professional fees as well as additional headcount and a shift in salaries from cost of sales to SG&A. The stock options expense recorded last year and a lower PSP accrual this year offsets this increase.

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, 2023, the Company had a net working capital of \$8,394,049. Cash and cash equivalents increased by \$558,432 since April 2022 to \$7,518,058.

As at:	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022
Cash and cash equivalents	\$7,518,058	\$7,489,644	\$8,159,406	\$7,641,052	\$6,959,626
Net working capital	\$8,394,049	\$7,512,075	\$7,842,235	\$7,274,333	\$6,571,226

Management believes that the Company has sufficient funds to meet its obligations and planned expenditures for at least 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 has been illustrated in the quarterly results over the past few years. The impact of COVID-19 added further variability, as customers increased their inventories in F2022 out of concerns about possible supply interruptions.

Our expectation for F2023 was that we would experience a significant revenue downturn as customers worked off their inventory excess, but to date we have not seen such an effect. We attribute this mainly to the underlying strength of the markets we serve. We may see some softening in the fourth quarter, but the positive trend points to IBEX generating net earnings significantly higher than F2021, although not approaching the extraordinary F2022.

Looking beyond Fiscal 2023, the future looks very favorable for IBEX as the market for hemostasis testing grows at a rapid pace, driven by the accelerated adoption of the new rapid viscoelastic testing devices.

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 2023. 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.

Development of DiaMaze® (diamine oxidase) continues to advance. DiaMaze® is an enzyme targeted to persons suffering from histamine intolerance and will be marketed as a nutraceutical. We continue to make good progress in the development of a commercial scale manufacturing process. The next critical development steps will be selecting a manufacturer for commercial product, and conducting toxicology studies which, if undertaken, will increase R&D expenses considerably in fiscal 2024.

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, 2022 MD&A, as they are the same for the nine months ended April 30, 2023.

9 RELATED PARTY TRANSACTIONS

During the nine months ended April, 2023 and 2022, 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, 2022 audited consolidated financial statements and the corresponding section of the July 31, 2022 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, 2023.

11 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's April 30, 2023 interim financial statements.

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 \$17,568.



13 OUTSTANDING SHARE DATA

13.1 Common Shares

As at June 6, 2023, the Company has 24,784,244 common shares outstanding.

13.2 Stock options

As at June 6, 2023, the Company has 1,615,000 stock options outstanding with exercise prices ranging from \$0.14 to \$0.48 and expiry dates ranging from December 2027 to December 2031.

As at June 6, 2023, 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 thus far not impacted our ability to produce and sell. 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 as suppliers resumed operations.

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