



IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2024

**THREE MONTHS ENDED
OCTOBER 31, 2023**

As at December 13, 2023



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2023**

December 13, 2023

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MANAGEMENT DISCUSSION AND ANALYSIS

December 13, 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 December 13, 2023. This MD&A provides a review of the developments and results of operations of the Company during the first quarter ended October 31, 2023 compared with the first quarter ended October 31, 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, 2023 and 2022.

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 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 diagnostic device components used in the hemostasis point-of-care market

3.2 Arthritis Assays

For many years IBEX produced a small line of ELISA kits for collagen research. Due to declining sales and production issues beyond our control, IBEX decided in September 2023 to discontinue this marginally profitable line.

4 RESULTS OF OPERATIONS: Q1 FISCAL 2024

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)	Q1		Q4		Q3		Q2		Last 12 Months	
	F2024 \$	F2023 \$	F2023 \$	F2022 \$	F2023 \$	F2022 \$	F2023 \$	F2022 \$	2024 \$	2023 \$
- Revenues	2,058	1,752	1,754	2,070	2,264	2,209	1,722	1,832	7,798	7,863
- Expenses before tax	1,248	1,073	1,397	1,323	1,382	1,639	1,622	1,427	5,649	5,462
- Earnings before tax	810	679	357	747	882	570	100	405	2,149	2,401
- Net earnings	810	679	2,224	35	891	570	100	405	4,025	1,689
- Earnings per common share	0.03	0.03	0.09	-	0.04	0.02	0.00	0.02	0.16	0.07
- EBITDA	857	741	384	815	920	687	117	496	2,278	2,739
- Cash & cash equivalents	8,746	8,159	8,547	7,641	7,518	6,960	7,490	6,210	-	-

Net Earnings for the Quarter

The Company recorded net earnings of \$810,279 during the first quarter ended October 31, 2023 compared to net earnings of \$678,507 for the same period last fiscal year. This positive change of \$131,772 is due to an increase in revenues of \$306,635 (see section 4.3) offset by an increase in expenses of \$174,863 (see section 4.4).

EBITDA was \$856,849 versus \$741,232 in Q1 last year, an increase of \$115,617.

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	October 31, 2023	October 31, 2022
Balance sheet revaluation		
• US cash	(\$66,956)	(\$62,390)
• US Trade receivables	(\$51,604)	(\$24,910)
• Other US accounts	\$11,623	\$1,563
Total loss (gain) on revaluation	(\$106,937)	(\$85,737)

Canadian/US dollar		
Quarter ended	October 31, 2023	October 31, 2022
Average rate	1.3579	1.3314
Closing rate	1.3871	1.3649

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 October 31, 2023 totaled \$2,058,206, an increase of \$306,635 compared to the same period last fiscal year. The increase stems from volume increases of \$438,595 (US\$322,995), a positive foreign exchange impact of \$38,403, partially offset by decreases due to changes in product mix of \$170,363 (US\$125,460).

Revenues Variations – Quarter ended	October 31, 2023 vs. October 31, 2022
Volume/mix/new products impact:	
• Increase due to volume USD	\$322,995
• Decrease due to product mix USD	(\$125,460)
Total increase due to volume/mix USD	\$197,535
Currency impact:	
• Total increase due to volume/mix CAD	\$268,232
• Currency positive effects in CAD	\$38,403
• Total increase in CAD	\$306,635

During first quarter ended October 31, 2023, the average currency rate was 1.3579 versus 1.3314 in the same quarter last year.

4.4 Total Expenses for the Quarter

Total expenses before taxes in the first quarter of fiscal 2024 totalled \$1,247,927 compared to \$1,073,064 in the same quarter last fiscal year. The \$174,863 increase stems mainly from an increase in SG&A, offset by a decrease in cost of sales and a decrease in finance expenses due to interest on the cash balances.

Expense details		
Quarter ended	October 31, 2023	October 31, 2022
Cost of sales ¹	\$436,877	\$504,833
R&D expenses ¹	\$122,232	\$150,415
SG&A expenses ¹	\$757,728	\$434,713
Depreciation of PPE ²	\$59,751	\$33,862
Depreciation of right-of-use assets	\$73,562	\$65,731
Total Operating Expenses	\$1,450,150	\$1,189,554
Foreign exchange loss (gain)	(\$106,937)	(\$85,737)
Financial expenses - net	(\$79,800)	(\$30,753)
Other income	(\$15,486)	-
Total expenses	\$1,247,927	\$1,073,064

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	October 31, 2023	October 31, 2022
Revenues	\$2,058,206	\$1,751,571
Cost of sales ³	\$481,931	\$535,024
Gross margin %	77%	69%

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

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

4.4.2 Research and Development Expenses

Research and development (R&D) expenses consisted primarily of allocated wages, laboratory supplies and external service providers. During the quarter ended October 31, 2023, research and development expenses totaled \$122,232 compared to \$150,415 in the same period year ago, mainly due to a decrease in consultants and in labor hours for the diamine oxidase (DiaMaze[®]) development program.

4.4.3 Selling, General and Administrative Expenses

During the quarter ended October 31, 2023, selling, general and administrative (SG&A) expenses totaled \$757,728 compared to \$434,713 in the same period a year ago. The increase of \$323,015 relates mainly to the Profit-Sharing plan accrual of \$150,000 for which no accrual was posted last year and an increase in business development consulting fees of \$125,000.

5 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 October 31, 2023, the Company had net working capital of \$8,861,633, an increase of \$431,869 compared to July 31, 2023. Cash and cash equivalents increased by \$198,601 during the quarter to \$8,745,644.

As at:	October 31, 2023	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022
Cash and cash equivalents	\$8,745,644	\$8,547,043	\$7,518,058	\$7,489,644	\$8,159,406
Net working capital	\$8,861,633	\$8,429,764	\$8,394,049	\$7,512,075	\$7,842,235

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 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 illustrated in the quarterly results over the past few years.

The Company continues to work on a number of development projects related to its current enzyme line. As the pace of these projects is largely determined by our customers, it is difficult to predict if, and when, these projects will produce significant revenues.

We are continuing with the development of DiaMaze® (diamine oxidase). DiaMaze® is an enzyme targeted to persons suffering from histamine intolerance and will be marketed as a nutraceutical.

7 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, 2023 MD&A, as they are the same for the three months ended October 31, 2023.

8 RELATED PARTY TRANSACTIONS

During the three months ended October 31, 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.

9 CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the Company's July 31, 2023 audited consolidated financial statements and the corresponding section of the July 31, 2023 MD&A to review the Company's critical accounting

estimates. They were the same as those used in the interim financial statements for the three months ended October 31, 2023.

10 ACCOUNTING STANDARDS AND AMENDMENTS

Please refer to *Note 2* of the Company's October 31, 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, 2023 or after. The Company does not expect that these new standards or amendments will have a significant impact on its consolidated financial statements.

11 NCIB

On July 17, 2023, the Company announced that the Toronto Stock Venture Exchange approved the renewal of the Normal Course Issuer Bid ("2024 NCIB") that was originally launched on July 29, 2022.

Under the terms of the 2024 NCIB, the Company may purchase for cancellation up to 1,500,000 common shares of the Company, which represented 10% of its public float as at July 14, 2023.

The new 2024 NCIB commenced on August 5, 2023 and will end on the earlier of August 4, 2024 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, 64,600 shares were repurchased and cancelled for a total of \$42,584 for the original 2023 NCIB and 245,000 shares have been repurchased for the 2024 NCIB for a total of \$232,500, of which 130,600 shares were repurchased after quarter-end.

12 OUTSTANDING SHARE DATA

12.1 Common Shares

As at December 13, 2023, the Company has 24,513,644 common shares outstanding.

12.2 Stock options

As at December 13, 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 December 13, 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.

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