



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
First Quarter ended October 31, 2015 and 2014

Condensed Interim Consolidated Financial Statements

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**NOTICE TO THE READER OF THE UNAUDITED CONDENSED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Management's Statement of Responsibility for Financial Information

The condensed interim consolidated financial statements are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where necessary, management has made judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management is also responsible for all other information in these condensed interim consolidated financial statements and for ensuring that this information is consistent, where appropriate, with the information and data included in the condensed interim consolidated financial statements.

The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The condensed interim consolidated financial statements have not been audited by the Company's independent auditor, PricewaterhouseCoopers LLP.

The Board of Directors is responsible for overseeing management in the performance of its responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee which comprises three independent directors. The Audit Committee meets from time to time with management and the Company's independent auditor to review the financial statements and matters relating to the audit. The Company's independent auditor has full and free access to the Audit Committee. These condensed interim consolidated financial statements have been reviewed by the Audit Committee, who recommended their approval by the Board of Directors.

Paul Baehr
President and Chief Executive Officer

Montréal, Canada
December 16, 2015

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
December 16, 2015



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Condensed Interim Consolidated Statements of Financial Position
In Canadian dollars

	Notes	October 31, 2015 \$	July 31, 2015 \$
Assets			
Current assets			
Cash and cash equivalents		2,636,690	2,084,826
Trade and other receivables	4	735,182	721,691
Inventories	5	676,683	824,400
Prepaid expenses		103,680	100,101
Total current assets		4,152,235	3,731,018
Asset held for sale	6	438,012	438,180
Non-current assets			
Property, plant and equipment	6	2,121,192	2,209,969
Total assets		6,711,439	6,379,167
Liabilities			
Current liabilities			
Trade and other payables		476,337	492,370
Current portion of long-term debt	7	46,801	46,315
Total current liabilities		523,138	538,685
Non-current liabilities			
Deferred income taxes		28,989	28,999
Long-term debt	7	1,127,465	1,139,721
Total non-current liabilities		1,156,454	1,168,720
Total liabilities		1,679,592	1,707,405
Equity			
Share capital	12	52,660,078	52,660,078
Contributed surplus		568,633	568,633
Deficit		(48,671,830)	(49,032,036)
Accumulated other comprehensive income		474,966	475,087
Total liabilities and equity		6,711,439	6,379,167

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.



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Condensed Interim Consolidated Statements of Changes in Equity

In Canadian dollars

	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
As at July 31, 2015	52,660,078	568,633	(49,032,036)	475,087	4,671,762
Net earnings	-	-	360,206	-	360,206
Cumulative translation adjustments	-	-	-	(121)	(121)
As at October 31, 2015	52,660,078	568,633	(48,671,830)	474,966	5,031,847
As at July 31, 2014	52,660,078	568,633	(49,241,664)	185,747	4,172,794
Net loss	-	-	(253,708)	-	(253,708)
Cumulative translation adjustments	-	-	-	42,723	42,723
As at October 31, 2014	52,660,078	568,633	(49,495,372)	228,470	3,961,809

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Condensed Interim Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

In Canadian dollars

	Notes	For the three-month period ended October 31, 2015	For the three-month period ended October 31, 2014
Revenues		1,414,875	627,447
Cost of sales	9	600,220	362,176
Research and development expenses	9	69,433	93,143
Selling, general and administrative expenses	9	384,969	462,784
Operating earnings (loss)		360,253	(290,656)
Foreign exchange gain	9	(1,551)	(48,576)
Finance expenses	9	16,598	11,628
Other gains – net	9	(15,000)	-
Earnings (loss) before income taxes		360,206	(253,708)
Provision for income taxes		-	-
Net earnings (loss)		360,206	(253,708)
Other comprehensive (loss) income			
Foreign currency translation adjustments-(loss) gain		(121)	42,723
Comprehensive income (loss)		360,085	(210,985)
Basic and diluted net earnings (loss) per share		0.01	(0.01)

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Condensed Interim Consolidated Statements of Cash Flows
In Canadian dollars

	Notes	For the three-month period ended October 31, 2015 \$	For the three-month period ended October 31, 2014 \$
Cash flows from operating activities			
Net earnings (loss)		360,206	(253,708)
Adjustments for non-cash income and expenses			
Depreciation of property, plant and equipment	6	88,637	84,137
		448,843	(169,571)
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		(13,508)	316,918
Decrease (increase) in inventories		147,895	(36,489)
(Increase) decrease in prepaid expenses		(3,776)	772
Decrease in trade and other payables		(16,199)	(24,124)
Net changes in non-cash working capital balances		114,412	257,077
Net cash generated from operating activities		563,255	87,506
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	-	(13,464)
Net cash used in investing activities		-	(13,464)
Cash flows used in financing activities			
Repayment of long-term debt	7	(11,391)	(9,156)
Net cash used in financing activities		(11,391)	(9,156)
Net increase in cash and cash equivalents		551,864	64,886
Cash and cash equivalents at beginning of year		2,084,826	1,686,912
Cash and cash equivalents at end of quarter		2,636,690	1,751,798
Interest paid		12,739	11,470
Interest received		1,280	3,541

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.



Notes to Unaudited Condensed Interim Consolidated Financial Statements

1 General information

IBEX Technologies Inc. / Technologies IBEX Inc. (“IBEX” or the “Company”), through its wholly owned subsidiaries, manufactures and markets enzymes for biomedical use. IBEX also manufactures and markets a series of arthritis assays which are widely used in osteoarthritis research. These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on December 16, 2015 and were signed on its behalf.

The Company is a public company listed on the TSX Venture Exchange and is incorporated and domiciled in Canada. The address of its registered office is 5485 Paré Street, Suite 100, Montréal, Québec.

2 Summary of significant accounting policies

Basis of presentation

These unaudited condensed interim consolidated financial statements (“interim financial statements”) were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and in compliance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Accordingly, certain information and notes disclosures normally included in the audited annual consolidated financial statements have been omitted or condensed. These interim financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended July 31, 2015.

The interim financial statements include all adjustments considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Accounting policies

These interim financial statements have been prepared using the same accounting policies as those presented in the Company’s audited annual consolidated financial statements for the year ended July 31, 2015, except as described below.

Accounting standards issued but not yet applied

New accounting standards, amendments and interpretations issued but only effective for the Company beginning on or after August 1, 2016 are as follows:

IFRS 9 “Financial Instruments”

In July 2014, IASB completed its three-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement, by issuing IFRS 9, Financial Instruments. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity’s own credit risk, in measuring a financial

liability at fair value through profit or loss, will be presented in Accumulated other comprehensive income (loss) instead of in the statement of earnings (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Company is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15 "Revenue from Contracts and Customers"

The IASB issued IFRS "Revenue from Contracts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The Company is evaluating the impact of this standard on its financial statements.

Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in *Note 2* of the Company's audited annual consolidated financial statements for the year ended July 31, 2015 and were the same as those used in the interim financial statements for the quarter ended October 31, 2015.

3 Financial instruments

Currency risk

The Company operates internationally, and its sales are mainly contracted in US dollars. A change in the currency exchange rate between the Canadian dollar and the US dollar could have a material effect on its consolidated earnings (loss) and comprehensive income (loss), financial position and cash flows.

The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by buying, from time to time, forward foreign exchange contracts to hedge a portion of the exposure of its foreign currency cash flows. Foreign exchange contracts will usually have a maturity of less than two years. As at October 31, 2015 and 2014, the Company has no forward foreign exchange contracts outstanding.



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The Company is exposed to foreign currency risk primarily as a result of revenues and expenses denominated in US dollars. Financial instruments denominated in foreign currencies as at October 31, 2015 and July 31, 2015 were as follows:

	October 31, 2015		July 31, 2015	
	\$	US\$	\$	US\$
Cash and cash equivalents	570,663	436,453	477,943	365,400
Trade and other receivables	384,548	294,109	354,444	270,981
Trade and other payables	40,065	30,643	46,077	35,227

The impact on the Company's (excluding Bio-Research Products Inc.) financial instruments of a 5% increase in the US dollar exchange rate would be a foreign exchange gain of \$45,757 recorded in net earnings for the three-month period ended October 31, 2015 (July 31, 2015 – gain of \$39,315).

Interest rate risk

The Company's interest rate risk related to the long-term debt is fixed for five years. Every five years, the interest rate will be revised based on the weekly average yield on US Treasury Securities adjusted (see note 7).

Given the above, the Company considers the interest rate risk to be low. A 0.5% change in interest rates would not have a material impact on net earnings for the three-month period ended October 31, 2015.

Credit risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, trade and other receivables and marketable securities. Cash and cash equivalents consist of bank balances and money market funds maintained at financial institutions with high credit ratings. Marketable securities consist of Guaranteed Investment Certificates ("GICs") held at highly rated institutions. The Company's practice is to invest in GICs held at highly rated institutions with maturities at the date of purchase of four months or more. Therefore, the Company considers the risk of non-performance for cash, cash equivalents and marketable securities to be low.

The Company performs ongoing credit reviews of its debtors and records an allowance for doubtful accounts when accounts are determined to be uncollectible.

The aging of trade receivables as at October 31, 2015 was as follows:

Trade receivables	\$	%
Current	668,174	95
Past due 31–90 days	38,062	5
Over 90 days	-	-
	706,236	100



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

	October 31, 2015	July 31, 2015
	%	%
Customer 1	39	32
Customer 2	30	28
Customer 3	-	14

Liquidity risk

Liquidity risk is risk that the Company will not be able to meet its financial liabilities when due. The Company's financial liabilities include its trade and other payables presented on the consolidated statement of financial position, which are due within the next 12 months and long-term debt. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

The following table details the maturities of the financial liabilities as at October 31, 2015.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	476,337	476,337	476,337	-	-	-
Long-term debt obligations ¹	1,174,266	1,666,695	96,620	193,240	193,240	1,183,595
	1,650,603	2,143,032	572,957	193,240	193,240	1,183,595

1- See Note 7

The following table details the maturities of the financial liabilities as at July 31, 2015.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	492,370	492,370	492,370	-	-	-
Long-term debt obligations ¹	1,186,036	1,691,497	96,657	193,314	193,314	1,208,212
	1,678,406	2,183,867	589,027	193,314	193,314	1,208,212



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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.

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 with the exception of long-term debt.

The fair value of the Company's long-term debt was estimated at \$1,118,576 (US\$855,508) as at October 31, 2015 based on discounted future cash flows, using market interest rates available as at October 31, 2015 (July 31, 2015 - \$1,118,257 (US\$854,936)).

4 Trade and other receivables

	October 31, 2015	July 31, 2015
	\$	\$
Trade	706,236	666,859
Tax credits	-	25,395
Other	28,946	29,437
	735,182	721,691

5 Inventories

	October 31, 2015	July 31, 2015
	\$	\$
Finished goods – Enzymes	624,463	753,596
Finished goods – Arthritis diagnostic kits	8,169	26,753
Work in process - Enzymes	44,051	44,051
	676,683	824,400



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6 Property, plant and equipment and asset held for sale

	October 31, 2015 \$	October 31, 2014 \$
Opening July 31, 2015 and 2014		
Cost	5,144,183	5,086,555
Accumulated depreciation	(2,934,214)	(2,460,942)
Net book amount	2,209,969	2,625,613
Three-month period ended October 31, 2015 and 2014		
Opening net book amount	2,209,969	2,625,613
Additions	-	13,464
Asset held for sale	-	(377,579)
Depreciation charge	(88,637)	(84,137)
Effect of exchange rate variations	(140)	63,897
Closing net book amount	2,121,192	2,241,258
Ending October 31, 2015 and 2014		
Cost	5,143,242	4,803,673
Accumulated depreciation	(3,022,050)	(2,562,415)
Net book amount	2,121,192	2,241,258

An unused parcel of land near our facility in the United States has been presented as held for sale. The land is expected to be sold within a year. The asset has been recorded at its carrying amount of approximately \$438,012 (US\$335,000) as of October 31, 2015 (July 31, 2015 – \$438,180 (US\$335,000)).

7 Long-term debt

	October 31, 2015		July 31, 2015	
	US\$	CAD\$	US\$	CAD\$
Term loan	898,100	1,174,266	906,755	1,186,036
Less: current portion	35,794	46,801	35,408	46,315
	862,306	1,127,465	871,347	1,139,721

8 Employee salaries and benefits expense

	October 31, 2015 \$	October 31, 2014 \$
Employee salaries and benefits	479,468	479,003



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9 Expense by nature

	October 31, 2015	October 31,
	\$	2014
	<u> </u>	<u> </u>
Salaries and Board compensation	498,468	494,003
Contracts and collaborators	20,154	8,191
Professional fees	45,714	93,872
Shareholders' relation fees	3,203	4,044
Occupancy costs	79,079	72,065
Insurance	26,666	27,093
Royalties	581	9,574
Sales, administration and all other expenses	144,145	171,315
Foreign exchange gain	(1,551)	(48,576)
Finance expense	16,598	11,628
Changes in inventory allocation, work in process and finished goods	147,975	(46,191)
Depreciation of property, plant and equipment	88,637	84,137
Other gains - net	(15,000)	-
	<u>1,054,669</u>	<u>881,155</u>

10 Key management compensation

Key management includes the Company's executives, members of the Audit Committee and the Board of Directors. Compensation awarded to key management included:

	October 31, 2015	October 31,
	\$	2014
	<u> </u>	<u> </u>
Salaries and employee benefits	158,001	172,812

11 Segment information and economic dependence

Reliance on key customers

The Company is highly reliant on sales from a small number of customers. During the three-month period ended October 31, 2015, 65% of its sales derived from its two top customers (the year ended July 31, 2015 – 48%).

	October 31, 2015	July 31,
	%	2015
	<u> </u>	<u> </u>
Customer A	45	30
Customer B	20	18



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Industry

The Company operates in one industry segment: the production and sale of diagnostic products.

Geographic information

The Company has operations in Canada and in the United States. The Company's sales by geographic region of the customer were as follows:

	October 31, 2015	July 31, 2015
	%	%
Canada	<u>2</u>	<u>10</u>
United States	63	50
Europe	32	37
Other	<u>3</u>	<u>3</u>
	100	100

Property, plant and equipment attributed to the countries based on location are as follows:

	October 31, 2015	July 31, 2015
	\$	\$
Canada	600,230	616,946
United States	1,520,962	1,593,023
	2,121,192	2,209,969

12 Stock options

The following tables summarize the IBEX stock option plan for the three-month period ended October 31, 2015 and the year ended July 31 2015.

	October 31, 2015		July 31, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,121,500	0.19	1,175,000	0.19
Granted	-	-	-	-
Expired	(106,500)	0.18	(33,500)	0.35
Forfeited	-	-	(20,000)	0.17
Ending balance	1,015,000	0.19	1,121,500	0.19



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The following table summarizes the IBEX stock options outstanding as at October 31, 2015:

Options outstanding and currently exercisable				
Range of exercise prices \$	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.05	20,000	20,000	8.14	0.05
0.08	50,000	50,000	7.67	0.08
0.10	235,000	235,000	2.40	0.10
0.23	700,000	700,000	3.73	0.23
0.24	10,000	10,000	4.15	0.24
	1,015,000	1,015,000		