**IBEX Technologies Inc. / Technologies IBEX Inc.**
Unaudited Condensed Interim Consolidated Financial Statements
Second Quarter ended January 31, 2016 and 2015

**Condensed Interim Consolidated Financial Statements**

## 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 | Richard Collin, CPA, CA |
| President and Chief Executive Officer | Director of Finance |
| Montréal, Canada | Montréal, Canada |
| March 16, 2016 | March 16, 2016 |

**Condensed Interim Consolidated Statements of Financial Position**
**In Canadian dollars**

| | Notes | **January 31, 2016 $** | July 31, 2015 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **3,074,336** | 2,084,826 |
| Trade and other receivables | 4 | **657,642** | 721,691 |
| Inventories | 5 | **634,832** | 824,400 |
| Prepaid expenses | | **61,524** | 100,101 |
| **Total current assets** | | **4,428,334** | 3,731,018 |
| **Asset held for sale** | 6 | **469,201** | 438,180 |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **2,178,722** | 2,209,969 |
| **Total assets** | | **7,076,257** | 6,379,167 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **448,992** | 492,370 |
| Current portion of long-term debt | 7 | **50,681** | 46,315 |
| **Total current liabilities** | | **499,673** | 538,685 |
| **Non-current liabilities** | | | |
| Deferred income taxes | | **31,053** | 28,999 |
| Long-term debt | 7 | **1,195,385** | 1,139,721 |
| **Total non-current liabilities** | | **1,226,438** | 1,168,720 |
| **Total liabilities** | | **1,726,111** | 1,707,405 |
| **Equity** | | | |
| Share capital | 12 | **52,660,078** | 52,660,078 |
| Contributed surplus | | **568,633** | 568,633 |
| Deficit | | **(48,474,500)** | (49,032,036) |
| Accumulated other comprehensive income | | **595,935** | 475,087 |
| | | **5,350,146** | 4,671,762 |
| **Total liabilities and equity** | | **7,076,257** | 6,379,167 |

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

**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** | **-** | **-** | **557,536** | **-** | **557,536** |
| **Cumulative translation adjustments** | **-** | **-** | **-** | **120,848** | **120,848** |
| **As at January 31, 2016** | **52,660,078** | **568,633** | **(48,474,500)** | **595,935** | **5,350,146** |
| | | | | | |
| As at July 31, 2014 | 52,660,078 | 568,633 | (49,241,664) | 185,747 | 4,172,794 |
| Net loss | - | - | (432,336) | - | (432,336) |
| Cumulative translation adjustments | - | - | - | 199,683 | 199,683 |
| As at January 31, 2015 | 52,660,078 | 568,633 | (49,674,000) | 385,430 | 3,940,141 |

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

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

**In Canadian dollars**

| | | For the three-month period ended January 31 | | For the six-month period ended January 31 | |
|---|---|---|---|---|---|
| | Notes | **2016 $** | 2015 $ | **2016 $** | 2015 $ |
| Revenues | | **1,140,816** | 721,352 | **2,555,691** | 1,348,799 |
| Cost of sales | 9 | **570,070** | 480,393 | **1,170,290** | 842,569 |
| Research and development expenses | 9 | **60,040** | 102,645 | **129,473** | 195,788 |
| Selling, general and administrative expenses | 9 | **389,091** | 447,485 | **774,060** | 910,269 |
| Operating earnings (loss) | | **121,615** | (309,171) | **481,868** | (599,827) |
| Foreign exchange gain | 9 | **(70,675)** | (143,487) | **(72,226)** | (192,063) |
| Finance expenses | 9 | **15,750** | 12,944 | **32,348** | 24,572 |
| Other gains – net | 9 | **(20,790)** | - | **(35,790)** | - |
| Earnings (loss) before income taxes | | **197,330** | (178,628) | **557,536** | (432,336) |
| Provision for income taxes | | | - | | - |
| Net earnings (loss) | | **197,330** | (178,628) | **557,536** | (432,336) |
| **Other comprehensive income** | | | | | |
| Foreign currency translation adjustments - gain | | **120,969** | 156,960 | **120,848** | 199,683 |
| **Comprehensive income (loss)** | | **318,299** | (21,668) | **678,384** | (232,653) |
| Basic and diluted net earnings (loss) per share | | **0.01** | (0.01) | **0.02** | (0.02) |

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

**Condensed Interim Consolidated Statements of Cash Flows**
**In Canadian dollars**

| | Notes | **For the six months ended January 31, 2016 $** | For the six months ended January 31, 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net earnings (loss) | | **557,536** | (432,336) |
| Adjustments for non-cash income and expenses | | | |
| Depreciation of property, plant and equipment | 6 | **175,071** | 174,416 |
| | | **732,607** | (257,920) |
| **Changes in non-cash working capital balances** | | | |
| Decrease in trade and other receivables | | **103,842** | 108,975 |
| Decrease (increase) in inventories | | **226,162** | (1,131) |
| Decrease (increase) in prepaid expenses | | **43,405** | (26,653) |
| Decrease in trade and other payables | | **(58,023)** | (44,280) |
| Net changes in non-cash working capital balances | | **315,386** | 36,911 |
| **Net cash generated from (used in) operating activities** | | **1,047,993** | (221,009) |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | 6 | **(35,501)** | (13,760) |
| Net cash used in investing activities | | **(35,501)** | (13,760) |
| **Cash flows used in financing activities** | | | |
| Repayment of long-term debt | 7 | **(22,982)** | (18,796) |
| Net cash used in financing activities | | **(22,982)** | (18,796) |
| Net increase (decrease) in cash and cash equivalents | | **989,510** | (253,565) |
| Cash and cash equivalents at beginning of year | | **2,084,826** | 1,686,912 |
| **Cash and cash equivalents at end of second quarter** | | **3,074,336** | 1,433,347 |
| Interest paid | | **26,706** | 23,097 |
| Interest received | | **2,722** | 4,541 |

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 March 16, 2016 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 Contacts 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 six months ended January 31, 2016.

## 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 January 31, 2016 and 2015, the Company has no forward foreign exchange contracts outstanding.

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 January 31, 2016 and July 31, 2015 were as follows:

| | **January 31, 2016** | | July 31, 2015 | |
|---|---|---|---|---|
| | **$** | **US$** | $ | US$ |
| Cash and cash equivalents | **99,556** | **71,081** | 477,943 | 365,400 |
| Trade and other receivables | **356,990** | **254,884** | 354,444 | 270,981 |
| Trade and other payables | **38,872** | **27,754** | 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 $20,884 recorded in net earnings for the six-month period ended January 31, 2016 (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 six-month period ended January 31, 2016.

**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 January 31, 2016 was as follows:

| **Trade receivables** | **$** | **%** |
|---|---|---|
| Current | 514,484 | 81 |
| Past due 31–90 days | 120,561 | 19 |
| Over 90 days | - | - |
| | 635,045 | 100 |

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

| | **January 31, 2016 %** | July 31, 2015 % |
|---|---|---|
| Customer 1 | **41** | **32** |
| Customer 2 | **16** | **28** |
| Customer 3 | **16** | **-** |
| Customer 4 | **-** | **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 January 31, 2016.

| | 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 | 448,992 | 448,992 | 448,992 | - | - | - |
| Long-term debt obligations[1] | 1,246,066 | 1,759,497 | 103,500 | 207,000 | 207,000 | 1,241,997 |
| | 1,695,058 | 2,208,489 | 552,492 | 207,000 | 207,000 | 1,241,997 |

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 |

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 $1,190,651 (US$850,101) as at January 31, 2016 based on discounted future cash flows, using market interest rates available as at January 31, 2016 (July 31, 2015 - $1,118,257 (US$854,936)).

## 4 Trade and other receivables

| | **January 31, 2016 $** | July 31, 2015 $ |
|---|---|---|
| Trade | **635,045** | 666,859 |
| Tax credits | **-** | 25,395 |
| Other | **22,597** | 29,437 |
| | **657,642** | 721,691 |

## 5 Inventories

| | **January 31, 2016 $** | July 31, 2015 $ |
|---|---|---|
| Finished goods – Enzymes | **552,852** | 753,596 |
| Finished goods – Arthritis diagnostic kits | **37,929** | 26,753 |
| Work in process - Enzymes | **44,051** | 44,051 |
| | **634,832** | 824,400 |

## 6 Property, plant and equipment and asset held for sale

| | **January 31, 2016 $** | January 31, 2015 $ |
|---|---|---|
| **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 |
| | | |
| **Six-month period ended January 31, 2016 and 2015** | | |
| Opening net book amount | **2,209,969** | 2,625,613 |
| Additions | **35,501** | 13,760 |
| Asset held for sale | **-** | (425,818) |
| Depreciation charge | **(175,071)** | (174,416) |
| Effect of exchange rate variations | **108,323** | 305,524 |
| **Closing net book amount** | **2,178,722** | 2,344,663 |
| | | |
| **Ending January 31, 2016 and 2015** | | |
| Cost | **5,355,459** | 5,074,726 |
| Accumulated depreciation | **(3,176,737)** | (2,730,063) |
| **Net book amount** | **2,178,722** | 2,344,663 |

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 $469,201 (US$335,000) as of January 31, 2016 (July 31, 2015 – $438,180 (US$335,000)).

## 7 Long-term debt

| | **January 31, 2016** | | July 31, 2015 | |
|---|---|---|---|---|
| | **US$** | **CAD$** | US$ | CAD$ |
| Term loan | **889,666** | **1,246,066** | 906,755 | 1,186,036 |
| Less: current portion | **36,185** | **50,681** | 35,408 | 46,315 |
| | **853,481** | **1,195,385** | 871,347 | 1,139,721 |

## 8 Employee salaries and benefits expense

| | **January 31, 2016 $** | January 31, 2015 $ |
|---|---|---|
| Employee salaries and benefits | **1,005,613** | 966,453 |

## 9 Expense by nature

| | **January 31, 2016 $** | January 31, 2015 $ |
|---|---|---|
| Salaries and Board compensation | **1,039,109** | 996,453 |
| Contracts and collaborators | **47,184** | 25,109 |
| Professional fees | **92,530** | 190,827 |
| Shareholders' relation fees | **7,674** | 8,159 |
| Occupancy costs | **158,126** | 144,784 |
| Insurance | **52,769** | 51,527 |
| Royalties | **984** | 52,453 |
| Sales, administration and all other expenses | **292,678** | 315,580 |
| Foreign exchange gain | **(72,226)** | (192,063) |
| Finance expense | **32,348** | 24,572 |
| Changes in inventory allocation, work in process and finished goods | **207,698** | (10,682) |
| Depreciation of property, plant and equipment | **175,071** | 174,416 |
| Other gains - net | **(35,790)** | - |
| | **1,998,155** | 1,781,135 |

## 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:

| | **January 31, 2016 $** | January 31, 2015 $ |
|---|---|---|
| Salaries and employee benefits | **330,842** | 343,645 |

## 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 six-month period ended January 31, 2016, 63% of its sales derived from its two top customers (the year ended July 31, 2015 – 48%).

| | **January 31, 2016 %** | July 31, 2015 % |
|---|---|---|
| Customer A | **42** | 30 |
| Customer B | **21** | 18 |

*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:

| | **January 31, 2016 %** | July 31, 2015 % |
|---|---|---|
| Canada | **2** | 10 |
| United States | **63** | 50 |
| Europe | **33** | 37 |
| Other | **2** | 3 |
| | **100** | 100 |

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

| | **January 31, 2016 $** | July 31, 2015 $ |
|---|---|---|
| Canada | **584,712** | 616,946 |
| United States | **1,594,010** | 1,593,023 |
| | **2,178,722** | 2,209,969 |

## 12 Stock options

The following tables summarize the IBEX stock option plan for the six-month period ended January 31, 2016 and the year ended July 31 2015.

| | **January 31, 2016** | | 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 |

The following table summarizes the IBEX stock options outstanding as at January 31, 2016:

| 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** | **7.89** | **0.05** |
| **0.08** | **50,000** | **50,000** | **7.42** | **0.08** |
| **0.10** | **235,000** | **235,000** | **2.15** | **0.10** |
| **0.23** | **700,000** | **700,000** | **3.47** | **0.23** |
| **0.24** | **10,000** | **10,000** | **3.90** | **0.24** |
| | **1,015,000** | **1,015,000** | | |