IBEX

IBEX TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL 2016

YEAR ENDED JULY 31, 2016

As at November 3, 2016

IBEX

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JULY 31, 2016

November 3, 2016

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MANAGEMENT DISCUSSION AND ANALYSIS

November 3, 2016

1 PREAMBLE

The following Management Discussion and Analysis ("MD&A") and IBEX Technologies Inc. ("Company") audited consolidated financial statements were approved by the Audit Committee and the Board of Directors on November 3, 2016. The 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, 2016 compared with the fourth quarter and the fiscal year ended July 31, 2015.

The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended July 31, 2016 and 2015.

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 subsidiaries, IBEX Pharmaceuticals Inc. and Bio-Research Products Inc. (“BRP”), manufactures and markets enzymes for biomedical use.

These enzymes are sold directly by the Company to manufacturers of medical devices, quality control labs 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 heparin and the low molecular weight heparins, thereby neutralizing their anticoagulant activity and thus facilitating the accurate measurement of haemostasis.

IBEX produces its enzymes at its sites in Montréal, Québec and in North Liberty, Iowa, as well as at third party manufacturing facilities monitored by IBEX personnel.

In addition to making and selling enzymes, IBEX also provides lyophilization services related to the making of components for disposable medical devices which are used in the hemostasis point of care market.

3.2 Arthritis Assays

IBEX develops, manufactures and sells arthritis assays 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 the rest of the world (including North America). The kits are produced in IBEX facilities.

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4 RESULTS OF OPERATIONS: Q4 FISCAL 2016

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 ending July 31, 2016.

(in thousands of dollars, excluding per share amounts)	July 31		April 30		January 31		October 31		Full Year	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2015 $	2014 $	2016 $	2015 $
- Revenue	862	1,249	696	893	1,141	722	1,415	627	4,114	3,491
- Net earnings (loss)	6	931	(462)	(289)	197	(178)	360	(254)	101	210
- Net earnings (loss) per common share	(0.00)	0.04	(0.02)	(0.01)	0.01	(0.01)	0.01	(0.01)	0.00	0.01
- Comprehensive income (loss)	60	1,084	(631)	(352)	318	(22)	360	(211)	107	499

Net earnings for the Quarter

The Company recorded net earnings of $5,584 during the fourth quarter ended July 31, 2016 compared to net earnings of $930,502 for the same period year ago. This change in earnings can be attributed to several factors including:

- “Other gains – net”: The prior year benefited from a favourable gain of $581,379 as compared to a favourable gain of $14,872 in the current period, tracing mainly in both cases to the settlement of lawsuits during 2015 (gross settlements less expenses). See Section 4.4.4.

- Net earnings (excluding “Other gains – net”): The prior year period benefited from net earnings (excluding “Other gains – net”) of $263,493 in the IBEX Pharmaceuticals unit, as compared to the current period’s $146,028. The decrease in earnings of $117,465 is related mainly to the decrease in sales of $213,852, the increase in expenses of $228,000 offset by the positive impact of inventory allocation of $324,387.

- Net loss (excluding “Other gains – net”) in BRP of $155,316 compared to net earnings (excluding “Other gains – net”) of $85,630 for the same period year ago. The decrease in earnings of $240,946 is related mainly to the decrease in sales of $173,707 and the negative impact of inventory allocation of $128,178.

4.2 Foreign Exchange

The tables below show the fluctuation in the Canadian/US exchange rates which can have a significant impact on our results. Average rates are used to translate sales and expenses for the period mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities at the end of the reporting period.

Consolidated foreign exchange (gain) loss		
Quarter ended	**July 31, 2016**	July 31, 2015
Balance sheet revaluation		
US cash	**$19,458**	($46,849)
US Trade receivables	**$3,960**	$42,340
Other US accounts	**($62,598)**	($77,741)
Total gain on revaluation	**($39,180)**	($82,250)

Canadian/US dollar		
Quarter ended	**July 31, 2016**	July 31, 2015
Average rate	**1.2958**	1.2469
Closing rate	**1.3056**	1.3080

4.3 Revenue 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 exchange rate can have a significant impact on the reported sales figures.

Sales for the quarter ended July 31, 2016 totaled $861,803, a decrease of 31% compared to the same period year ago.

The net decrease in sales vs. the same period year ago was $387,559, of which $413,203 (US$318,867) can be attributed to an actual decrease in sales due to variation in customer order patterns, and the balance of $25,644 to the positive currency impact.

The negative variance in volume of US$380,446 and in new products of US$50 was offset by a positive variance in product mix of US$61,629.

Sales Variations – Quarter ended	July 31, 2016 vs. July 31, 2015
Volume/mix/new products Impact:	
• Decrease due to volume USD	($380,446)
• Increase due to product mix USD	$61,629
• Decrease due to new products USD	($50)
Total decrease due to Volume/mix/new products USD	($318,867)
Currency impact:	
• Total decrease due to Volume/mix/new products CAD	($413,203)
• Currency positive effects in CAD	$25,644
• Total decrease in CAD	($387,559)

During this fourth quarter, the average currency rate was 1.2958 compared to 1.2469 in the same quarter last year. A lower value of the Canadian dollar positively affects the current USD sales by translating them into a higher Canadian dollar amount.

4.4 Total Expenses for the Quarter

Total expenses in the fourth quarter of Fiscal 2016 decreased by $26,651 to $873,588 as compared to $900,239 in the same quarter year ago. The decrease is attributable to:

- A decrease in IBEX Pharmaceuticals expenses of $96,387 related mainly to the positive impact of inventory allocation of $324,387 offset by:
  - an increase in compensation expenses of $77,177 (of which $45,000 accrued for bonuses),
  - a reclassification in Q4-2015 of $97,963 related mainly to legal expenses pertaining to the lawsuit settlements from “Professional fees” to “Other gains – net”. As such, professional fees in Q4-2016 shows an increase of $84,295 compared to same quarter year ago.
- An increase in expenses in BRP of $69,736 in the current quarter compared to the same quarter year ago mainly related to the negative impact of inventory allocation.

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Expense details		
Quarter ended	**July 31, 2016**	July 31, 2015
Cost of goods sold[1]	**$379,764**	$558,588
R&D expenses[1]	**$54,925**	$118,298
SG&A[1] expenses	**$384,933**	$202,917
Depreciation of PPE[2]	**$78,711**	$85,895
Foreign exchange gain	**($39,180)**	($82,250)
Financial expenses	**$14,435**	$16,791
Total expenses	**$873,588**	$900,239
Other gains – net	**($14,872)**	($581,379)
Total expenses after other gains - net	**$858,716**	$318,860

1- Excludes related depreciation expenses for the purposes of this presentation.

2- PPE = Property, plant and equipment

4.4.1 Cost of Goods Sold

The Company manufactures specialized and proprietary enzyme products. The production of these enzymes is unique and cannot be compared to other manufacturers. Since production levels are highly variable from one quarter to another and from one manufacturing run to another, the standard cost methodology is not particularly useful. Management has selected an alternative method of recording its production at actual costs, which explains the wide swings from quarter to quarter in the cost of goods sold due to the "inventory allocation" effect.

Cost of goods sold consists principally of the costs of supplies, royalties, manufacturing labour and the allocation of fixed overheads.

Cost of goods sold		
Quarter ended	**July 31, 2016**	July 31, 2015
Sales	**$861,803**	$1,249,362
Cost of goods sold[3]	**$444,265**	$627,636
Gross margin %	**48%**	50%

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

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

4.4.2 Research and Development (R&D) Expenses

Research and development expenses consisted primarily of personnel expenses, laboratory supplies and external service providers. During the quarter ended July 31, 2016, research and development expenses totaled $54,925 compared to $118,298 in the same period year ago. The decrease of $63,373 traces mainly to lower personnel costs.

4.4.3 Selling, General and Administrative (SG&A) Expenses

During the quarter ended July 31, 2016, SG&A expenses totaled $384,933 compared to $202,917 in the same period year ago. The change of $182,016 traces mainly to an increase in compensation expense of $38,517 and an increase in professional fees of $84,295. In last year quarter ended July 31, 2015, the lawsuit settlements generated a reclassification of $97,963 from “Professional fees” expenses to “Other gains – net” (mainly legal fees related to the lawsuits).

4.4.4 Other Gains – Net

During the quarter ended July 31, 2016, “Other gains – net” totaled $14,872 compared to $581,379 in the same period year ago. The change of $566,507 traces mainly to the lawsuit settlements in the year-ago period.

During the fourth quarter of the fiscal year ended July 31, 2015, the Company settled certain outstanding legal actions against third parties including the Garvinci Inc. matter.

These settlements, which are subject to confidentiality restrictions, resulted in aggregate settlements in favour of IBEX of approximately $875,000. Total legal fees and other expenses incurred by the Company for these settlements amount to $32,744 for the quarter ended July 31, 2015 and to $125,379 during the year ended July 31, 2015. No legal fees or other expenses was incurred in fiscal 2016 with respect to these settlements.

The gross amount received was $15,000 during the quarter ended July 31, 2016 and $60,000 for the year ended July 31, 2016 compared to $662,249 in the same period year ago. Subsequent to year end, the Company collected additional amounts of $15,000 related to these settlements.

The outstanding proceeds are recognized as they are received.

These amounts were recorded as “Other gains - net” in the consolidated statements of earnings and comprehensive income.

5 RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2016

5.1 Summary of Year Results

The Company recorded net earnings of $100,560 for the year ended July 31, 2016 compared to net earnings of $209,628 for the same period year ago. The change of $109,068 is mainly attributable to:

- Net earnings (excluding “Other gains – net”) of $614,943 in IBEX Pharmaceuticals compared to a net loss (excluding “Other gains – net”) of $93,059 for the same period year ago. The increase in earnings of $708,002 is related mainly to the increase in sales ($751,997), the positive impact of inventory allocation ($255,856) offset by the swing in foreign exchange (loss of $2,636 in the current year vs. gain of $223,976 in the same period year ago).
- A gain recorded as “Other gains – net” of only $75,746 as compared to $581,379 for the same period year ago. The change of $505,633 traces mainly to the lawsuit settlements (see section 5.4.4).

- A net loss (excluding “Other gains – net”) in the BRP subsidiary of $590,129 compared to a net loss (excluding “Other gains – net”) of $278,692 for the same period year ago. The increase in loss of $311,437 traces mainly to the negative impact of inventory allocation ($301,399).

Net earnings		
Year-to-date	**Fiscal 2016**	Fiscal 2015
Revenue	**$4,113,694**	$3,491,130
Net expenses	**$4,013,134**	$3,281,502
Net earnings	**$100,560**	$209,628
Earnings per share, basic and diluted	**$0.00**	$0.01

5.2 Foreign Exchange

The table below shows the fluctuation in the Canadian/US exchange rates which can have a significant impact on net earnings. As mentioned in section 4.2, average rates are used to translate sales and expenses for the period mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities at the end of the reporting period.

Consolidated cumulative foreign exchange loss (gain)		
Year-to-date	**Fiscal 2016**	Fiscal 2015
Balance sheet revaluation		
US Cash	**($8,005)**	($125,544)
US Trade receivables	**$16,127**	$2,310
Other US accounts	**($5,486)**	($100,742)
Total loss (gain) on revaluation	**$2,636**	($223,976)

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

5.3 Revenue for the year ended July 31, 2016

Sales for the year ended July 31, 2016 totaled $4,113,694 compared to $3,491,130 for the same period year ago.

The net increase in sales vs. the same period year ago was $622,564, of which $235,225 (US$166,886) can be attributed to an actual increase in sales and the balance of $387,339 to the positive currency impact.

The positive variance in sales came from a volume variance of US$116,449 and a product mix of US$122,926, offset by a negative variance in new products of US$72,489.

Sales Variations – Year-to-date	Fiscal 2016 vs. Fiscal 2015
Volume/mix/new products Impact:	
• Increase due to volume USD	$116,449
• Increase due to product mix USD	$122,926
• Decrease due to new products USD	($72,489)
Total increase due to Volume/mix/new products USD	$166,886
Currency Impact:	
• Total increase due to Volume/mix/new products CAD	$235,225
• Currency positive effects CAD	$387,339
• Total increase in CAD	$622,564

5.4 Total Expenses for the year ended July 31, 2016

Total expenses for the year ended July 31, 2016 totaled $4,091,377 compared to $3,862,881 for the same period year ago. The increase in operating expenses ($228,496) is mainly attributable to the swing in foreign exchange (loss of $2,636 in the current year vs. gain of $223,976 in the same period year ago).

Expense details		
Year-to-date	**Fiscal, 2016**	Fiscal, 2015
Cost of goods sold[4]	**$2,050,476**	$1,873,590
R&D expenses[4]	**$268,085**	$436,434
SG&A[4] expenses	**$1,371,842**	$1,369,404
Depreciation of PPE	**$335,281**	$351,509
Foreign exchange loss (gain)	**$2,636**	($223,976)
Financial expenses	**$63,057**	$55,920
Total expenses	**$4,091,377**	$3,862,881
Other gains – net	**($75,746)**	($581,379)
Total expenses after other gains - net	**$4,015,631**	$3,281,502

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

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5.4.1 Cost of Goods Sold

Cost of goods sold 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 goods sold, see section 4.4.1 above.

Cost of goods sold		
Year-to-date	**Fiscal, 2016**	Fiscal, 2015
Sales	**$4,113,694**	$3,491,130
Cost of goods sold[5]	**$2,323,448**	$2,144,955
Gross margin %	**44%**	39%

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

The increase in gross margin traces 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 (R&D) Expenses

Research and development expenses for the year ended July 31, 2016 totaled $268,085 compared to $436,434 for the same period year ago. The decrease of $168,349 traces mainly to lower personnel costs.

5.4.3 Selling, General and Administrative (SG&A) Expenses

SG&A expenses for the year ended July 31, 2016 totaled $1,371,842 compared to $1,369,404 for the same period year ago. The increase of $2,438 is mainly due to an increase in compensation and other expenses offset by a decrease in professional fees expenses.

5.4.4 Other Gains – Net

“Other gains – net” totaled $75,746 compared to $581,379 in the same period year ago. The change of $505,633 traces mainly to the lawsuit settlements for the year ended July 31, 2015. For further explanation, see section 4.4.4 above.

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, 2016, the Company had net working capital of $3,516,189 compared to net working capital of $3,192,333 as at July 31, 2015. Cash and cash equivalents increased by $814,796 to $2,899,622.

As at:	**July 31, 2016**	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015
Cash and cash equivalents	**$2,899,622**	$2,917,775	$3,074,336	$2,636,690	$2,084,826
Net working capital	**$3,516,189**	$3,450,289	$3,928,661	$3,629,097	$3,192,333

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 and its long-term debt.

	Year ending July 31,					
(in thousands of dollars)	Total	2017	2018	2019	2020	2021
Contractual obligations	$408	$145	$148	$115	-	-
Long-term debt[3]	$1,592	$97	$97	$97	$97	$97
Total	$2,000	$242	$245	$212	$97	$97

3- Includes interest and principal

7 LOOKING FORWARD

Subsequent to the year-end, the Company entered into an agreement with the National Research Council of Canada to lease space at the Royalmount facility in Montréal, Québec for the purpose of outfitting a bacterial fermentation suite. The average yearly rent over the next five years will be $45,000. Concurrently the Company also purchased a 160L fermenter which will be installed in this suite during the 2017 fiscal year. The fermenter purchase price plus installation cost is expected to be approximately $400,000.

We expect flat sales in the coming fiscal year as one of our major customers depletes inventory they have built up to accommodate a change to a new production facility. This, combined with the investment in our new Montréal fermentation suite, is expected to lead to negative cash flows for Fiscal 2017, however we forecast an improving picture in the following years if the US/CAN exchange rate continues to hold.

The Company also continues to work on a number of projects with our key customers, some of which it hopes will result in additional revenues in Fiscal 2017 and beyond. However, we cannot give any assurances that any of these projects will come to fruition and produce revenues.

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.

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 Intellectual Property

IBEX places great importance on the protection of its intellectual property and has a portfolio of patents and patent applications that it intends to enforce. However, unauthorized parties may infringe on the Company's patents or obtain information that is proprietary, and there can be no assurance that the Company's patent applications will be approved or that it will be able to successfully defend its existing patents in the case of infringement. Further, it is not clear whether the patents issued or that may be issued to IBEX will provide the Company with any competitive advantages, or if any such patents will be the target of challenges by third parties, whether the patents of others will interfere with IBEX's ability to market its products or whether third parties will circumvent IBEX's patents by means of alternate processes. It may be possible for others to develop products that have the same effect as IBEX's products on an independent basis.

8.5 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.

8.6 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.

8.7 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.

8.8 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.

8.9 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. The Company strives to mitigate such risks by using foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. As at July 31, 2016, the Company had no outstanding forward contracts.

As mentioned above, the Company is exposed to foreign exchange risk primarily as a result of sales revenues denominated in US dollars. Monetary balances denominated in foreign currencies as at July 31, 2016 and July 31, 2015 were as follows:

	July 31, 2016		July 31, 2015	
	CA$	**US$**	CA$	US$
Cash and cash equivalents	**566,402**	**433,825**	477,943	365,400
Trade and other receivables	**371,860**	**284,819**	354,444	270,981
Trade and other payables	**41,056**	**31,446**	46,077	35,227

8.10 Interest Rate Risk

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

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 year ended July 31, 2016.

8.11 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 accounts receivable as at July 31, 2016 was as follows:

	CA$	%
Current	337,020	88
Past due 31-90 days	44,498	12
Past due over 90 days	-	-
	381,518	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, 2016 %	July 31, 2015 %
Customer 1	**58**	28
Customer 2	**13**	7
Customer 3	**-**	32
Customer 4	**-**	14

8.12 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 with the exception of long-term debt.

The fair value of the Company's long-term debt was estimated at $1,114,101 (US$853,325) as at July 31, 2016 (July 31, 2015 – $1,118,257 (US$ 854,936)) based on discounted future cash flows, using market interest rates available as at July 31, 2016 and 2015.

Fair value is used to determine the values at which these instruments could be traded in a current transaction between willing parties. When these financial instruments are not traded in public markets, their fair value is established based on a set of predetermined criteria, which minimize the subjectivity of valuation. 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, 2016 and 2015, there are no financial instruments that were accounted for using fair value.

9 RELATED PARTY TRANSACTIONS

During the years ended July 31, 2016 and 2015, other than the transactions and amounts described in Note 10 in our audited consolidated financial statements, the Company did not have any other related party transactions.

10 CRITICAL ACCOUNTING ESTIMATES

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those estimates. 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 tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Company will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Company believes that it is probable that some portion of deferred tax assets will fail to be realized, deferred tax asset is derecognized. 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 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 tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting 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 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 amount.

11 ACCOUNTING STANDARDS AND AMENDMENTS

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.

IFRS 16 "Leases"

The IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15 "Revenue from Contracts with Customers". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria. The Company is evaluating the impact of this standard on its financial statements.

12 OUTSTANDING SHARE DATA

12.1 Authorized

As at November 3, 2016, the Company's authorized capital stock consists of an unlimited number of:

- Cumulative, redeemable first preferred shares, 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;
- Cumulative, redeemable convertible second preferred shares, issuable in series;
- Third preferred shares, issuable in series; and
- Voting common shares.

12.2 Issued and Outstanding

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

12.2.1 Common Shares

As at November 3, 2016, the Company has 24,703,244 common shares outstanding.

12.2.2 Stock options

As at November 3, 2016, the Company has 1,015,000 stock options outstanding with exercise prices ranging from $0.05 to $0.24 and expiry dates ranging from January 2017 to December 2023.

As at November 3, 2016, on an if-converted basis, these stock options would result in the issuance of 1,015,000 common shares at an aggregate exercise price of $191,400.

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