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
President and Chief Executive Officer

Montréal, Canada
December 15, 2016

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
December 15, 2016

Condensed Interim Consolidated Statements of Financial Position
In Canadian dollars

	Notes	**October 31, 2016 $**	July 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents		**2,882,165**	2,899,622
Trade and other receivables	4	**699,128**	406,766
Inventories	5	**573,106**	669,580
Prepaid expenses		**119,072**	91,990
Total current assets		**4,273,471**	4,067,958
Non-current assets			
Property, plant and equipment	6	**2,506,251**	2,374,625
Total assets		**6,779,722**	6,442,583
Liabilities			
Current liabilities			
Trade and other payables		**591,482**	503,669
Current portion of long-term debt	7	**50,258**	48,400
Total current liabilities		**641,740**	552,069
Non-current liabilities			
Deferred income taxes		**23,149**	22,536
Long-term debt	7	**1,106,460**	1,089,237
Total non-current liabilities		**1,129,609**	1,111,773
Total liabilities		**1,771,349**	1,663,842
Equity			
Share capital	11	**52,660,078**	52,660,078
Contributed surplus		**568,633**	568,633
Deficit		**(48,732,588)**	(48,931,476)
Accumulated other comprehensive income		**512,250**	481,506
		5,008,373	4,778,741
Total liabilities and equity		**6,779,722**	6,442,583

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, 2016	**52,660,078**	**568,633**	**(48,931,476)**	**481,506**	**4,778,741**
Net earnings	**-**	**-**	**198,888**	**-**	**198,888**
Cumulative translation adjustments	**-**	**-**	**-**	**30,744**	**30,744**
As at October 31, 2016	**52,660,078**	**568,633**	**(48,732,588)**	**512,250**	**5,008,373**
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

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

Condensed Interim Consolidated Statements of Earnings and Comprehensive Income

In Canadian dollars

	Notes	**For the three-month period ended October 31, 2016**	For the three-month period ended October 31, 2015
Revenues		**1,210,574**	1,414,875
Cost of sales	8	**611,684**	600,220
Research and development expenses	8	**56,214**	69,433
Selling, general and administrative expenses	8	**398,937**	384,969
Operating earnings		**143,739**	360,253
Foreign exchange gain	8	**(48,889)**	(1,551)
Finance expenses	8	**15,719**	16,598
Other gains – net	8	**(21,979)**	(15,000)
Earnings before income taxes		**198,888**	360,206
Provision for income taxes		**-**	-
Net earnings		**198,888**	360,206
Other comprehensive income (loss)			
Foreign currency translation adjustments- gain (loss)		**30,744**	(121)
Comprehensive income		**229,632**	360,085
Basic and diluted net earnings per share		**0.01**	0.01

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

IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
First Quarter ended October 31, 2016 and 2015

Condensed Interim Consolidated Statements of Cash Flows
In Canadian dollars

	Notes	**For the three-month period ended October 31, 2016 $**	For the three-month period ended October 31, 2015 $
Cash flows generated from operating activities			
Net earnings		**198,888**	360,206
Adjustments for non-cash income and expenses			
Depreciation of property, plant and equipment	6	**71,583**	88,637
		270,471	448,843
Changes in non-cash working capital balances			
Increase in trade and other receivables		**(279,080)**	(13,508)
Decrease in inventories		**100,440**	147,895
Increase in prepaid expenses		**(24,740)**	(3,776)
Increase (decrease) in trade and other payables		**82,476**	(16,199)
Net changes in non-cash working capital balances		**(120,904)**	114,412
Net cash generated from operating activities		**149,567**	563,255
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	**(155,432)**	-
Net cash used in investing activities		**(155,432)**	-
Cash flows used in financing activities			
Repayment of long-term debt	7	**(11,592)**	(11,391)
Net cash used in financing activities		**(11,592)**	(11,391)
Net increase in cash and cash equivalents		**(17,457)**	551,864
Cash and cash equivalents at beginning of year		**2,899,622**	2,084,826
Cash and cash equivalents at end of quarter		**2,882,165**	2,636,690
Interest paid		**12,639**	12,739
Interest received		**1,406**	1,280

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 15, 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, 2016.

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, 2016, 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, 2017 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 evaluating the impact of this standard on its financial statements.

IFRS 15 "Revenue from Contracts and Customers"

The IASB issued IFRS 15 "Revenue from Contacts and Customers" 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.

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, 2016 and were the same as those used in the interim financial statements for the quarter ended October 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 and comprehensive income, 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, 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 October 31, 2016 and July 31, 2016 were as follows:

	October 31, 2016		July 31, 2016	
	$	**US$**	$	US$
Cash and cash equivalents	**830,506**	**619,272**	566,402	433,825
Trade and other receivables	**388,211**	**289,472**	371,860	284,819
Trade and other payables	**103,653**	**77,290**	41,056	31,446

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 $55,753 recorded in net earnings for the three-month period ended October 31, 2016 (July 31, 2016 – gain of $44,860).

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, 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 October 31, 2016 was as follows:

Trade receivables	**$**	**%**
Current	457,658	69
Past due 31–90 days	203,481	31
Over 90 days	-	-
	661,139	100

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, 2016	July 31, 2016
	%	%
Customer 1	**39**	**58**
Customer 2	**21**	**-**
Customer 3	**10**	**-**
Customer 4	**-**	**13**

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, 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	591,482	591,482	591,482	-	-	-
Long-term debt obligations[1]	1,156,718	1,610,423	99,103	198,206	198,206	1,114,908
	1,748,200	2,201,905	690,585	198,206	198,206	1,114,908

1- See Note 7

The following table details the maturities of the financial liabilities as at July 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	503,669	503,669	503,669	-	-	-
Long-term debt obligations[1]	1,137,637	1,591,913	96,480	192,959	192,959	1,109,515
	1,641,306	2,095,582	600,149	192,959	192,959	1,109,515

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 $1,116,727 (US$832,695) as at October 31, 2016 based on discounted future cash flows, using market interest rates available as at October 31, 2016 (July 31, 2016 - $1,114,101 (US$853,325)).

4 Trade and other receivables

	October 31, 2016 $	July 31, 2016 $
Trade	**661,139**	381,518
Other	**37,989**	25,248
	699,128	406,766

5 Inventories

	October 31, 2016 $	July 31, 2016 $
Finished goods – Enzymes	**533,944**	631,756
Finished goods – Arthritis diagnostic kits	**39,162**	37,824
	573,106	669,580

6 Property, plant and equipment and asset held for sale

	October 31, 2016 $	October 31, 2015 $
Opening July 31, 2016 and 2015		
Cost	**5,637,818**	5,144,183
Accumulated depreciation	**(3,263,193)**	(2,934,214)
Net book amount	**2,374,625**	2,209,969
Three-month period ended October 31, 2016 and 2015		
Opening net book amount	**2,374,625**	2,209,969
Additions	**155,432**	-
Depreciation charge	**(71,583)**	(88,637)
Effect of exchange rate variations	**47,777**	(140)
Closing net book amount	**2,506,251**	2,121,192
Ending October 31, 2016 and 2015		
Cost	**5,873,338**	5,143,242
Accumulated depreciation	**(3,367,087)**	(3,022,050)
Net book amount	**2,506,251**	2,121,192

7 Long-term debt

	October 31, 2016		July 31, 2016	
	US$	**CAD$**	US$	CAD$
Term loan	**862,514**	**1,156,718**	871,352	1,137,637
Less: current portion	**37,475**	**50,258**	37,071	48,400
	825,039	**1,106,460**	834,281	1,089,237

8 Expense by nature

	October 31, 2016 $	October 31, 2015 $
Salaries and benefits	**556,508**	479,468
Board compensation	**15,400**	19,000
Contracts and collaborators	**5,211**	20,154
Professional fees	**39,832**	45,714
Shareholders' relation fees	**3,570**	3,203
Occupancy costs	**81,750**	79,079
Insurance	**27,595**	26,666
Royalties	**4,052**	581
Sales, administration and all other expenses	**163,042**	144,145
Foreign exchange gain	**(48,889)**	(1,551)
Finance expense	**15,719**	16,598
Changes in inventory allocation, work in process and finished goods	**98,292**	147,975
Depreciation of property, plant and equipment	**71,583**	88,637
Other gains - net	**(21,979)**	(15,000)
	1,011,686	1,054,669

9 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, 2016 $	October 31, 2015 $
Salaries and employee benefits	**171,412**	158,001

10 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, 2016, 55% of its sales derived from its two top customers (the year ended July 31, 2016 – 58%).

	October 31, 2016 %	July 31, 2016 %
Customer A	**44**	41
Customer B	**11**	17

Industry

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

Geographic information

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

	October 31, 2016 %	July 31, 2016 %
Canada	**10**	7
United States	**65**	60
United Kingdom	**11**	21
Other	**14**	12
	100	100

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

	October 31, 2016 $	July 31, 2016 $
Canada	**711,457**	569,107
United States	**1,794,794**	1,805,518
	2, 506,251	2,374,625

11 Stock options

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

	October 31, 2016		July 31, 2016	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Beginning balance	**1,015,000**	**0.19**	1,121,500	0.19
Expired	**-**	**-**	(106,500)	0.18
Ending balance	**1,015,000**	**0.19**	1,015,000	0.19

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

	Options outstanding and currently exercisable		
Exercise prices $	**Number outstanding**	**Number vested and exercisable**	**Weighted average remaining contractual life (years)**
0.05	**20,000**	**20,000**	**7.14**
0.08	**50,000**	**50,000**	**6.67**
0.10	**235,000**	**235,000**	**1.40**
0.23	**700,000**	**700,000**	**2.72**
0.24	**10,000**	**10,000**	**3.15**
	1,015,000	**1,015,000**	