



**IBEX Technologies Inc. / Technologies IBEX Inc.**  
Unaudited Condensed Interim Consolidated Financial Statements  
Third Quarter ended April 30, 2017 and 2016

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**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.

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Paul Baehr  
President and Chief Executive Officer

Montréal, Canada  
June 16, 2017

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Richard Collin, CPA, CA  
Director of Finance

Montréal, Canada  
June 16, 2017



**IBEX Technologies Inc. / Technologies IBEX Inc.**  
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**Condensed Interim Consolidated Statements of Financial Position**  
**In Canadian dollars**

	Notes	April 30, 2017 \$	July 31, 2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,001,410	2,899,622
Trade and other receivables	4	740,788	406,766
Inventories	5	463,453	669,580
Prepaid expenses		165,718	91,990
<b>Total current assets</b>		<b>4,371,369</b>	<b>4,067,958</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	2,921,477	2,374,625
<b>Total assets</b>		<b>7,292,846</b>	<b>6,442,583</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		654,922	503,669
Current portion of long-term debt	7	52,263	48,400
<b>Total current liabilities</b>		<b>707,185</b>	<b>552,069</b>
<b>Non-current liabilities</b>			
Deferred income taxes		23,561	22,536
Long-term debt	7	1,099,700	1,089,237
<b>Total non-current liabilities</b>		<b>1,123,261</b>	<b>1,111,773</b>
<b>Total liabilities</b>		<b>1,830,446</b>	<b>1,663,842</b>
<b>Equity</b>			
Share capital	11	52,660,078	52,660,078
Contributed surplus		583,744	568,633
Deficit		(48,308,452)	(48,931,476)
Accumulated other comprehensive income		527,030	481,506
		<b>5,462,400</b>	<b>4,778,741</b>
<b>Total liabilities and equity</b>		<b>7,292,846</b>	<b>6,442,583</b>

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**

	<b>Share capital \$</b>	<b>Contributed surplus \$</b>	<b>Deficit \$</b>	<b>Accumulated other comprehensive income \$</b>	<b>Total \$</b>
<b>As at July 31, 2016</b>	<b>52,660,078</b>	<b>568,633</b>	<b>(48,931,476)</b>	<b>481,506</b>	<b>4,778,741</b>
<b>Granted options</b>	-	15,111	-	-	15,111
<b>Net earnings</b>	-	-	623,024	-	623,024
<b>Cumulative translation adjustments</b>	-	-	-	45,524	45,524
<b>As at April 30, 2017</b>	<b>52,660,078</b>	<b>583,744</b>	<b>(48,308,452)</b>	<b>527,030</b>	<b>5,462,400</b>
As at July 31, 2015	52,660,078	568,633	(49,032,036)	475,087	4,671,762
Net earnings	-	-	94,976	-	94,976
Cumulative translation adjustments	-	-	-	(47,596)	(47,596)
As at April 30, 2016	52,660,078	568,633	(48,937,060)	427,491	4,719,142

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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 April 30		For the nine-month period ended April 30	
		2017 \$	2016 \$	2017 \$	2016 \$
Revenues		<b>1,115,318</b>	696,200	<b>3,868,133</b>	3,251,891
Cost of sales	8	<b>582,300</b>	500,422	<b>1,798,192</b>	1,670,712
Research and development expenses	8	<b>53,627</b>	83,687	<b>152,080</b>	213,160
Selling, general and administrative expenses	8	<b>562,405</b>	469,419	<b>1,400,095</b>	1,243,479
Operating earnings (loss)		<b>(83,014)</b>	(357,328)	<b>517,766</b>	124,540
Foreign exchange (gain) loss	8	<b>(93,070)</b>	114,042	<b>(102,786)</b>	41,816
Finance expenses	8	<b>13,606</b>	16,274	<b>44,507</b>	48,622
Other gains – net	8	<b>(5,000)</b>	(25,084)	<b>(46,979)</b>	(60,874)
Earnings (loss) before income taxes		<b>1,450</b>	(462,560)	<b>623,024</b>	94,976
Provision for income taxes			-		-
Net earnings (loss)		<b>1,450</b>	(462,560)	<b>623,024</b>	94,976
<b>Other comprehensive income (loss)</b>					
Foreign currency translation adjustments – gain (loss)		<b>47,526</b>	(168,444)	<b>45,524</b>	(47,596)
<b>Comprehensive income (loss)</b>		<b>48,976</b>	(631,004)	<b>668,548</b>	47,380
Basic and diluted net earnings (loss) per share		<b>0.00</b>	(0.02)	<b>0.02</b>	0.00

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

	Notes	For the nine months ended April 30, 2017 \$	For the nine months ended April 30, 2016 \$
<b>Cash flows generated from operating activities</b>			
Net earnings		623,024	94,976
Adjustments for non-cash income and expenses			
Depreciation of property, plant and equipment	6	208,469	256,570
Stock-based compensation expense	11	15,111	-
		<b>846,604</b>	<b>351,546</b>
<b>Changes in non-cash working capital balances</b>			
(Increase) decrease in trade and other receivables		(333,447)	366,861
Decrease in inventories		230,738	224,018
Increase in prepaid expenses		(65,679)	(27,904)
Increase (decrease) in trade and other payables		137,844	(10,937)
Net changes in non-cash working capital balances		<b>(30,544)</b>	<b>552,038</b>
<b>Net cash generated from operating activities</b>		<b>816,060</b>	<b>903,584</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	6	(677,934)	(35,346)
Net cash used in investing activities		<b>(677,934)</b>	<b>(35,346)</b>
<b>Cash flows used in financing activities</b>			
Repayment of long-term debt	7	(36,338)	(35,289)
Net cash used in financing activities		<b>(36,338)</b>	<b>(35,289)</b>
Net increase in cash and cash equivalents		<b>101,788</b>	<b>832,949</b>
Cash and cash equivalents at beginning of year		<b>2,899,622</b>	<b>2,084,826</b>
<b>Cash and cash equivalents at end of third quarter</b>		<b>3,001,410</b>	<b>2,917,775</b>
Interest paid		37,107	38,919
Interest received		7,974	3,796

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 June 16, 2017 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 instead of in the statement of earnings.

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 Contracts 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 nine months ended April 30, 2017.

### **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.





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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 April 30, 2017 and 2016, 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 April 30, 2017 and July 31, 2016 were as follows:

	April 30, 2017		July 31, 2016	
	\$	US\$	\$	US\$
Cash and cash equivalents	1,362,971	998,514	566,402	433,825
Trade and other receivables	600,170	439,685	371,860	284,819
Trade and other payables	143,997	105,492	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 \$90,957 recorded in net earnings for the nine-month period ended April 30, 2017 (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 nine-month period ended April 30, 2017.

**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 April 30, 2017 was as follows:

Trade receivables	\$	%
Current	587,799	88
Past due 31–90 days	76,769	12
Over 90 days	-	-
	<u>664,568</u>	<u>100</u>



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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:

	<b>April 30, 2017</b>	July 31, 2016
	%	%
Customer 1	<u>75</u>	<u>58</u>
Customer 2	-	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 April 30, 2017.

	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	654,922	654,922	654,922	-	-	-
Long-term debt obligations <sup>1</sup>	1,151,963	1,588,688	100,869	201,738	201,738	1,084,343
	<u>1,806,885</u>	<u>2,243,610</u>	<u>755,791</u>	<u>201,738</u>	<u>201,738</u>	<u>1,084,343</u>

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 <sup>1</sup>	1,137,637	1,591,913	96,480	192,959	192,959	1,109,515
	<u>1,641,306</u>	<u>2,095,582</u>	<u>600,149</u>	<u>192,959</u>	<u>192,959</u>	<u>1,109,515</u>



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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 \$1,073,527 (US\$786,466) as at April 30, 2017 based on discounted future cash flows, using market interest rates available as at April 30, 2017 (July 31, 2016 - \$1,114,101 (US\$853,325)).

**4 Trade and other receivables**

	<b>April 30, 2017</b>	July 31, 2016
	\$	\$
Trade	<b>664,568</b>	381,518
Other	<b>76,220</b>	25,248
	<b>740,788</b>	406,766

**5 Inventories**

	<b>April 30, 2017</b>	July 31, 2016
	\$	\$
Finished goods – Enzymes	<b>444,213</b>	631,756
Finished goods – Arthritis diagnostic kits	<b>19,240</b>	37,824
	<b>463,453</b>	669,580



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**6 Property, plant and equipment**

	April 30, 2017 \$	April 30, 2016 \$
<b>Opening July 31, 2016 and 2015</b>		
Cost	5,637,818	5,144,183
Accumulated depreciation	(3,263,193)	(2,934,214)
<b>Net book amount</b>	<b>2,374,625</b>	<b>2,209,969</b>
<b>Nine-month period ended April 30, 2017 and 2016</b>		
Opening net book amount	2,374,625	2,209,969
Additions	677,934	35,346
Depreciation charge	(208,469)	(256,570)
Effect of exchange rate variations	77,387	(53,725)
<b>Closing net book amount</b>	<b>2,921,477</b>	<b>1,935,020</b>
<b>Ending April 30, 2017 and 2016</b>		
Cost	6,449,963	5,077,169
Accumulated depreciation	(3,528,486)	(3,142,149)
<b>Net book amount</b>	<b>2,921,477</b>	<b>1,935,020</b>

**7 Long-term debt**

	April 30, 2017		July 31, 2016	
	US\$	CAD\$	US\$	CAD\$
Term loan	843,928	1,151,963	871,352	1,137,637
Less: current portion	38,287	52,263	37,071	48,400
	<b>805,641</b>	<b>1,099,700</b>	<b>834,281</b>	<b>1,089,237</b>



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**8 Expense by nature**

	April 30, 2017 \$	April 30, 2016 \$
Salaries and benefits	1,808,372	1,581,920
Board compensation	45,551	46,684
Stock-based compensation	15,111	-
Contracts and collaborators	41,429	61,457
Professional fees	119,585	141,092
Shareholders' relation fees	11,999	13,443
Occupancy costs	254,802	240,130
Insurance	82,882	80,230
Royalties	15,541	7,876
Sales, administration and all other expenses	536,196	453,354
Foreign exchange (gain) loss	(102,786)	41,816
Finance expense	44,507	48,622
Changes in inventory allocation, work in process and finished goods	210,430	244,595
Depreciation of property, plant and equipment	208,469	256,570
Other gains - net	(46,979)	(60,874)
	<u>3,245,109</u>	<u>3,156,915</u>

**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:

	April 30, 2017 \$	April 30, 2016 \$
Salaries and employee benefits	<u>586,827</u>	<u>509,215</u>

**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 nine-month period ended April 30, 2017, 63% of its sales derived from its two top customers (the year ended July 31, 2016 – 58%).

	April 30, 2017 %	July 31, 2016 %
Customer A	<u>54</u>	<u>41</u>
Customer B	<u>9</u>	<u>17</u>



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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:

	<b>April 30, 2017</b>	July 31, 2016
	%	%
Canada	<u>11</u>	<u>7</u>
United States	<b>69</b>	60
United Kingdom	<b>11</b>	21
Other	<u>9</u>	<u>12</u>
	<b>100</b>	<b>100</b>

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

	<b>April 30, 2017</b>	July 31, 2016
	\$	\$
Canada	<u>1,196,359</u>	<u>569,107</u>
United States	<b>1,725,118</b>	1,805,518
	<b>2,921,477</b>	<b>2,374,625</b>

**11 Stock options**

The following tables summarize the IBEX stock option plan for the nine-month period ended April 30, 2017 and the year ended July 31 2016.

	<u>April 30, 2017</u>		<u>July 31, 2016</u>	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	<b>1,015,000</b>	<b>0.19</b>	1,121,500	0.19
Granted	<b>105,000</b>	<b>0.24</b>	-	-
Expired	<b>(100,000)</b>	<b>0.23</b>	(106,500)	0.18
Ending balance	<b>1,020,000</b>	<b>0.19</b>	1,015,000	0.19



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The following table summarizes the IBEX stock options outstanding as at April 30, 2017:

Options outstanding and currently exercisable			
Range of exercise prices \$	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)
0.05	20,000	20,000	6.64
0.08	50,000	50,000	6.18
0.10	235,000	235,000	0.90
0.23	600,000	600,000	2.64
0.235	105,000	70,000	9.98
0.24	10,000	10,000	2.65
	<u>1,020,000</u>	<u>985,000</u>	

The Company uses the fair value based method of accounting for its stock options. The fair value of the options is estimated as at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the third quarter ended April 30, 2017:

Risk-free interest rate	0.96%
Expected dividend yield	nil
Expected life of the options	10 years
Expected volatility	106%

During the third quarter ended April 30, 2017, the fair value of the options granted at an exercise price of \$0.235 is \$22,460. No options were granted during the year ended July 31, 2016.