IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Second Quarter ended January 31, 2018 and 2017

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
March 14, 2018

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
March 14, 2018

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	**January 31, 2018 $**	July 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents		**2,708,984**	3,004,627
Trade and other receivables	4	**542,280**	544,166
Inventories	5	**372,883**	478,357
Prepaid expenses		**79,916**	109,463
Total current assets		**3,704,063**	4,136,613
Non-current assets			
Property, plant, equipment and intangible assets	6	**2,831,136**	2,954,823
Deferred income tax assets		**2,443,327**	2,443,327
Total assets		**8,978,526**	9,534,763
Liabilities			
Current liabilities			
Trade and other payables		**438,993**	739,241
Current portion of long-term debt	7	**48,617**	48,317
Total current liabilities		**487,610**	787,558
Non-current liabilities			
Long-term debt	7	**953,740**	993,536
Total non-current liabilities		**953,740**	993,536
Total liabilities		**1,441,350**	1,781,094
Equity			
Share capital	11	**52,660,078**	52,660,078
Contributed surplus		**663,893**	585,159
Deficit		**(46,235,374)**	(45,949,637)
Accumulated other comprehensive income		**448,579**	458,069
		7,537,176	7,753,669
Total liabilities and equity		**8,978,526**	9,534,763

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

	Notes	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income $	Total $
As at July 31, 2017		**52,660,078**	**585,159**	**(45,949,637)**	**458,069**	**7,753,669**
Share-based compensation	11	**-**	**78,734**	**-**	**-**	**78,734**
Net loss		**-**	**-**	**(285,737)**	**-**	**(285,737)**
Cumulative translation adjustments		**-**	**-**	**-**	**(9,490)**	**(9,490)**
As at January 31, 2018		**52,660,078**	**663,893**	**(46,235,374)**	**448,579**	**7,537,176**
As at July 31, 2016		52,660,078	568,633	(48,931,476)	481,506	4,778,741
Net earnings		-	-	621,574	-	621,574
Cumulative translation adjustments		-	-	-	(2,002)	(2,002)
As at January 31, 2017		52,660,078	568,633	(48,309,902)	479,504	5,398,313

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

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

In Canadian dollars

		For the three-month period ended January 31		For the six-month period ended January 31	
	Notes	**2018 $**	2017 $	**2018 $**	2017 $
Revenues		**892,774**	1,542,241	**2,075,787**	2,752,815
Cost of sales	8-12	**671,690**	657,792	**1,392,203**	1,326,735
Research and development expenses	8	**53,890**	42,239	**100,955**	98,453
Selling, general and administrative expenses	8-12	**488,241**	385,169	**860,867**	726,847
Operating (loss) earnings		**(321,047)**	457,041	**(278,238)**	600,780
Foreign exchange loss (gain)	8	**100,775**	39,173	**18,677**	(9,716)
Finance expenses	8	**8,774**	15,182	**18,822**	30,901
Other gains – net	8	**(15,000)**	(20,000)	**(30,000)**	(41,979)
(Loss) earnings before income taxes		**(415,596)**	422,686	**(285,737)**	621,574
Provision for income taxes		**-**	-	**-**	-
Net (loss) earnings		**(415,596)**	422,686	**(285,737)**	621,574
Other comprehensive loss					
Foreign currency translation adjustments – loss		**(30,992)**	(32,746)	**(9,490)**	(2,002)
Comprehensive (loss) income		**(446,588)**	389,940	**(295,227)**	619,572
Basic and diluted net (loss) earnings per share		**(0.02)**	0.02	**(0.01)**	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-month period ended January 31, 2018 $**	For the six-month period ended January 31, 2017 $
Cash flows (used) generated from operating activities			
Net (loss) earnings		**(285,737)**	621,574
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	**139,406**	141,082
Stock-based compensation expense		**78,734**	-
		(67,597)	762,656
Changes in non-cash working capital balances			
Increase in trade and other receivables		**(934)**	(366,220)
Decrease in inventories		**104,376**	159,706
Decrease in prepaid expenses		**29,057**	17,727
Decrease in trade and other payables		**(298,880)**	(35,317)
Net changes in non-cash working capital balances		**(166,381)**	(224,104)
Net cash (used) generated from operating activities		**(233,978)**	538,552
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	**(34,165)**	(300,349)
Purchase of intangible assets	6	**(3,486)**	-
Net cash used in investing activities		**(37,651)**	(300,349)
Cash flows used in financing activities			
Repayment of long-term debt	7	**(24,014)**	(23,770)
Net cash used in financing activities		**(24,014)**	(23,770)
Net (decrease) increase in cash and cash equivalents		**(295,643)**	214,433
Cash and cash equivalents at beginning of year		**3,004,627**	2,899,622
Cash and cash equivalents at end of second quarter		**2,708,984**	3,114,055
Interest paid		**22,453**	25,076
Interest received		**12,591**	3,582

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 14, 2018 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, 2017.

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, 2017, 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, 2018 are as follows:

IFRS 9 "Financial Instruments"

In July 2014, the IASB completed IFRS 9, "Financial Instruments", in its three-part project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. In September 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 "Leases"

In January 2016, 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 consolidated 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, 2017 and were the same as those used in the interim financial statements for the quarter ended January 31, 2018.

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 January 31, 2018 and 2017, 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, 2018 and July 31, 2017 were as follows:

	January 31, 2018		July 31, 2017	
	$	**US$**	$	US$
Cash and cash equivalents	**1,490,646**	**1,212,597**	1,718,661	1,376,581
Trade and other receivables	**350,486**	**285,111**	411,754	329,799
Trade and other payables	**4,103**	**3,338**	3,323	2,662

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 $91,851 recorded in net loss for the six-month period ended January 31, 2018 (July 31, 2017 gain of $106,355).

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 sixe-month period ended January 31, 2018.

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, 2018 was as follows:

Trade receivables	**$**	**%**
Current	478,510	92
Past due 31–90 days	39,095	8
Over 90 days	-	-
	517,605	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, 2018 %	July 31, 2017 %
Customer 1	**32**	-
Customer 2	**26**	48
Customer 3	**14**	15
Customer 4	**13**	-
Customer 5	**-**	14

Liquidity risk

Liquidity risk is the 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, 2018.

	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	438,993	438,993	438,993	-	-	-
Long-term debt obligations[1]	1,002,357	1,362,619	90,841	181,683	181,683	908,412
	1,441,350	1,801,612	529,834	181,683	181,683	908,412

1- See Note 7

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 $895,365 (US$728,353) as at January 31, 2018 based on discounted future cash flows, using market interest rates available as at January 31, 2018 (July 31, 2017 - $970,575 (US$777,393)).

4 Trade and other receivables

	January 31, 2018 $	July 31, 2017 $
Trade	**517,605**	479,416
Sales tax receivable	**24,675**	64,750
	542,280	544,166

5 Inventories

	January 31, 2018 $	July 31, 2017 $
Finished goods – Enzymes	**320,594**	444,229
Finished goods – Arthritis diagnostic kits	**52,289**	34,128
	372,883	478,357

6 Property, plant, equipment and intangible assets

	January 31, 2018 $	January 31, 2017 $
Opening July 31, 2017 and 2016		
Cost	**6,372,057**	5,637,818
Accumulated depreciation	**(3,417,234)**	(3,263,193)
Net book amount	**2,954,823**	2,374,625
Six-month period ended January 31, 2018 and 2017		
Opening net book amount	**2,954,823**	2,374,625
Additions	**37,651**	300,349
Depreciation charge	**(139,406)**	(141,082)
Effect of exchange rate variations	**(21,932)**	(4,303)
Closing net book amount	**2,831,136**	2,529,589
Ending January 31, 2018 and 2017		
Cost	**6,366,172**	5,928,240
Accumulated depreciation	**(3,535,036)**	(3,398,651)
Net book amount	**2,831,136**	2,529,589

7 Long-term debt

	January 31, 2018		July 31, 2017	
	US$	**CA$**	US$	CA$
Term loan	**815,389**	**1,002,357**	834,484	1,041,853
Less: current portion	**39,549**	**48,617**	38,700	48,317
	775,840	**953,740**	795,784	993,536

The interest rate was renewed at 4.20% for five years as of January 01, 2018 (previously 4.25%).

8 Expense by nature

	January 31, 2018 $	January 31, 2017 $
Salaries and benefits expense	**1,144,328**	1,137,363
Share-based compensation expense	**78,734**	-
Board compensation	**52,367**	30,119
Contracts and collaborators	**52,758**	15,730
Professional fees	**83,325**	79,692
Shareholders' relation fees	**7,512**	7,797
Occupancy costs	**196,843**	169,738
Insurance	**58,153**	53,692
Royalties	**9,346**	10,765
Sales, administration and all other expenses	**427,227**	346,411
Foreign exchange loss (gain)	**18,677**	(9,716)
Finance expense	**18,822**	30,901
Changes in inventory allocation, work in process and finished goods	**104,026**	159,646
Depreciation of property, plant, equipment and intangible assets	**139,406**	141,082
Other gains – net	**(30,000)**	(41,979)
	2,361,524	2,131,241

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:

	January 31, 2018 $	January 31, 2017 $
Salaries, share-based compensation and employee benefits	**467,989**	378,842

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 six-month period ended January 31, 2018, 60% of its sales derived from its three top customers (July 31, 2017 – 70%).

	January 31, 2018 %	July 31, 2017 %
Customer A	**35**	57
Customer B	**17**	7
Customer C	**8**	6

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 for the six-month period ended January 31, 2018 and the year ended July 31, 2017 were as follows:

	January 31, 2018 %	July 31, 2017 %
Canada	**17**	11
United States	**52**	71
United Kingdom	**20**	9
Other	**11**	9
	100	100

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

	January 31, 2018 $	July 31, 2017 $
Canada	**1,392,942**	1,421,769
United States	**1,438,194**	1,533,054
	2,831,136	2,954,823

11 Stock options

The following tables summarize the IBEX stock option plan for the six-month period ended January 31, 2018 and the year ended July 31, 2017:

	January 31, 2018		July 31, 2017	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Beginning balance	**1,020,000**	**0.19**	1,015,000	0.19
Granted	**775,000**	**0.20**	105,000	0.24
Forfeited	**(50,000)**	**0.23**	-	-
Expired	**-**	**-**	(100,000)	0.23
Ending balance	**1,745,000**	**0.19**	1,020,000	0.19

The following table summarizes the IBEX stock options outstanding as at January 31, 2018:

	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	5.88
0.08	50,000	50,000	5.42
0.10	235,000	235,000	0.15
0.20	775,000	375,000	9.89
0.23	550,000	550,000	1.88
0.24	115,000	80,000	8.59
	1,745,000	1,310,000	

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 second quarter ended January 31, 2018

Risk-free interest rate	0.86%
Expected dividend yield	nil
Expected life of the options	10 years
Expected volatility	133%

During the second quarter ended January 31, 2018, the fair value of the options granted at an exercise price of $0.20 is $149,808.

The number of common shares reserved for issuance under the stock option plan went from 2,000,000 to 2,400,000 during the second quarter ended January 31, 2018.

12 Comparative financial information

The condensed interim consolidated financial statements for the interim periods January 31, 2017 reported cost of sales excluding depreciation of property, plant and equipment. As stated in our accounting policy, cost of sales should have included production overhead, which includes depreciation of equipment and inventory allocations. Management of the Company evaluated the impact of this presentation adjustment in accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, and concluded that retrospective adjustments to the comparative reported interim periods was required.

The effects of the adjustments on the comparative reported interim periods are as follows:

Adjustments to the Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income:

	For the three-month period ended January 31, 2017		
	Previously stated $	**Adjustments $**	**Adjusted $**
Revenues	1,542,241	-	1,542,241
Cost of sales	604,208	53,584	657,792
Research and development expenses	42,239	-	42,239
Selling, general and administrative expenses	438,753	(53,584)	385,169
Operating earnings	457,041	-	457,041
Net earnings	422,686	-	422,686

	For the six-month period ended January 31, 2017		
	Previously stated $	**Adjustments $**	**Adjusted $**
Revenues	2,752,815	-	2,752,815
Cost of sales	1,215,892	110,843	1,326,735
Research and development expenses	98,453	-	98,453
Selling, general and administrative expenses	837,690	(110,843)	726,847
Operating earnings	600,780	-	600,780
Net earnings	621,574	-	621,574

There is no impact on the Consolidated Statements of Financial position and the Consolidated Statements of Cash Flows.