

**IBEX Technologies Inc./
Technologies IBEX Inc.**

Consolidated Financial Statements
July 31, 2008 and 2007

October 27, 2008

Auditors' Report

To the Shareholders of IBEX Technologies Inc./Technologies IBEX Inc.

We have audited the consolidated balance sheets of **IBEX Technologies Inc./Technologies IBEX Inc.** as at July 31, 2008 and 2007 and the consolidated statements of deficit, earnings (loss) and comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

IBEX Technologies Inc./Technologies IBEX Inc.


Consolidated Balance Sheets

As at July 31, 2008 and 2007

	2008 \$	2007 \$
Assets		
Current assets		
Cash and cash equivalents	372,096	348,752
Marketable securities (note 5)	1,195,168	1,099,673
Accounts receivable (note 6)	337,621	500,509
Inventories (note 7)	292,755	164,384
Prepaid expenses	90,206	135,014
	<hr/>	<hr/>
	2,287,846	2,248,332
Property and equipment (note 8)	<hr/>	<hr/>
	238,809	303,271
	<hr/>	<hr/>
	2,526,655	2,551,603
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<hr/>	<hr/>
	455,354	845,011
Shareholders' Equity		
Capital stock (note 12)	52,660,078	52,660,078
Contributed surplus (notes 12 and 13)	396,252	375,151
Deficit	<hr/>	<hr/>
	(50,985,029)	(51,328,637)
	<hr/>	<hr/>
	2,071,301	1,706,592
	<hr/>	<hr/>
	2,526,655	2,551,603
	<hr/>	<hr/>
Commitments (note 17)		

Approved by the Board of Directors

 Director

 Director

IBEX Technologies Inc./Technologies IBEX Inc.

Consolidated Statements of Deficit

For the years ended July 31, 2008 and 2007

	2008	2007
	\$	\$
Deficit – Beginning of year	(51,328,637)	(43,918,975)
Transitional adjustment on adoption of financial instrument standards (note 2)	(4,711)	-
Deficit, as adjusted	(51,333,348)	(43,918,975)
Net earnings (loss) for the year	348,319	(7,409,662)
Deficit – End of year	<u>(50,985,029)</u>	<u>(51,328,637)</u>

IBEX Technologies Inc./Technologies IBEX Inc.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
For the years ended July 31, 2008 and 2007

	2008	2007
	\$	\$
Revenues	2,326,744	2,023,624
Expenses (income)		
Net research and development expenditures (notes 1, 2, 8 and 9)	(76,548)	1,254,883
Selling, general and administrative expenses and cost of goods sold	2,097,036	3,464,898
Amortization of property and equipment	70,148	133,878
Amortization of identifiable intangible assets	-	3,236
Other interest and bank charges	10,780	31,808
Foreign exchange loss (gain)	(9,592)	63,736
Interest income	(44,200)	(185,748)
Gain on disposal of property and equipment (note 8)	(13,244)	-
Gain on disposal of identifiable intangible assets (note 9)	(48,873)	-
Writedown of loan receivable (note 3)	-	1,060,740
Writedown of identifiable intangible assets (note 1)	-	3,816,924
	<u>1,985,507</u>	<u>9,644,355</u>
Earnings (loss) before income taxes	341,237	(7,620,731)
Recovery of current income taxes	(7,082)	(211,069)
Net earnings (loss) and comprehensive income (loss) for the year	<u>348,319</u>	<u>(7,409,662)</u>
Net earnings (loss) per share (note 2)		
Basic and diluted	<u>0.01</u>	<u>(0.32)</u>

IBEX Technologies Inc./Technologies IBEX Inc.

Consolidated Statements of Cash Flows

For the years ended July 31, 2008 and 2007

	2008 \$	2007 \$
Cash flows from		
Operating activities		
Net earnings (loss) for the year	348,319	(7,409,662)
Items not affecting cash		
Amortization and writedown of property and equipment (note 8)	70,148	341,295
Amortization of identifiable intangible assets (note 9)	-	285,230
Stock-based compensation costs (note 13)	21,101	39,668
Writedown of identifiable intangible assets (note 1)	-	3,816,924
Accretion of interest on balance of payments	-	18,200
Writedown of loan receivable	-	1,000,000
Gain on disposal of property and equipment (note 8)	(13,244)	-
Gain on disposal of identifiable intangible assets (note 9)	(48,873)	-
	<u>377,451</u>	<u>(1,908,345)</u>
Changes in non-cash working capital items		
Decrease in accounts receivable	186,761	50,876
Decrease (increase) in inventories	(128,371)	17,412
Decrease in prepaid expenses	44,808	3,135
Decrease in accounts payable and accrued liabilities	(394,368)	(197,022)
	<u>(291,170)</u>	<u>(125,599)</u>
	<u>86,281</u>	<u>(2,033,944)</u>
Investing activities		
Acquisition of property and equipment	(5,686)	(8,572)
Proceeds from disposal of property and equipment (note 8)	13,244	-
Proceeds from disposal of identifiable intangible assets (note 9)	25,000	-
Purchases of marketable securities	(3,492,968)	(8,150,939)
Proceeds from redemption of marketable securities	3,397,473	10,725,755
Increase in loan receivable	-	(1,000,000)
	<u>(62,937)</u>	<u>1,566,244</u>
Increase (decrease) in cash and cash equivalents during the year	23,344	(467,700)
Cash and cash equivalents – Beginning of year	<u>348,752</u>	<u>816,452</u>
Cash and cash equivalents – End of year	<u>372,096</u>	<u>348,752</u>
Supplemental information		
Interest paid during the year	5	349
Income taxes paid during the year	-	571

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

1 Nature of operations

IBEX Technologies Inc. (“IBEX” or the “Company”) is a biopharmaceutical company currently engaged in the production and sale of proprietary enzymes for use as reagents in hemostasis monitoring devices, and of arthritis diagnostic kits for pharmaceutical research.

In May 2007, the Company announced a restructuring plan to focus its operations on the production and sale of its glycobiology enzymes and arthritis assays and eliminate all programs not essential to the sale and marketing of its products. Until the May 2007 restructuring plan, IBEX was pursuing research and development of molecular biomarkers for the management of cancer and arthritis and was considered to be in the development stage.

As a result of its restructuring plan, the Company paid termination benefits amounting to \$48,787 during the year ended July 31, 2007 and \$273,720 during the year ended July 31, 2008. The related expenses have been included in selling, general and administrative expenses in the consolidated statement of earnings (loss) for the year ended July 31, 2007. In addition, as a result of its restructuring plan, the Company re-evaluated its long-term assets, resulting in a significant writedown as at July 31, 2007. Identifiable intangible assets, relating to arthritis of \$2,291,844 (cost \$3,053,924) and to cancer of \$1,525,080 (cost \$1,986,741), were entirely written down as a result of testing for future recoverability, triggered by the restructuring plan. Property and equipment related to arthritis of \$105,656 (cost \$220,083; accumulated amortization of \$114,427) and to cancer of \$50,507 (cost of \$103,951; accumulated amortization of \$53,444) were also entirely written down. The Company used discounted cash flows in assessing the recoverability of the assets. The discounted cash flows over the remaining useful life of the assets were negative and, therefore, the Company wrote down the entire balances.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

The Company did not perform any research and development activities during the year ended July 31, 2008. The costs incurred for projects under development during the year ended July 31, 2007 were as follows:

	2007 \$
Arthritis program – Biomarkers and therapeutics	
Capital assets – at cost	
Balance – Beginning of year	3,239,305
Writedown	<u>3,239,305</u>
Balance – End of year	<u>-</u>
Research costs expensed	<u>801,710</u>
Cancer program – Biomarkers and therapeutics	
Capital assets – at cost	
Balance – Beginning of year	2,032,460
Writedown	<u>2,032,460</u>
Balance – End of year	<u>-</u>
Research costs expensed	<u>453,173</u>

2 Significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian and US subsidiaries, Technologies IBEX R&D Inc., IBEX Pharmaceuticals Inc. (“IBEX Pharma”), IBEX Technologies Corporation and IBEX Technologies Delaware Corporation.

On June 28, 2007, IBEX Technologies Delaware Corporation was dissolved, and a certificate of dissolution was obtained from the State of Delaware.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

In the normal course of operations, claims may arise against the Company pertaining to undesired side effects with respect to products being sold or 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid short-term investments. The Company considers short-term investments with an original maturity at the date of purchase of three months or less to be cash equivalents.

Marketable securities

Marketable securities are recorded at the lesser of their cost or market value.

Financial instruments

During the year ended July 31, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, “Comprehensive Income”; Section 3251, “Equity”; Section 3855, “Financial Instruments – Recognition and Measurement”; Section 3862, “Financial Instruments – Disclosures”; Section 3863, “Financial Instruments – Presentation”; and Section 3865, “Hedges”. These standards provide accounting guidelines for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, as well as the introduction of a new statement of comprehensive income. Section 3865 did not have an impact on the Company as it does not use hedge accounting. The Company elected to early adopt Sections 3862 and 3863, as permitted by the standards.

The Company’s adoption of these new financial instrument standards resulted in changes in the accounting for financial instruments, as well as the recognition of certain transitional adjustments that have been recorded in opening deficit as described below. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are as follows.

a) **Comprehensive income (loss)**

Comprehensive income (loss) is defined as the change in equity from transactions and other events and circumstances from sources other than shareholders, and is composed of the Company’s net earnings (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to revenues, expenses, gains and losses that are recognized in comprehensive income (loss) but excluded from net earnings (loss). The Company does not have any components that qualify as other comprehensive income (loss).

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

b) Financial assets and financial liabilities

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Financial instruments are initially recognized at fair value and are classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables, or other financial liabilities. They are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Transaction costs are expensed as incurred.

Held for trading

Financial instruments classified as held for trading are carried at fair value at each balance sheet date with the changes in fair value recorded in net earnings (loss) in the period in which the changes arise.

Available for sale

Financial instruments classified as available for sale are carried at fair value at each balance sheet date with the changes in fair value recorded in other comprehensive income (loss) in the period in which the changes arise. Securities that are classified as available for sale and do not have a readily available market value are recorded at cost. Available-for-sale securities are adjusted to fair value through earnings (loss) whenever it is necessary to reflect other than temporary impairment. Upon derecognition, all cumulative gains or losses are then recognized in net earnings (loss).

Held to maturity, loans and receivables, and other financial liabilities

Financial instruments classified as held to maturity, loans and receivables, and other financial liabilities are carried at amortized cost using the effective interest method, and interest income or expense is included in net earnings (loss) over the expected life of the instrument.

Management has selected the following classifications and bases of accounting for the Company's financial instruments:

Asset/Liability	Classification	Basis of accounting
Cash and cash equivalents	Held for trading	Fair value
Marketable securities	Held to maturity	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

c) Embedded derivatives

All derivative instruments are recorded in the consolidated balance sheet at fair value at each balance sheet date. Derivatives may be embedded in other financial instruments (the “host instrument”). Prior to the adoption of the new standards, such embedded derivatives were not accounted for separately from the host instrument. Under the new standards, embedded derivatives are treated as separate derivatives if their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value at each balance sheet date with subsequent changes recognized in net earnings (loss) in the period in which the changes arise. The Company selected August 1, 2002 as its transition date for embedded derivatives, which is the latest date allowed by the accounting standard.

The Company enters into certain contracts for the sale of non-financial items that are denominated in currencies other than the Canadian dollar, the Company’s functional currency. In cases where the foreign exchange component is not leveraged, does not contain an option feature and the contract is either denominated in the functional currency of the counterparty, the non-financial item is routinely denominated in the currency of the contract or the currency of the contract is commonly used in the economic environment in which the transaction takes place, the embedded derivative is considered to be closely related and is not accounted for separately. The fair value of financial instruments is determined using recognized valuation models using observable market-based inputs.

Embedded foreign currency derivatives gave rise to a transitional adjustment for the cumulative impact of adopting these new standards for prior years, which was recognized as an adjustment directly to opening deficit. No other transitional adjustments were recorded as a result of the adoption of the new standards. The impact of the adoption was a one-time increase of \$4,711 to deficit and accounts payable and accrued liabilities.

During the year ended July 31, 2008, the impact of the change in the fair value of the derivatives related to sales contracts is recorded in foreign exchange gain and the balance of \$11,502 as at July 31, 2008 is recorded in accounts receivable.

Inventories

Inventories are composed of work in process and finished goods, which are valued at the lower of cost and net realizable value determined on a first-in, first-out basis. Inventory cost includes materials, direct labour and attributable overhead.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

Property and equipment

Property and equipment are carried at cost less accumulated amortization and government assistance. Amortization is recorded based on the estimated useful lives of the related assets as follows:

	Method	Rate/term
Machinery and equipment	Declining balance	Varying from 20% to 50%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight-line	5 years

Identifiable intangible assets

During the year ended July 31, 2007, included in intangible assets were diagnostic and therapeutic technologies as well as a licensing agreement. These intangibles were acquired through the acquisition of HDM and Onco and are amortized using the straight-line method over 18 years.

Intangible assets are assessed for future recoverability or impairment on a periodic basis by estimating future net undiscounted cash flows and residual values. The amount of the impairment is determined as the excess of the carrying value of the intangible asset over the fair value. Any impairment of the value of the unamortized portion of intangible assets is written down with a charge against income in the year of determination (note 9). As a result of the assessment for future recoverability during the year ended July 31, 2007, the intangible assets in the consolidated financial statements were entirely written down (note 1).

Impairment of long-lived assets

The Company assesses the carrying value of its long-lived assets, which comprise property and equipment and identifiable intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized if the carrying value of a long-lived asset exceeds the sum of its estimated undiscounted future cash flows expected from its use and eventual disposal. The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their fair value.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the price is fixed or determinable, delivery has occurred and collection is reasonably assured, which occurs as products are shipped to the customer.

Research and development costs

Research and development costs are expensed as incurred, unless the development costs meet the generally accepted criteria for deferral. As at July 31, 2008 and 2007, no such costs have been deferred in the accounts of the Company.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

Government assistance relating to research and development activities is reflected as a reduction of net research and development expenditures in these financial statements as and when it is earned and collectability is reasonably assured. For the year ended July 31, 2008, an amount of \$76,548 (2007 – \$376,413) has been recorded as a reduction of net research and development expenditures.

The recorded investment tax credits are based on our best estimates of amounts expected to be recovered. The actual investment tax credits allowable are determined by the respective taxation authorities. Accordingly, these amounts may vary from the estimated amounts recorded.

The Company did not incur any research and development expenditures during the year ended July 31 2008. During the year, the Company revised its estimate of research and development tax credits from a prior year, resulting in a credit balance of \$76,548 in the statement of earnings (loss).

Foreign exchange

Translation of accounts of foreign subsidiaries

Accounts of foreign subsidiaries, all of which are classified as integrated, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end rates and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses are translated at the average monthly rate during the year. Resulting gains and losses are included in earnings (loss) for the year.

Domestic foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies are translated at year-end rates and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses denominated in foreign currencies are translated at the average monthly rate during the year. Resulting gains and losses are included in earnings (loss) for the year.

Income taxes

The Company uses the liability method of accounting for income taxes. Future income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, computed based on rates and provisions of enacted or substantively enacted tax laws that are expected to be in effect in the year in which the differences are expected to reverse. The Company reviews the valuation of its future income tax assets and liabilities and records adjustments, if necessary, to reflect their realizable amount.

Net earnings (loss) per share

Net earnings (loss) per share is calculated using the weighted average number of shares outstanding of 24,703,244 (2007 – 23,150,599). The outstanding options (note 13) have been excluded from the computation of diluted earnings (loss) per share as they are anti-dilutive.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

Stock options

Effective February 25, 2008, concurrent with the listing on the TSX Venture Exchange, the IBEX Pharma stock option plan was discontinued. The IBEX stock option plan remains in force. The stock option plans are described in note 13.

Compensation expense for stock options are included in net earnings (loss), with the offset credited to contributed surplus. Using the fair value method, compensation expense is measured at the grant date and recognized over the vesting period of the stock options. Any consideration paid on exercise of stock options or purchase of stock is credited to capital stock. If stock or stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to deficit.

Capital disclosures

During the year ended July 31, 2008, the Company early adopted CICA Handbook Section 1535, "Capital Disclosures", as permitted by the standard. The standard requires the disclosure of both qualitative and quantitative information that enables the users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

The adoption of this Section did not have an impact on the Company's financial position, earnings or cash flows; however, it did result in expanded disclosure.

Accounting changes

Effective August 1, 2007, the Company adopted the revised recommendations of the CICA Handbook Section 1506, "Accounting Changes". The new recommendations permit voluntary changes in accounting policies only if they result in the financial statements providing reliable and more relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. The Company did not make any voluntary changes to its accounting policies during the year ended July 31, 2008. Furthermore, this Section now requires disclosure when an entity has not applied a new source of generally accepted accounting principles that has been issued but is not yet effective. Such disclosures are provided below.

Future changes in accounting policies

On August 1, 2008, the Company will be required to adopt the new CICA standards under Handbook Section 1400, "General Standards of Financial Statement Presentation"; Section 3031, "Inventories"; and Section 3064, "Goodwill and Intangible Assets".

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

- a) General standards of financial statement presentation

The CICA has issued an amendment to Section 1400 relating to the going concern assumption. When preparing financial statements, management must make an assessment of the Company's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, those uncertainties must be disclosed. Management does not expect this Section to have an impact on the Company's financial statements.

- b) Inventories

Section 3031 establishes standards for the measurement and disclosure of inventories. The Company is in the process of determining the impact of adopting this Section on its financial statements.

- c) Goodwill and intangible assets

Section 3064 replaces the existing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". The standard provides guidance on the recognition, measurement and disclosures of goodwill and intangible assets. Management does not expect this Section to have a significant impact on the Company's financial position, earnings or cash flows.

3 Writedown of loan receivable

During the year ended July 31, 2007, the Company entered into a non-binding letter of intent for the proposed acquisition of Garvinci Inc. ("Garvinci"). Pursuant to the letter, the Company paid a monthly exclusivity fee of \$125,000 during the negotiating period. The transaction was terminated on May 7, 2007. The fee was paid as a loan bearing an annual interest rate of 12% to be reimbursed to the Company if the parties failed to close the transaction at the earlier of:

- i) 12 months from the date discussions between the parties in connection with the transaction have been terminated; or
- ii) the date the other party enters into a business combination with a third party.

As at the transaction termination date of May 7, 2007, the Company had made eight payments of \$125,000, for a total of \$1 million. As per the agreement, Garvinci was to reimburse the Company the full amount of the loan plus accrued interest on May 7, 2008. As at July 31, 2008, no amounts had been repaid of the outstanding balance of \$1,180,740.

In accordance with the terms of the agreement, the Company has the right to convert \$375,000 of the loan, and the related accrued interest, into common shares of Garvinci, based on a value for Garvinci of \$6 million. No amounts have been converted into shares of Garvinci as at July 31, 2008.

Management determined that the loan was unlikely to be collected and wrote down the full amount of the loan plus accrued interest during the year ended July 31, 2007.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

The Company is currently in discussions with Garvinci regarding the repayment of the loan. Management has determined that the full provision continues to be appropriate as at July 31, 2008, and has fully provided for interest earned of \$120,000 during the year.

4 Financial instruments

Currency risk

The Company operates internationally, and its sales are 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 results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to foreign exchange risk primarily as a result of sales revenues and expenses denominated in US dollars. Monetary balances denominated in foreign currencies as at July 31, 2008 and 2007 were as follows:

	2008		2007	
	\$	US\$	\$	US\$
Cash and cash equivalents	309,507	302,253	245,702	230,317
Accounts receivable	283,936	277,280	318,815	298,852
Accounts payable and accrued liabilities	103,859	101,425	158,086	148,187

The impact on the Company's financial instruments of a 5% decrease in the US dollar exchange rate would be a \$24,000 foreign exchange loss recorded in net earnings for the year ended July 31, 2008.

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk consist of marketable securities, which consist of AAA-rated corporate discount notes with fixed interest rates and maturities at the date of purchase of four months or less. Therefore, 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, 2008.

Credit risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, marketable securities and accounts receivable. Cash and cash equivalents consist of bank balances maintained at financial institutions with high credit ratings. Marketable securities consist of AAA-rated corporate discount notes. The Company's practice is to invest in AAA-rated investments with maturities at the date of purchase of four months or less. Therefore, the Company considers the risk of non-performance for cash, cash equivalents and marketable securities to be low.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

The Company performs ongoing credit reviews of its debtors and records an allowance for doubtful accounts when accounts are determined to be uncollectible. No allowance for doubtful accounts was recorded as at July 31, 2008.

The aging of trade accounts receivable as at July 31, 2008 was as follows:

	\$	%
Current	241,481	85
Past due 0–30 days	31,804	11
Past due 31–90 days	9,134	3
Past due over 90 days	1,517	1
	<hr/>	
	283,936	100
	<hr/>	

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

	2008	2007
	%	%
Customer 1	47	41
Customer 2	18	10
Customer 3	13	11

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 accounts payable and accrued liabilities presented on the consolidated balance sheet, which are due within the next 12 months. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

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.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

5 Marketable securities

Marketable securities comprise the following:

	2008 \$	2007 \$
Debt securities, at cost (which approximates market value)	1,195,168	1,099,673

The marketable securities consist of AAA-rated discount notes which mature on August 14, 2008 and December 1, 2008 and have annualized yields of 2.9% and 3.4%, respectively. The coupon rates on the bonds held at July 31, 2007 had an annualized yield of 4.3%.

6 Accounts receivable

Accounts receivable comprise the following:

	2008 \$	2007 \$
Trade	283,936	318,815
Research and development tax credits	-	128,000
Accrued interest	-	7,256
Other	53,685	46,438
	<u>337,621</u>	<u>500,509</u>

7 Inventories

Inventories comprise the following:

	2008 \$	2007 \$
Finished goods – Enzymes	239,400	144,383
Finished goods – Arthritis diagnostic kits	31,602	-
Work in process – Enzymes	21,753	20,001
	<u>292,755</u>	<u>164,384</u>

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

8 Property and equipment

Property and equipment comprise the following:

	2008		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Machinery and equipment	1,167,565	959,943	207,622
Furniture and fixtures	586,692	568,381	18,311
Leasehold improvements	386,278	373,402	12,876
	2,140,535	1,901,726	238,809
	2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Machinery and equipment	1,416,126	1,150,642	265,484
Furniture and fixtures	586,692	563,804	22,888
Leasehold improvements	381,518	366,619	14,899
	2,384,336	2,081,065	303,271

Amortization of property and equipment amounting to \$35,089 was included in net research and development expenditures for the year ended July 31, 2007. No allocation was made to net research and development expenditures for the year ended July 31, 2008.

During the year ended July 31, 2008, the Company disposed of fully depreciated property and equipment that were no longer in use, with a total cost of \$249,488 for total sale proceeds of \$13,244. The gain on disposal of \$13,244 was included in net earnings for the year.

During the year ended July 31, 2007, the Company disposed of property and equipment that were no longer in use with a total cost of \$651,969 and accumulated amortization of \$603,933. The net book value of the property and equipment of \$48,036 was written off, of which \$31,871 related to the restructuring and was included in net research and development expenditures, and \$16,165 was included in selling, general and administrative expenses. In addition, the Company wrote down equipment amounting to \$124,292 relating to arthritis and cancer activities, of which \$107,878 was included in net research and development expenditures and \$16,414 in selling, general and administrative expenses.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

9 Identifiable intangible assets

Identifiable intangible assets comprise the following:

	2008		
	Cost	Accumulated amortization and writedown	Net
	\$	\$	\$
Diagnostic technologies – Arthritis	2,723,942	2,723,942	-
Therapeutic technologies – Arthritis	329,982	329,982	-
	3,053,924	3,053,924	-
	2007		
	Cost	Accumulated amortization and writedown	Net
	\$	\$	\$
Diagnostic technologies – Cancer	1,928,509	1,928,509	-
Diagnostic technologies – Arthritis	2,723,942	2,723,942	-
Therapeutic technologies – Arthritis	329,982	329,982	-
Licensing agreement – Cancer	58,232	58,232	-
	5,040,665	5,040,665	-

Amortization of identifiable intangible assets amounting to \$281,994 was included in net research and development expenditures for the year ended July 31, 2007. During the year ended July 31, 2007, the Company wrote down the remaining amount of its identifiable intangible assets in the financial statements (note 1). No identifiable intangible assets were acquired during the year ended July 31, 2008.

On June 26, 2008, the Company disposed of all of its identifiable intangible assets related to cancer research, with a net book value of nil, for total sale proceeds of \$48,873, reimbursement of expenses of \$7,536 and a future 2% royalty on all net applicable future revenues of the acquirer related to this technology in excess of \$2 million. The proceeds of \$48,873 are comprised of cash of \$25,000 and a receivable of \$25,000, due one year from the date of closing, which has been discounted at a rate of 5.25% to arrive at an amount of \$23,873. The gain on the disposal of \$48,873 has been included in net earnings for the year and the amount receivable has been included in other receivables.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

10 Balance of payments

On March 3, 2005, the Company amended the terms of the HDM milestone payments with the former shareholders of HDM. Two balances of payments of \$200,000 each were to be paid on July 15, 2006 and July 15, 2007 in replacement of the former \$800,000 milestone payment, which was required to be made upon cumulative net sales of the IBEX Arthritis program reaching \$2 million. These two payments were discounted at 10%. Discounted values of \$177,600 and \$161,600 respectively were set up at the transaction date as a short-term and long-term balance of payment liability and a corresponding increase to identifiable intangible assets. At the option of the Company, the balances of payments could be paid in cash or by the issuance of IBEX common shares at a value defined in the purchase agreement.

During the year ended July 31, 2006, the Company settled the first of the two payments by making a cash payment of \$200,000. During the year ended July 31, 2007, the Company settled the last of the two payments through the issuance of 1,633,186 common shares (note 12).

11 Capital

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern by ensuring it has sufficient cash resources to maintain its ongoing operations, to provide returns for shareholders and to minimize the cost of capital. The Company defines its capital as shareholders' equity.

The Company monitors capital on the total liabilities to tangible net worth ratio. The total liabilities to tangible net worth ratio is calculated as total liabilities divided by total equity less intangible assets. The Company's strategy is to maintain the ratio below 1:2. As at July 31, 2008, this ratio is 1.00:4.53 (July 31, 2007 – 1.00:2.02). The decrease in this ratio is primarily the result of the reduction in accounts payable and accrued liabilities through the payment of severance benefits due to the restructuring plan.

There has been no change to the capital risk management strategy during the year ended July 31, 2008. Management is satisfied that it has adequate cash resources to maintain its ongoing operations.

12 Capital stock

Authorized – Unlimited as to number

First preferred shares, cumulative, redeemable, 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. All transferred shares were converted into common shares

Second preferred shares, cumulative, redeemable, convertible, issuable in series

Third preferred shares, issuable in series

Common shares

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

Issued

	Book value	
	2008	2007
	\$	\$
24,703,244 Common shares (2007 – 24,703,244)	<u>52,660,078</u>	<u>52,660,078</u>

During the year ended July 31, 2007, the Company completed its final \$200,000 anniversary payment to former HDM shareholders (note 10) by issuing 1,633,186 common shares, resulting in \$163,319 credited to capital stock and \$36,681 to contributed surplus.

13 Stock options

On August 1, 2004, the Company adopted 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:

	2008	2007
Risk-free interest rate	4.27%	4.16%
Expected dividend yield	Nil	Nil
Expected life of the options	10 years	5 years
Expected volatility	140%	130%

During the year ended July 31, 2008, the weighted average fair value of the options granted, at an exercise price at or above market price, was \$24,898.

For the year ended July 31, 2008, there was an increase in general and administrative expenses of \$21,101 (2007 – \$39,668) and a corresponding increase in contributed surplus for stock-based compensation amortization.

The Company had two stock option plans: the IBEX stock option plan and the IBEX Pharma stock option plan. Effective February 25, 2008, concurrent with the listing on the TSX Venture Exchange, the IBEX Pharma stock option plan was discontinued. The IBEX stock option plan remains in force.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

a) IBEX stock option plan

Under the existing IBEX stock option plan, common shares may be issued to the Company's full-time employees, directors and consultants, the terms and conditions of the grants thereunder being contingent upon the market value of the Company's stock, the discretion of the Board of Directors and regulatory requirements. The number of common shares reserved for issuance under this stock option plan is 2,000,000. The maximum term permissible under the plan is 10 years. The terms and the vesting privileges are determined at the date of grant. The vesting privileges for the options granted during the years ended July 31, 2008 and 2007 range from immediate to a one-year vesting term.

The following tables summarize the IBEX stock option plan for the years ended July 31, 2008 and 2007:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,586,668	0.36	1,826,668	0.69
Granted	325,000	0.10	310,000	0.23
Expired	(3,885)	2.55	-	-
Cancelled	(628,398)	0.38	(550,000)	1.36
Ending balance	1,279,385	0.28	1,586,668	0.36

The following table summarizes the IBEX stock options outstanding as at July 31, 2008:

Range of exercise prices \$	Options outstanding			Options currently exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number outstanding	Weighted average exercise price \$
0.06	25,000	9.37	0.06	-	-
0.10	300,000	9.66	0.10	150,000	0.10
0.18-0.25	551,500	7.55	0.23	532,500	0.23
0.33-0.45	107,500	5.50	0.40	107,500	0.40
0.50-0.70	295,385	3.46	0.55	295,385	0.55
	1,279,385	6.96	0.28	1,085,385	0.32

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

The following table summarizes the IBEX stock options outstanding as at July 31, 2007:

Range of exercise prices \$	Options outstanding			Options currently exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number outstanding	Weighted average exercise price \$
0.18–0.25	860,000	8.70	0.22	574,500	0.22
0.33–0.45	209,500	6.28	0.39	209,500	0.39
0.50–0.70	508,834	4.90	0.56	508,834	0.56
2.55	8,334	0.90	2.55	8,334	2.55
	1,586,668	7.12	0.36	1,301,168	0.40

b) IBEX Pharma stock option plan

The IBEX Pharma stock option plan consisted of executive and employee stock option plans under which common shares could be issued to the Company's full-time employees, directors and consultants, the terms and conditions of the grants thereunder contingent upon the market value of the Company's stock, the discretion of the Board of Directors and regulatory requirements. Market value, unless otherwise determined by the Board of Directors, was determined using the closing price of the Company's common shares on the day preceding the grant. The option strike price was fixed by the Board of Directors and was not lower than the market value. Option holders under the IBEX Pharma stock option plans were also option holders under the IBEX plan (note 13(a)). Should option holders under the IBEX plan have exercised their IBEX options, options of equal value held in IBEX Pharma would have been cancelled and vice versa. The maximum number of common shares reserved for issuance under the IBEX Pharma option plan was increased on June 10, 2007 from 5,274,134 to 5,770,200 in order to mirror image the IBEX stock option plan. The maximum term permissible under the plan was 10 years. The terms and the vesting privileges were determined at the date of grant. The vesting privileges for the options granted during the years ended July 31, 2008 and 2007 range from immediate to a one-year vesting term.

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

The following tables summarize the IBEX Pharma stock option plan for the years ended July 31, 2008 and 2007:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	4,577,699	0.13	5,270,120	0.24
Granted	72,128	0.02	894,384	0.08
Cancelled	(4,649,827)	0.13	(1,586,805)	0.47
Ending balance	-	-	4,577,699	0.13

The following table summarizes the IBEX Pharma stock options outstanding as at July 31, 2007:

Range of exercise prices \$	Options outstanding			Options currently exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number outstanding	Weighted average exercise price \$
0.06–0.09	2,481,190	8.70	0.08	1,657,490	0.08
0.11–0.16	604,428	6.25	0.13	604,428	0.13
0.17–0.24	1,468,037	4.90	0.20	1,468,037	0.20
0.88	24,044	0.90	0.88	24,044	0.88
	4,577,699	7.12	0.13	3,753,999	0.14

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

14 Income taxes

a) The Company's effective income tax rate consists of the following:

	2008 %	2007 %
Combined federal and provincial statutory income tax rate	31.37	(32.02)
Current year's operating losses not recognized in the accounts	12.28	7.39
Reduction in income tax expense arising from the recognition of a previously unrecognized tax loss	(43.08)	-
Research and development expenditures not deducted for tax	-	0.84
Other future income tax assets not recognized in the accounts	6.49	0.98
Writedown of identifiable intangible assets not deducted for tax	-	15.23
Permanent differences and other	(9.13)	4.81
	(33.44)	29.25
Effective tax rate	(2.07)	(2.77)

b) The future income tax balance is summarized as follows:

	2008 \$	2007 \$
Future income tax assets		
Research and development expenditures pool	2,298,282	2,581,131
Investment tax credits	1,164,950	1,350,449
Non-capital losses carried forward	5,107,849	5,711,603
Capital loss carryforward	366,411	435,422
Difference between financial statement value and tax basis of property and equipment	379,701	412,156
	9,317,193	10,490,761
Valuation allowance	(9,317,193)	(10,490,761)
Total future income tax assets	-	-
Future income tax liabilities		
Difference between financial statement value and tax basis of identifiable intangible assets	-	-
Total future income tax liabilities	-	-
Net future income tax asset (liability)	-	-

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

- c) IBEX has accumulated losses for federal tax purposes of approximately \$2,593,000 and for Quebec tax purposes of approximately \$2,593,000 for which no future tax benefit has been recognized in the accounts. These losses may be carried forward and used to reduce taxable income in future years, and will expire as follows:

	Federal	Quebec
	\$	\$
2009	135,000	135,000
2010	364,000	364,000
2014	355,000	355,000
2015	575,000	575,000
2026	321,000	321,000
2027	729,000	729,000
2028	114,000	114,000

In addition, for federal tax purposes, the Company has available unclaimed research and development expenditures totalling approximately \$4,021,000 (\$3,598,000 for Quebec tax purposes) for which no future tax benefit has been recognized in the accounts. These expenditures can be used to reduce taxable income in future years and have no expiry date.

Furthermore, the Company has unclaimed investment tax credits totalling approximately \$369,000 which can be used to reduce federal income taxes payable in future years for which no future tax benefit has been recognized in the accounts. Investment tax credits of approximately \$344,000 will expire in 2009, with the balance of \$25,000 expiring in 2010.

As at July 31, 2008, there was an excess of undepreciated capital cost over net book value of depreciable assets of approximately \$145,000 (\$80,000 for Quebec tax purposes) for which no future tax benefit has been recognized in the accounts. This amount is available to be charged over a number of years against future taxable income.

- d) IBEX Pharma has accumulated losses for federal tax purposes of approximately \$4,936,000 and for Quebec tax purposes of approximately \$5,143,000 for which no future tax benefit has been recognized in the accounts. These losses may be carried forward and used to reduce taxable income in future years, and will expire as follows:

	Federal	Quebec
	\$	\$
2009	124,000	1,227,000
2010	439,000	1,019,000
2014	786,000	-
2015	1,500,000	1,203,000
2026	809,000	554,000
2027	1,278,000	1,140,000

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

In addition, for federal tax purposes, the Company has available unclaimed research and development expenditures totalling approximately \$4,534,000 (\$4,932,000 for Quebec tax purposes) for which no future tax benefit has been recognized in the accounts. These expenditures can be used to reduce taxable income in future years and have no expiry date.

Furthermore, the Company has unclaimed federal investment tax credits totalling approximately \$1,225,000 which can be used to reduce federal income taxes payable in future years and for which no future tax benefit has been recognized in the accounts. These credits may be carried forward and used to reduce taxable income in future years and will expire as follows:

	Federal
	\$
2011	301,000
2012	17,000
2013	103,000
2014	219,000
2015	232,000
2026	233,000
2027	120,000

The Company has capital losses in the amount of \$2,724,000 for which no future tax benefit has been recognized in the accounts. These capital losses may be carried forward indefinitely and offset against future capital gains.

As at July 31, 2008, there was an excess of undepreciated capital cost over net book value of depreciable assets of approximately \$1,391,000 (\$1,163,000 for Quebec tax purposes) for which no future tax benefit has been recognized in the accounts. This amount is available to be charged over a number of years against future taxable income.

- e) A US subsidiary company has non-capital losses amounting to approximately US\$8,781,000 (CA\$8,991,000) for which no future tax benefit has been recognized in the accounts. These losses may be carried forward and used to reduce taxable income in the United States in future years, and will expire as follows:

	US\$	CA\$
2013	2,627,000	2,690,000
2019	4,836,000	4,952,000
2020	942,000	965,000
2021	308,000	315,000
2026	22,000	23,000
2027	20,000	20,000
2028	17,000	17,000
2029	9,000	9,000

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

15 Related party transactions and balances

Transactions and balances with related parties in the ordinary course of business which are measured at the exchange amount and not otherwise disclosed are as follows:

	2008	2007
	\$	\$
Rental income charged to a shareholder	34,711	34,272
Consulting services charged by shareholders	4,375	30,378

16 Segmented information and economic dependence

a) Industry

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

b) Geographic information

The Company operates in one geographic segment: Canada. The Company's sales by geographic region of the customer were as follows:

	2008	2007
	%	%
Canada	23	24
United States	50	52
Europe	23	20
Other	4	4
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

c) The Company's sales to significant customers were as follows:

	2008	2007
	%	%
Customer 1	22	23
Customer 2	18	19
Customer 4	11	10

IBEX Technologies Inc./Technologies IBEX Inc.

Notes to Consolidated Financial Statements

July 31, 2008 and 2007

17 Commitments

- a) The Company has future annual commitments under operating leases as follows:

	\$
Years ending July 31, 2009	171,312
2010	78,821
2011	79,739
2012	81,190
2013	80,757
2014	60,567

- b) The Company has future contingent payments resulting from its acquisition of all the outstanding shares of Onco in May 2003, as amended in March 2005, as follows:

- royalty payments of 20% of the Company's cancer program revenue in excess of the first cumulative \$2 million, due every 90 days following the date the Company's cancer program revenue reaches \$2 million;
- a one-time milestone payment of \$500,000 should revenues reach \$5 million in any one fiscal year, payable within 60 days after fiscal year-end.

At the option of the Company, the milestone payment of \$500,000 may be paid in cash or by the issuance of the Company's common shares at an issue price defined in the purchase agreement. As at July 31, 2008, no amounts have been disbursed or accrued for the contingent payments.

- c) On July 30, 2008, the Company entered into a licensing arrangement for certain arthritis technologies which calls for a payment to the licensor in the amount of \$75,000 should net sales related to this technology exceed \$1 million. The Company has also agreed to pay a royalty of 3% on the net sales related to this technology.

18 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.