



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Third Quarter ended April 30, 2018 and 2017

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.

Paul Baehr
President and Chief Executive Officer

Montréal, Canada
June 15, 2018

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
June 15, 2018



IBEX Technologies Inc. / Technologies IBEX Inc.
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As at April 30, 2018 and July 31, 2017

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	April 30, 2018 \$	July 31, 2017 \$
Assets			
Current assets			
Cash and cash equivalents		2,696,404	3,004,627
Trade and other receivables	4	963,000	544,166
Inventories	5	289,375	478,357
Prepaid expenses		135,821	109,463
Total current assets		4,084,600	4,136,613
Non-current assets			
Property, plant, equipment and intangible assets	6	2,817,909	2,954,823
Deferred income tax assets		2,443,327	2,443,327
Total assets		9,345,836	9,534,763
Liabilities			
Current liabilities			
Trade and other payables		520,904	739,241
Current portion of long-term debt	7	51,306	48,317
Total current liabilities		572,210	787,558
Non-current liabilities			
Long-term debt	7	982,653	993,536
Total non-current liabilities		982,653	993,536
Total liabilities		1,554,863	1,781,094
Equity			
Share capital	11	52,672,258	52,660,078
Contributed surplus		667,060	585,159
Deficit		(46,025,568)	(45,949,637)
Accumulated other comprehensive income		477,223	458,069
		7,790,973	7,753,669
Total liabilities and equity		9,345,836	9,534,763

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

	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	-	87,081	-	-	87,081
Stock options exercised	11	12,180	(5,180)	-	-	7,000
Net loss		-	-	(75,931)	-	(75,931)
Cumulative translation adjustments		-	-	-	19,154	19,154
As at April 30, 2018		52,672,258	667,060	(46,025,568)	477,223	7,790,973
As at July 31, 2016		52,660,078	568,633	(48,931,476)	481,506	4,778,741
Granted Options		-	15,111	-	-	15,111
Net earnings		-	-	623,024	-	623,024
Cumulative translation adjustments		-	-	-	45,524	45,524
As at April 30, 2017		52,660,078	583,744	(48,308,452)	527,030	5,462,400

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

In Canadian dollars

	Notes	For the three-month period ended April 30		For the nine-month period ended April 30	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenues		1,389,312	1,115,318	3,465,099	3,868,133
Cost of sales	8-12	820,968	633,193	2,213,171	1,959,928
Research and development expenses	8	43,233	53,627	144,188	152,080
Selling, general and administrative expenses	8-12	425,608	511,512	1,286,475	1,238,359
Operating (loss) earnings		99,503	(83,014)	(178,735)	517,766
Foreign exchange gain	8	(102,919)	(93,070)	(84,242)	(102,786)
Finance expenses	8	7,616	13,606	26,438	44,507
Other gains – net	8	(15,000)	(5,000)	(45,000)	(46,979)
(Loss) earnings before income taxes		209,806	1,450	(75,931)	623,024
Provision for income taxes		-	-	-	-
Net (loss) earnings		209,806	1,450	(75,931)	623,024
Other comprehensive income					
Foreign currency translation adjustments – gain		28,644	47,526	19,154	45,524
Comprehensive (loss) income		238,450	48,976	(56,777)	668,548
Basic and diluted net (loss) earnings per share		0.01	0.00	(0.00)	0.02

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Condensed Interim Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the nine-month period ended April 30, 2018 \$	For the nine-month period ended April 30, 2017 \$
Cash flows (used) generated from operating activities			
Net (loss) earnings		(75,931)	623,024
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	216,088	208,469
Stock-based compensation expense	11	87,081	15,111
		227,238	846,604
Changes in non-cash working capital balances			
Increase in trade and other receivables		(412,969)	(333,447)
Decrease in inventories		192,599	230,738
Increase in prepaid expenses		(25,931)	(65,679)
(Decrease) increase in trade and other payables		(221,885)	137,844
Net changes in non-cash working capital balances		(468,186)	(30,544)
Net cash (used) generated from operating activities		(240,948)	816,060
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(34,190)	(677,934)
Purchase of intangible assets	6	(3,486)	-
Net cash used in investing activities		(37,676)	(677,934)
Cash flows used in financing activities			
Issuance of shares upon exercise of stock options	11	7,000	-
Repayment of long-term debt	7	(36,599)	(36,338)
Net cash used in financing activities		(29,599)	(36,338)
Net (decrease) increase in cash and cash equivalents		(308,223)	101,788
Cash and cash equivalents at beginning of year		3,004,627	2,899,622
Cash and cash equivalents at end of third quarter		2,696,404	3,001,410
Interest paid		33,371	37,107
Interest received		20,335	7,974

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 15, 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 nine-month period ended April 30, 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 April 30, 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 April 30, 2018 and July 31, 2017 were as follows:

	April 30, 2018		July 31, 2017	
	\$	US\$	\$	US\$
Cash and cash equivalents	1,370,623	1,067,796	1,718,661	1,376,581
Trade and other receivables	660,097	514,255	411,754	329,799
Trade and other payables	17,322	13,495	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 \$100,670 recorded in net loss for the nine-month period ended April 30, 2018 (July 31, 2017 gain of \$106,355).



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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, 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 April 30, 2018 was as follows:

Trade receivables	\$	%
Current	895,428	95
Past due 31–90 days	44,867	5
Over 90 days	-	-
	<u>940,295</u>	<u>100</u>

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

	April 30, 2018	July 31, 2017
	%	%
Customer 1	<u>51</u>	48
Customer 2	<u>26</u>	-
Customer 3	<u>8</u>	15
Customer 4	<u>4</u>	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.



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The following table details the maturities of the financial liabilities as at April 30, 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	520,904	520,904	520,904	-	-	-
Long-term debt obligations ¹	1,033,959	1,399,147	94,854	189,708	189,708	924,877
	1,554,863	1,920,051	615,758	189,708	189,708	924,877

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 \$908,541 (US\$707,807) as at April 30, 2018 based on discounted future cash flows, using market interest rates available as at April 30, 2018 (July 31, 2017 - \$970,575 (US\$777,393)).

4 Trade and other receivables

	April 30, 2018 \$	July 31, 2017 \$
Trade	940,295	479,416
Sales tax receivable	22,705	64,750
	963,000	544,166

5 Inventories

	April 30, 2018 \$	July 31, 2017 \$
Finished goods – Enzymes	258,067	444,229
Finished goods – Arthritis diagnostic kits	31,308	34,128
	289,375	478,357



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6 Property, plant, equipment and intangible assets

	April 30, 2018 \$	April 30, 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
Nine-month period ended April 30, 2018 and 2017		
Opening net book amount	2,954,823	2,374,625
Additions	37,676	677,934
Depreciation charge	(216,088)	(208,469)
Effect of exchange rate variations	41,498	77,387
Closing net book amount	2,817,909	2,921,477
Ending April 30, 2018 and 2017		
Cost	6,489,184	6,449,963
Accumulated depreciation	(3,671,275)	(3,528,486)
Net book amount	2,817,909	2,921,477

7 Long-term debt

	April 30, 2018		July 31, 2017	
	US\$	CA\$	US\$	CA\$
Term loan	805,515	1,033,959	834,484	1,041,853
Less: current portion	39,970	51,306	38,700	48,317
	756,545	982,653	795,784	993,536

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



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8 Expense by nature

	April 30, 2018 \$	April 30, 2017 \$
Salaries and benefits expense	1,762,442	1,808,372
Share-based compensation expense	87,081	15,111
Board compensation	79,625	45,551
Contracts and collaborators	73,020	41,429
Professional fees	131,003	119,585
Shareholders' relation fees	14,353	11,999
Occupancy costs	292,563	254,802
Insurance	85,308	82,882
Royalties	13,191	15,541
Sales, administration and all other expenses	696,808	536,196
Foreign exchange gain	(84,242)	(102,786)
Finance expense	26,438	44,507
Changes in inventory allocation, work in process and finished goods	192,352	210,430
Depreciation of property, plant, equipment and intangible assets	216,088	208,469
Other gains – net	(45,000)	(46,979)
	3,541,030	3,245,109

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, 2018 \$	April 30, 2017 \$
Salaries, share-based compensation and employee benefits	677,364	586,827

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, 2018, 63% of its sales derived from its three top customers (July 31, 2017 – 70%).

	April 30, 2018 %	July 31, 2017 %
Customer A	39	57
Customer B	17	6
Customer C	7	7



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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 nine-month period ended April 30, 2018 and the year ended July 31, 2017 were as follows:

	April 30, 2018	July 31, 2017
	%	%
Canada	18	11
United States	52	71
United Kingdom	19	9
Other	11	9
	100	100

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

	April 30, 2018	July 31, 2017
	\$	\$
Canada	1,343,778	1,421,769
United States	1,474,131	1,533,054
	2,817,909	2,954,823

11 Share capital

Issued and fully paid

	April 30, 2018		July 31, 2017	
	Number of shares	Book value \$	Number of shares	Book value \$
Beginning balance	24,703,244	52,660,078	24,703,244	52,660,078
Stock options exercised	70,000	12,180	-	-
Ending balance	24,773,244	52,672,258	24,703,244	52,660,078



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Stock options

The following tables summarize the IBEX stock option plan for the nine-month period ended April 30, 2018 and the year ended July 31, 2017:

	April 30, 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	(55,000)	0.23	-	-
Exercised	(70,000)	0.10	-	-
Expired	(165,000)	0.10	(100,000)	0.23
Ending balance	1,505,000	0.21	1,020,000	0.19

The following table summarizes the IBEX stock options outstanding as at April 30, 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	5.64
0.08	50,000	50,000	5.18
0.20	775,000	375,000	9.64
0.23	550,000	550,000	1.64
0.24	110,000	80,000	8.65
	1,505,000	1,075,000	

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 nine-month period ended April 30, 2018:

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

During the nine-month period ended April 30, 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 third quarter ended April 30, 2018.



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12 Comparative financial information

The condensed interim consolidated financial statements for the interim periods April 30, 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
April 30, 2017**

	Previously stated	Adjustments	Adjusted
	\$	\$	\$
Revenues	1,115,318	-	1,115,318
Cost of sales	582,300	50,893	633,193
Research and development expenses	53,627	-	53,627
Selling, general and administrative expenses	562,405	(50,893)	511,512
Operating loss	(83,014)	-	(83,014)
Net earnings	1,450	-	1,450

**For the nine-month period ended
April 30, 2017**

	Previously stated	Adjustments	Adjusted
	\$	\$	\$
Revenues	3,868,133	-	3,868,133
Cost of sales	1,798,192	161,736	1,959,928
Research and development expenses	152,080	-	152,080
Selling, general and administrative expenses	1,400,095	(161,736)	1,238,359
Operating earnings	517,766	-	517,766
Net earnings	623,024	-	623,024

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