IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Second Quarter ended January 31, 2019 and 2018

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 21, 2019

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
March 21, 2019

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	**January 31, 2019 $**	July 31, 2018 $
Assets			
Current assets			
Cash and cash equivalents		**3,327,402**	3,140,372
Trade and other receivables	4	**568,753**	718,030
Inventories	5	**175,986**	344,968
Prepaid expenses		**69,410**	90,086
Total current assets		**4,141,551**	4,293,456
Non-current assets			
Property, plant, equipment and intangible assets	6	**2,674,514**	2,771,042
Deferred income tax assets		**2,382,125**	2,382,125
Total assets		**9,198,190**	9,446,623
Liabilities			
Current liabilities			
Trade and other payables		**530,479**	621,213
Current portion of long-term debt	7	**54,456**	52,787
Total current liabilities		**584,935**	674,000
Non-current liabilities			
Long-term debt	7	**965,119**	982,870
Total non-current liabilities		**965,119**	982,870
Total liabilities		**1,550,054**	1,656,870
Equity			
Share capital	11	**52,672,258**	52,672,258
Contributed surplus		**691,816**	674,840
Deficit		**(46,210,769)**	(46,044,826)
Accumulated other comprehensive income		**494,831**	487,481
		7,648,136	7,789,753
Total liabilities and equity		**9,198,190**	9,446,623

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, 2018		**52,672,258**	**674,840**	**(46,044,826)**	**487,481**	**7,789,753**
Net loss		**-**	**-**	**(165,943)**	**-**	**(165,973)**
Share-based compensation	**11**	**-**	**16,976**	**-**	**-**	**16,976**
Cumulative translation adjustments		**-**	**-**	**-**	**7,350**	**7,350**
As at January 31, 2019		**52,672,258**	**691,816**	**(46,210,769)**	**494,831**	**7,648,136**
As at July 31, 2017		52,660,078	585,159	(45,949,637)	458,069	7,753,669
Net loss		-	-	(285,737)	-	(285,737)
Share-based compensation	11	-	78,734	-	-	78,734
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

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	**2019 $**	2018 $	**2019 $**	2018 $
Revenues		**1,432,632**	892,774	**2,472,105**	2,075,787
Cost of sales	8	**834,155**	671,690	**1,579,733**	1,392,203
Research and development expenses	8	**114,400**	53,890	**173,148**	100,955
Selling, general and administrative expenses	8	**428,321**	488,241	**900,170**	860,867
Operating (loss) earnings		**55,756**	(321,047)	**(180,946)**	(278,238)
Foreign exchange loss (gain)	8	**9,002**	100,775	**(14,005)**	18,677
Finance expenses - net	8	**3,956**	8,774	**9,002**	18,822
Other gains	8	**-**	(15,000)	**(10,000)**	(30,000)
(Loss) earnings before income taxes		**42,798**	(415,596)	**(165,943)**	(285,737)
Provision for income taxes		**-**	-	**-**	-
Net (loss) earnings		**42,798**	(415,596)	**(165,943)**	(285,737)
Other comprehensive loss					
Foreign currency translation adjustments – gain (loss)		**966**	(30,992)	**7,350**	(9,490)
Comprehensive (loss) income		**43,764**	(446,588)	**(158,593)**	(295,227)
Basic and diluted net (loss) earnings per share		**0.00**	(0.02)	**(0.01)**	(0.01)

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, 2019 $**	For the six-month period ended January 31, 2018 $
Cash flows generated (used) from operating activities			
Net loss		**(165,943)**	(285,737)
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	**141,069**	139,406
Share-based compensation expense	11	**16,976**	78,734
		(7,898)	(67,597)
Changes in non-cash working capital balances			
Decrease (increase) in trade and other receivables		**151,962**	(934)
Decrease in inventories		**170,991**	104,376
Decrease in prepaid expenses		**20,892**	29,057
Decrease in trade and other payables		**(92,694)**	(298,880)
Net changes in non-cash working capital balances		**251,151**	(166,381)
Net cash generated (used) from operating activities		**243,253**	(233,978)
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	**(29,985)**	(34,165)
Purchase of intangible assets	6	**-**	(3,486)
Net cash used in investing activities		**(29,985)**	(37,651)
Cash flows used in financing activities			
Repayment of long-term debt	7	**(26,238)**	(24,014)
Net cash used in financing activities		**(26,238)**	(24,014)
Net increase (decrease) in cash and cash equivalents		**187,030**	(295,643)
Cash and cash equivalents at beginning of year		**3,140,372**	3,004,627
Cash and cash equivalents at end of second quarter		**3,327,402**	2,708,984
Interest paid		**22,261**	22,453
Interest received		**23,019**	12,591

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

Notes to 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 21, 2019 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, 2018.

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, 2018, 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 and general hedge accounting. The standard is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The adoption of this standard will have no significant impact on the Company's 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 adoption of this standard will have no significant impact on the Company's 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, 2018 and were the same as those used in the interim financial statements for the six-month period ended January 31, 2019.

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 (loss) earnings and comprehensive (loss) 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, 2019 and 2018, 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, 2019 and July 31, 2018 were as follows:

	January 31, 2019		July 31, 2018	
	$	**US$**	$	US$
Cash and cash equivalents	**1,720,383**	**1,308,873**	902,616	693,413
Trade and other receivables	**169,843**	**129,218**	532,155	408,815
Trade and other payables	**4,741**	**3,607**	16,797	12,904

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 $94,274 recorded in net loss for the six-month period ended January 31, 2019 (July 31, 2018 gain of $70,899).

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 loss for the six-month period ended January 31, 2019.

Credit risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, as well as trade and other receivables. Cash and cash equivalents consist of bank balances and money market funds maintained at financial institutions with high credit ratings. Therefore, the Company considers the risk of non-performance for cash and cash equivalents 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, 2019 was as follows:

Trade receivables	**$**	**%**
Current	547,458	100
Past due 31–90 days	693	-
Over 90 days	-	-
	548,151	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, 2019 **%**	July 31, 2018 %
Customer 1	**36**	-
Customer 2	**24**	14
Customer 3	**-**	35
Customer 4	**-**	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 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, 2019.

	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	530,479	530,479	530,479	-	-	-
Long-term debt obligations[1]	1,019,575	1,355,261	96,804	193,609	193,609	871,239
	1,550,054	1,885,740	627,283	193,609	193,609	871,239

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 $914,869 (US$696,035) as at January 31, 2019 based on discounted future cash flows, using market interest rates available as at January 31, 2019 (July 31, 2018 - $907,074 (US$696,838)).

4 Trade and other receivables

	January 31, 2019 $	July 31, 2018 $
Trade	**548,151**	684,311
Sales tax receivable	**20,602**	33,719
	568,753	718,030

5 Inventories

	January 31, 2019 $	July 31, 2018 $
Finished goods – Enzymes	**131,463**	251,023
Finished goods – Arthritis diagnostic kits	**44,523**	30,480
Work in process – Enzymes	**-**	63,465
	175,986	344,968

6 Property, plant, equipment and intangible assets

	January 31, 2019 $	January 31, 2018 $
Opening July 31, 2018 and 2017		
Cost	**6,530,188**	6,372,057
Accumulated depreciation	**(3,759,146)**	(3,417,234)
Net book amount	**2,771,042**	2,954,823
Six-month period ended January 31, 2019 and 2018		
Opening net book amount	**2,771,042**	2,954,823
Additions	**29,985**	37,651
Depreciation charge	**(141,069)**	(139,406)
Effect of exchange rate variations	**14,556**	(21,932)
Closing net book amount	**2,674,514**	2,831,136
Ending January 31, 2019 and 2018		
Cost	**6,588,945**	6,366,172
Accumulated depreciation	**(3,914,431)**	(3,535,036)
Net book amount	**2,674,514**	2,831,136

7 Long-term debt

	January 31, 2019		July 31, 2018	
	US$	**CA$**	US$	CA$
Term loan	**775,697**	**1,019,575**	795,619	1,035,657
Less: current portion	**41,431**	**54,456**	40,553	52,787
	734,266	**965,119**	755,066	982,870

8 Expense by nature

	January 31, 2019 $	January 31, 2018 $
Salaries and benefits expense	**1,344,691**	1,144,328
Share-based compensation expense	**16,976**	78,734
Board compensation	**55,427**	52,367
Contracts and collaborators	**98,461**	52,758
Professional fees	**102,610**	83,325
Shareholders' relation fees	**8,021**	7,512
Occupancy costs	**190,483**	196,843
Insurance	**58,257**	58,153
Royalties	**12,028**	9,346
Sales, administration and all other expenses	**454,292**	427,227
Foreign exchange (gain) loss	**(14,005)**	18,677
Finance expense	**32,215**	31,544
Finance revenue	**(23,213)**	(12,722)
Changes in inventory allocation, work in process and finished goods	**170,736**	104,026
Depreciation of property, plant, equipment and intangible assets	**141,069**	139,406
Other gains	**(10,000)**	(30,000)
	2,638,048	2,361,524

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, 2019 $	January 31, 2018 $
Salaries, share-based compensation and employee benefits	**479,958**	467,989

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, 2019, 68% of its sales derived from its three top customers (July 31, 2018 – 64%).

	January 31, 2019 %	July 31, 2018 %
Customer A	**45**	42
Customer B	**14**	13
Customer C	**9**	9

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, 2019 and the year ended July 31, 2018 were as follows:

	January 31, 2019 %	July 31, 2018 %
Canada	**15**	19
United States	**55**	56
United Kingdom	**17**	14
Other	**13**	11
	100	100

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

	January 31, 2019 $	July 31, 2018 $
Canada	**1,211,554**	1,286,534
United States	**1,462,960**	1,484,508
	2,674,514	2,771,042

11 Share capital

Issued and fully paid

	January 31, 2019		July 31, 2018	
	Number of shares	**Book value $**	Number of shares	Book value $
Beginning balance	**24,773,244**	**52,672,258**	24,703,244	52,660,078
Stock options exercised	**-**	**-**	70,000	12,180
Ending balance	**24,773,244**	**52,672,258**	24,773,244	52,672,258

Stock options

The following tables summarize the IBEX stock option plan for the six-month period ended January 31, 2019 and the year ended July 31, 2018:

	January 31, 2019		July 31, 2018	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Beginning balance	**1,505,000**	**0.21**	1,020,000	0.19
Granted	**300,000**	**0.15**	775,000	0.20
Exercised	**-**	**-**	(70,000)	0.10
Expired	**-**	**-**	(220,000)	0.13
Ending balance	**1,805,000**	**0.20**	1,505,000	0.21

The following table summarizes the IBEX stock options outstanding as at January 31, 2019:

	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	4.88
0.08	50,000	50,000	4.42
0.15	300,000	-	9.90
0.20	775,000	525,000	8.89
0.23	550,000	550,000	0.88
0.24	110,000	92,500	7.89
	1,805,000	1,237,500	

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, 2019

Risk-free interest rate	1.93%
Expected dividend yield	nil
Expected life of the options	10 years
Expected volatility	98.27%

During the second quarter ended January 31, 2019, the fair value of the options granted at an exercise price of $0.145 is $38,760.

12 Subsequent event

On March 12, 2019, IBEX reported that it plans to close its Iowa production facility as of July 31, 2019.

The Iowa production facility came with the 2013 acquisition of Bio-Research Products Inc. ("BRP") a company based in North Liberty, Iowa. BRP produces, among other things, a series of enzymes used in clinical diagnostics which complements the IBEX enzyme product line. The production of the BRP clinical diagnostics enzymes will be transferred to the IBEX Montréal production facility.

The North Liberty facility will be put up for sale as a functioning enzyme production facility with all the equipment required for the production of clinical diagnostic enzymes and botanical extracts. The property consists of a fermentation suite with a 300 litre bio-reactor, 2,200 square feet of wet-lab space, 1,200 square feet of production space for downstream production and 4,450 square feet of warehouse space. The facility sits on 5.43 acres of land, of which 3.54 acres is available for future expansion.

The Company will book approximately $150,000 in shut-down related costs in the fourth quarter of this fiscal year.

The initial operating benefit from the closure of the site will begin to flow into the financial results in the second quarter of Fiscal 2020 (the quarter ending January 31, 2020). The subsequent operating benefit will be realized when the property is sold.