IBEX Technologies Inc. / Technologies IBEX Inc.
Consolidated Financial Statements
July 31, 2019 and 2018

Consolidated Financial Statements

NOTICE TO THE READER OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement of Responsibility for Financial Information

The 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 consolidated financial statements and for ensuring that this information is consistent, where appropriate, with the information and data included in the 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 consolidated financial statements have been audited by the Company's independent auditor, PricewaterhouseCoopers LLP, who has issued their report herein.

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 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
November 6, 2019

Richard Collin, CPA, CA
Director of Finance

Montréal, Canada
November 6, 2019

Independent auditor's report

To the Shareholders of IBEX Technologies Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of IBEX Technologies Inc. and its subsidiaries (together, the Company) as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at July 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Frédéric Lepage.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
November 6, 2019

[1] CPA auditor, CA, public accountancy permit No. A123475

Consolidated Statements of Financial Position

In Canadian dollars

	Notes	**July 31, 2019 $**	July 31, 2018 $
Assets			
Current assets			
Cash and cash equivalents		**2,579,859**	3,140,372
Trade and other receivables	4	**898,905**	718,030
Inventories	5	**145,915**	344,968
Prepaid expenses		**89,319**	90,086
Total current assets		**3,713,998**	4,293,456
Non-current assets			
Property, plant, equipment and intangible assets	6	**2,230,413**	2,771,042
Deferred income tax assets	10	**2,442,313**	2,382,125
Total assets		**8,386,724**	9,446,623
Liabilities			
Current liabilities			
Trade and other payables		**820,305**	621,213
Current portion of long-term debt	7	**55,520**	52,787
Total current liabilities		**875,825**	674,000
Non-current liabilities			
Long-term debt	7	**937,127**	982,870
Total liabilities		**1,812,952**	1,656,870
Equity			
Share capital	12	**52,672,258**	52,672,258
Contributed surplus		**713,011**	674,840
Deficit		**(47,312,508)**	(46,044,826)
Accumulated other comprehensive income		**501,011**	487,481
		6,573,772	7,789,753
Total liabilities and equity		**8,386,724**	9,446,623

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Hash, Director   RJDeLuccia, Director

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
Net loss		-	-	(95,189)	-	(95,189)
Stock options exercised	12	12,180	(5,180)	-	-	7,000
Share-based compensation	12	-	94,861	-	-	94,861
Cumulative translation adjustments		-	-	-	29,412	29,412
As at July 31, 2018		**52,672,258**	**674,840**	**(46,044,826)**	**487,481**	**7,789,753**
Net loss		**-**	**-**	**(1,267,682)**	**-**	**(1,267,682)**
Share-based compensation	12	**-**	**38,171**	**-**	**-**	**38,171**
Cumulative translation adjustments		**-**	**-**	**-**	**13,530**	**13,530**
As at July 31, 2019		**52,672,258**	**713,011**	**(47,312,508)**	**501,011**	**6,573,772**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss

In Canadian dollars

	Notes	**For the year ended July 31, 2019**	For the year ended July 31, 2018
		$	$
Revenues		**4,308,320**	4,729,599
Cost of sales	8	**2,949,432**	2,925,395
Research and development expenses	8	**304,121**	247,683
Selling, general and administrative expenses	8	**2,088,625**	1,733,287
Impairment of property, plant and equipment	6	**344,250**	-
Operating loss		**(1,378,108)**	(176,766)
Foreign exchange gain	8	**(43,128)**	(110,859)
Finance expenses - net	8	**15,463**	33,080
Other gains	8	**(22,573)**	(65,000)
Loss before income taxes		**(1,327,870)**	(33,987)
Income tax (recovery) expense	10	**(60,188)**	61,202
Net loss		**(1,267,682)**	(95,189)
Other comprehensive income			
Foreign currency translation adjustments - gain		**13,530**	29,412
Comprehensive loss		**(1,254,152)**	(65,777)
Basic and diluted net loss per share	2	**(0.05)**	(0.00)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the year ended July 31, 2019 $	For the year ended July 31, 2018 $
Cash flows (used) generated from operating activities			
Net loss		**(1,267,682)**	(95,189)
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	**279,780**	284,376
Impairment of property, plant and equipment	6	**344,250**	-
Share-based compensation	12	**38,171**	94,861
Deferred income tax (recovery) expense	10	**(60,188)**	61,202
		(665,669)	345,250
Changes in non-cash working capital balances			
Increase in trade and other receivables		**(193,282)**	(167,370)
Decrease in inventories		**201,662**	143,968
Decrease in prepaid expenses		**353**	19,910
Increase (decrease) in trade and other payables		**203,371**	(125,792)
Net changes in non-cash working capital balances		**212,104**	(129,284)
Net cash (used in) generated from operating activities		**(453,565)**	215,966
Cash flows used in investing activities			
Proceed on disposal of property, plant and equipment	6	**12,573**	-
Purchase of property, plant and equipment	6	**(65,735)**	(34,234)
Purchase of intangible assets	6	**-**	(3,486)
Net cash used in investing activities		**(53,162)**	(37,720)
Cash flows used in financing activities			
Issuance of shares upon exercise of stock options	12	**-**	7,000
Repayment of long-term debt	7	**(53,786)**	(49,501)
Net cash used in financing activities		**(53,786)**	(42,501)
Net change in cash and cash equivalents		**(560,513)**	135,745
Cash and cash equivalents at beginning of year		**3,140,372**	3,004,627
Cash and cash equivalents at end of year		**2,579,859**	3,140,372
Interest paid		**43,689**	44,488
Interest received		**48,431**	29,585

The accompanying notes are an integral part of these consolidated financial statements.

Notes to 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 consolidated financial statements were authorized for issue by the Board of Directors on November 6, 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

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada as set out in the CPA Canada Handbook – Accounting – Part 1, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 Bio-Research Products Inc. ("BRP").

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated on the date control ceases. Intercompany transactions and balances between companies are eliminated.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS 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. Significant items subject to estimates and assumptions include the estimated useful life of assets, the valuation of long-lived assets, and the valuation of tax attributes. It is possible that actual results could differ from those estimates, and such differences could be material. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of loss and comprehensive loss in the period in which they become known.

Functional and presentation currency and foreign currency translation

Presentation and functional currency

The financial statements of the Company's subsidiaries are measured using their functional currency, which is the currency of the primary economic environment in which they operate and corresponds to their local currency.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Translation of accounts of foreign subsidiaries

Accounts of foreign subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate at the reporting date;

ii) Income and expenses are translated at the average monthly exchange rates; and

iii) All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at each reporting date's exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of loss and comprehensive loss.

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.

As at July 31, 2019, cash equivalents include money market funds totalling $618,000 and bearing interest at a rate of 1.60% (July 31, 2018 – $605,000 – 1.35%).

Inventories

Raw materials are measured at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business.

Work in process and finished goods are valued at the lower of cost or net realizable value determined on a first-in, first-out basis. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities, labour and production overheads such as depreciation, maintenance and occupancy costs. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, government assistance and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation is recorded using the straight-line method based on the estimated useful lives of the related assets as follows:

	Term
Building	Varying from 10 to 40 years
Machinery and equipment	Varying from 2 to 30 years
Furniture and fixtures	Varying from 2 to 10 years
Leasehold improvements	5 years

Assets under construction are capitalized and are depreciated when ready to use.

Intangible assets

Intangible assets comprise software which are amortized using the straight-line method over a period of 4 to 5 years.

Impairment of long-lived assets

The Company assesses the carrying value of its long-lived assets, which comprise property, plant and equipment, for impairment when events or changed circumstances indicate that the carrying value may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their recoverable amount.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Leases

Operating leases are deemed to be those leasing agreements which do not transfer to the Company substantially all the benefits and risks of ownership of an asset. Payments made under operating leases are charged to the consolidated statement of loss and comprehensive loss on a straight-line basis over the term of the lease.

Share-based compensation

The Company operates an equity-settled, share-based compensation plan under which the Company receives services from employees as consideration for equity instruments (stock options).

Compensation expense for stock options is included in net 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 share capital.

Share capital

Common shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Net loss per share

Net loss per share is calculated using the weighted average number of shares outstanding of 24,773,244 as at July 31, 2019 (July 31, 2018 – 24,732,411). The options that are outstanding (note 12) have been considered in the computation of diluted loss per share; however, these options had no impact on net loss per share.

Cost of sales

Cost of sales comprises the costs of manufactured products. It includes the purchase cost of raw materials, production costs directly related to the manufactured products and production overheads. Production overheads include depreciation of equipment and inventory allocations. Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present condition.

Research and development costs

Research costs are expensed when incurred. Development costs are capitalized as intangible assets when the conditions relating to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled. Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

As at July 31, 2019 and 2018, no such costs have been deferred in the accounts of the Company.

Government assistance relating to research and development activities is reflected as a reduction of net research and development expenditures in these consolidated financial statements as and when it is earned and collectability is reasonably assured. For the years ended July 31, 2019 and 2018, no such amounts have been recorded as a reduction of research and development expenditures.

The recorded investment tax credits are based on management's 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.

Income taxes

The tax expense comprises current and deferred tax. When applicable, tax is recognized in the consolidated statement of loss and comprehensive loss.

Current income tax

The current income tax charge is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of each reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized using the asset and liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred income tax assets or liabilities are settled. Deferred income tax assets are recognized only to the extent that it is probable that the assets will be realized. Deferred income tax assets and liabilities are presented as non-current.

New and amended accounting standards adopted

During the year, the Company adopted the following new and amended accounting standards retrospectively along with any consequential amendments without restatement of comparative figures.

IFRS 9 "Financial Instruments"

On August 1 2018, the Company adopted IFRS 9, *Financial Instruments*. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* (International Accounting Standards ("IAS")) with a single approach to determine whether financial assets and financial liabilities are measured at amortized cost or fair value.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets and financial liabilities retrospectively, for assets and liabilities that continued to be recognized at the date of initial application. The adoption of IFRS 9 did not impact the carrying value of any financial assets or financial liabilities on the transition date.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, they are also classified as FVTPL unless on the day of acquisition the Company makes an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless the are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and financial liabilities as at August 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial instrument	**Classification – IAS 39**	**Classification – IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Derivatives	Fair value through earnings or loss	Fair value through earnings or loss

(ii) Measurement

<u>Financial assets at FVTOCI</u>

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses recognized in other comprehensive loss without subsequent reclassification to net income.

<u>Financial assets and financial liabilities at amortized cost</u>

Financial assets and financial liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and financial liabilities at FVTPL</u>

Financial assets and financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and financial liabilities held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associates with the Company's own credit risk will be recognized in the other comprehensive loss without subsequent reclassification to net loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

For trade receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. There was no impact on adoption of this approach.

The Company assumes that there is no significant increase in credit risk for debt-instruments that have a low credit risk.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of equity instruments classified as FVTOCI are transferred to Company's capital.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

(v) Derivatives

All derivative instruments are recorded in the consolidated statement of financial position at fair value at each statement of financial position date. Derivatives may be embedded in other financial instruments (the "host instrument"). Derivatives are treated as separate derivatives if their economic characteristics and risks are not closely related to those of the host instrument, the terms of the derivative are the same as those of a stand-alone derivative, and the combined contract is not measured at fair value. These derivatives are measured at fair value at each statement of financial position date with subsequent changes recognized in net loss in the period in which the changes arise.

> 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 and does not contain an option feature and the contract is either denominated in the functional currency of any party to the contract, 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 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.

IFRS 15 "Revenue from Contracts with Customers"

On August 1, 2018, the company adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 specifies how and when to recognize revenue as well as requires the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and other revenue-related interpretations.

The adoption of this standard resulted in changes in accounting policies, but in no significant adjustment to the quantum and timing of amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Company adopted the new standard retrospectively.

The following is the Company's new accounting policy for revenues under IFRS 15:

> Revenue is recognized when delivery has occurred and there is no unfulfilled obligation that could affect the customer's acceptance. These criteria are generally met at the time the product is leaving the Company's premises and at that point, control has passed to the customer. Revenue is measured based on the price specified in the Company's Order Confirmation sent to the customer. The Company does not have any multiple-element revenue arrangements.

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, 2019 are as follows:

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". On August 1st, 2019, the Company will apply the new standard retrospectively without restatement of comparative amounts. 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 will elect to the modified retrospective approach measuring the right-of-use asset at an amount equal to the lease liability.

There will be an increase to both assets and liabilities upon adoption of IFRS 16, and changes to the presentation of expenses associated with the lease arrangements, and, to a lower extent, changes in the timing of expense recognition.

The Company preliminary assessment indicates that the increase in both its total assets and total liabilities will be around $678,000 on the consolidated balance sheet as at August 1st, 2019. The Company is in the final stages of validating the final amounts of the impact on its consolidated balance sheet, which will be disclosed in the Company's unaudited condensed interim consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above.

Lease-related expenses previously recorded in cost of sales, research and development expenses, and selling, general and administrative expenses, primarily as occupancy costs, will be recorded as depreciation using a straight line method on the right-of-use assets and the lease liabilities will be unwound using an effective interest rate method and recorded as Finance expenses. The application of these two methods will result in more expenses charged to net loss earlier in the lease term and less expenses charged in the later years.

While IFRS 16 will not cause a difference in the amount of cash transferred between the parties of a lease, it will change the presentation of cash flows relating to leases in the Company's consolidated statement of cash flows.

The Company will elect to include in the right-of-use assets and lease liability non-lease components that are in scope of IFRS 16, which include, but are not limited to, common area charges and administrative charge. Other occupancy costs not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in cost of sales, research and development expenses, and selling, general and administrative expenses.

The lease term, for the majority of leases, vary between 2 and 5 years, which include the initial base term and renewal option(s) when applicable.

Accounting policies applicable to prior period

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets and financial liabilities at fair value through profit or loss: A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

Derivatives are also included in this category unless they are designated as hedges. All derivatives are classified as fair value through profit or loss and are included in the consolidated statement of financial position within other assets or other payables. As at July 31, 2019 and 2018, the Company had no derivative instruments.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss and comprehensive loss within "other gains" in the period in which they arise. Non-derivative financial assets and financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as long-term.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from remeasurement are recognized in the consolidated statement of loss and comprehensive loss. Available-for-sale investments are classified as non-current unless an investment matures within twelve months or management expects to dispose of it within twelve months.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents and trade and other receivables, and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables and long-term debt. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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 and comprehensive loss, 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 July 31, 2019 and 2018, the Company has no forward foreign exchange contracts outstanding.

The Company does not use forward foreign exchange contracts for speculative purposes. The Company also does not apply hedge accounting, and these derivative contracts are being marked to fair value at every reporting date with changes recorded in the consolidated statement of loss and comprehensive loss as foreign exchange (gain) loss and in the consolidated statement of financial position as trade and other receivables or trade and other payables.

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 July 31, 2019 and July 31, 2018 were as follows:

	July 31, 2019		July 31, 2018	
	CA$	**US$**	CA$	US$
Cash and cash equivalents	**754,512**	**573,861**	902,616	693,413
Trade and other receivables	**526,285**	**400,277**	532,155	408,815
Trade and other payables	**58,113**	**44,199**	16,797	12,904

The impact on the Company's (excluding BRP) financial instruments of a 5% increase in the US dollar exchange rate would be a foreign exchange gain of $61,134 recorded in net loss for the year ended July 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 year ended July 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 aging of trade receivables as at July 31, 2019 was as follows:

Trade receivables	**$**	**%**
Current	760,709	91
Past due 31–90 days	71,844	9
Over 90 days	-	-
	832,553	100

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

	July 31, 2019 %	July 31, 2018 %
Customer 1	**29**	35
Customer 2	**19**	-
Customer 3	**13**	14
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 July 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	820,305	820,305	820,305	-	-	-
Long-term debt obligations[1]	992,647	1,307,256	96,834	193,668	193,668	823,086
	1,812,952	2,127,561	917,139	193,668	193,668	823,086

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

Except for derivatives, 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 $933,982 (US$710,361) as at July 31, 2019 based on discounted future cash flows, using market interest rates available as at July 31, 2019 (July 31, 2018 - $907,074 (US$696,838)). Fair value is used to determine the values at which these instruments could be traded in a current transaction between willing parties. When these financial instruments are not traded in public markets, their fair value is established based on a set of predetermined criteria, which minimizes the subjectivity of the valuation.

The Company categorizes its financial instruments according to the following three hierarchical levels:

Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – Valuation techniques based primarily on observable market data; and

Level 3 – Valuation techniques not based primarily on observable market data.

As at July 31, 2019 and 2018, there are no financial instruments that were accounted for using fair value.

4 Trade and other receivables

	July 31, 2019 $	July 31, 2018 $
Trade	**832,553**	684,311
Sales tax	**9,940**	33,719
Other receivable	**56,412**	-
	898,905	718,030

5 Inventories

	July 31, 2019 $	July 31, 2018 $
Finished goods – Enzymes	**111,020**	251,023
Finished goods – Arthritis diagnostic kits	**34,895**	30,480
Work in process – Enzymes	**-**	63,465
	145,915	344,968

During the year ended July 31, 2019, the Company wrote off inventories that had expired in the amount of $40,805 (July 31, 2018 - $35,406). The related expense is included in the Cost of sales.

6 Property, plant, equipment and intangible assets

	Building $	Land $	Machinery and Equipment $	Furniture and Fixtures $	Leasehold Improvements $	Software $	Total $
As at July 31, 2017							
Cost	884,107	780,313	3,665,318	592,631	409,349	40,339	6,372,057
Accumulated depreciation	(229,115)	-	(2,320,317)	(587,074)	(274,875)	(5,853)	(3,417,234)
Net book amount	654,992	780,313	1,345,001	5,557	134,474	34,486	2,954,823
Year ended July 31, 2018							
Opening net book amount	654,992	780,313	1,345,001	5,557	134,474	34,486	2,954,823
Additions	-	-	11,373	-	22,861	3,486	37,720
Depreciation charge	(50,724)	-	(195,337)	(1,812)	(27,363)	(9,140)	(284,376)
Effect of exchange rate variations	26,795	33,250	2,830	-	-	-	62,875
Closing net book amount	631,063	813,563	1,163,867	3,745	129,972	28,832	2,771,042
As at July 31, 2018							
Cost	921,779	813,563	3,726,180	592,631	432,210	43,825	6,530,188
Accumulated depreciation	(290,716)	-	(2,562,313)	(588,886)	(302,238)	(14,993)	(3,759,146)
Net book amount	**631,063**	**813,563**	**1,163,867**	**3,745**	**129,972**	**28,832**	**2,771,042**
Year ended July 31, 2019							
Opening net book amount	631,063	813,563	1,163,867	3,745	129,972	28,832	2,771,042
Additions	-	-	65,735	-	-	-	65,735
Depreciation charge	(52,707)	-	(175,003)	(1,813)	(41,044)	(9,213)	(279,780)
Impairment	(321,577)	-	(22,673)	-	-	-	(344,250)
Effect of exchange rate variations	8,811	8,187	668	-	-	-	17,666
Closing net book amount	**265,590**	**821,750**	**1,032,594**	**1,932**	**88,928**	**19,619**	**2,230,413**
As at July 31, 2019							
Cost	931,056	821,750	3,797,259	592,631	432,210	43,825	6,618,731
Accumulated depreciation	(665,466)	-	(2,764,665)	(590,699)	(343,282)	(24,206)	(4,388,318)
Net book amount	**265,590**	**821,750**	**1,032,594**	**1,932**	**88,928**	**19,619**	**2,230,413**

As forecasted, the Company closed operations at its North Liberty, Iowa production facility as of July 31, 2019. The facility has been put up for sale. As a result of certain changes in the atmosphere regarding buildings use in the City of North Liberty, the Company has taken a non-cash impairment of $344,250 related to the building and machinery and equipment.

The impairment accounts for the difference between the realizable value and the carrying amount of the assets. Using external independent appraisals, the Company estimated the realizable value of the assets based on unobservable data. This estimation was based on market data for comparable assets. The realizable value reflects the fair value less cost to sell.

7 Long-term debt

	July 31, 2019		July 31, 2018	
	US$	**CA$**	US$	CA$
Term loan [2]	**754,980**	**992,647**	795,619	1,035,657
Less: current portion	**42,227**	**55,520**	40,553	52,787
	712,753	**937,127**	755,066	982,870

2- Term loan bearing interest at 4.20% repayable in blended monthly instalments of US$6,137 maturing on January 1, 2033.

In 2013, the Company has entered into a 20-year term loan that mirrors a mortgage, with variable interest rates. The initial interest rate is 4.25% for five years. Every five years, the interest rate will be revised based on the weekly average yield on US Treasury Securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board and published in the Wall Street Journal, using the most recent index figure as of the date 45 days before each Change Date (January 2013 - 0.75%), plus a margin of 3.5%.

The interest rate was revised to 4.20% for five years in January 2018.

The term loan is secured by the land and building of BRP.

The aggregate minimum amount of principal payments required in each of the next five years and thereafter is as follows:

Years ending July 31	$
2020	55,520
2021	58,044
2022	60,565
2023	63,195
2024	65,854
Thereafter	689,469

8 Expense by nature

	July 31, 2019 $	July 31, 2018 $
Salaries and benefits expense [3]	**2,949,655**	2,348,301
Share-based compensation expense	**38,171**	94,861
Board compensation	**104,933**	114,241
Contracts and collaborators	**131,912**	248,010
Professional fees	**210,810**	172,030
Shareholders' relation fees	**33,722**	34,359
Occupancy costs	**390,944**	397,864
Insurance	**116,801**	114,418
Royalties	**23,796**	23,295
Sales, administration and all other expenses	**859,992**	934,980
Foreign exchange gain	**(43,128)**	(110,859)
Finance expense	**64,105**	62,900
Finance revenue	**(48,642)**	(29,820)
Changes in inventory allocation, work in process and finished goods	**201,662**	139,630
Depreciation of property, plant, equipment and intangible assets	**279,780**	284,376
Impairment of property, plant and equipment	**344,250**	-
Other gains	**(22,573)**	(65,000)
	5,636,190	4,763,586

3- Included in salaries and benefits expense is the severance expense of $183,360 provided to the employees that worked in our US facility. Since these severances were paid after July 31, 2019, they were accrued in trade and other payables.

9 Key management compensation

Key management includes the Company's executives and members of the Board of Directors. Compensation awarded to key management included:

	July 31, 2019 $	July 31, 2018 $
Salaries, share-based compensation and employee benefits	**976,639**	891,497

10 Income taxes

a) Income tax (recovery) expense

	July 31, 2019 $	July 31, 2018 $
Current	**-**	-
Deferred	**(60,188)**	61,202
Income tax (recovery) expense	**(60,188)**	61,202

b) Effective tax rate

The Company's effective income tax rate differs from the statutory federal and provincial income tax rate in Canada. This difference arises from the following:

	July 31, 2019 %	July 31, 2018 %
Combined statutory tax rate	**26.64**	26.74
Unrecognized tax benefits	**(20.86)**	(122.84)
Adjustments from prior years and other adjustments	**0.26**	135.32
Non-deductible and other items	**(0.88)**	(73.65)
Rate changes and recognition of tax attributes not previously recognised [4]	**-**	(143.11)
Foreign subsidiary subject to different tax rates	**(0.63)**	(2.53)
	(22.11)	(206.81)
Effective tax rate	**4.53**	(180.07)

4- On December 22, 2017, the US Congress introduced important changes to US corporate income tax laws under the Tax Cuts and Jobs Act, which reduced the US statutory federal income tax rate to 21% from the previous rate of 35%. The impact of the change in tax rate resulted in a reduction of $1,220,789 of the Company US subsidiary deferred tax assets derived from non-capital losses carried forward. However, as the Company US subsidiary non-capital losses carried forward are not recognized, the net impact on the Company effective tax rate was nil.

c) Deferred income tax assets and liabilities

Deferred income tax assets, representing deductible temporary differences, tax loss carry-forwards and non-refundable unused tax credits, have been recognized to the extent that it is probable that sufficient taxable profits will be available to allow the assets to be recovered.

The components of the deferred income tax are as follows:

	July 31, 2019 $	July 31, 2018 $
Deferred income tax assets		
Research and development expenditures pool	**1,049,524**	1,047,469
Investment tax credits	**743,609**	743,609
Property, plant and equipment	**649,180**	591,047
Non-capital losses carried forward	**-**	9,348
Non-deductible reserve	**-**	2,111
	2,442,313	2,393,584
Deferred income tax liabilities		
Property, plant and equipment	**-**	1,622
Changes in method of accounting	**-**	9,837
	-	11,459
Net deferred income tax assets	**2,442,313**	2,382,125

Deferred income tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the assets to be recovered. Accordingly, some deferred income tax assets have not been recognized; these unrecognized deferred income tax assets amount to $5,043,065 (July 31, 2018 - $5,760,355).

As at July 31, 2019 and 2018, significant components of the Company's unrecognized deferred income tax assets are as follows:

	July 31, 2019 $	July 31, 2018 $
Deferred income tax assets		
Research and development expenditures pool	**1,319,388**	1,319,388
Investment tax credits	**202,606**	707,782
Non-capital losses carried forward	**2,974,807**	3,217,042
Non-deductible reserve	**106,006**	164,861
Capital loss carry forward	**318,575**	320,311
Property, plant and equipment	**121,683**	30,971
	5,043,065	5,760,355

d) Other

The Company has accumulated non-capital losses for federal and Québec tax purposes of approximately $2,645,000 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:

	$
2026	321,000
2027	729,000
2028	116,000
2029	198,000
2030	93,000
2031	145,000
Thereafter	1,043,000
	2,645,000

A US subsidiary company has non-capital losses amounting to approximately US$7,969,000 (CA$10,479,000) 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:

	$
2020	6,352,000
2021	1,239,000
2022	406,000
2026	15,000
2027	15,000
2028	16,000
2029	16,000
2030	17,000
2031	17,000
2032	16,000
2033	17,000
2034	832,000
2037	102,000
2038	486,000
2039	933,000
	10,479,000

The Company has unused investment tax credits totalling approximately $24,000. The investments tax credits may be used to reduce federal income tax payable in future years for which no future tax benefit has been recognized in the accounts. The credits will expire in 2020.

A US subsidiary company has an unclaimed tax credit of approximately US$141,000 (CA$185,000) for which no future tax benefit has been recognized in the accounts. This credit may be carried forward 20 years and used to reduce taxable income in the United States in future years (expiring between 2030 and 2038).

11 Segment information and economic dependence

Reliance on key customers

The Company is highly reliant on sales from a small number of customers. During the year ended July 31, 2019, 62% of its sales derived from its top three customers (July 31, 2018 – 64%).

	July 31, 2019 %	July 31, 2018 %
Customer A	**41**	42
Customer B	**11**	13
Customer C	**10**	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 year ended July 31, 2019 and 2018 were as follows:

	July 31, 2019 %	July 31, 2018 %
Canada	**18**	19
United States	**54**	56
United Kingdom	**15**	14
Other	**13**	11
	100	100

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

	July 31, 2019 $	July 31, 2018 $
Canada	**1,143,073**	1,286,534
United States	**1,087,340**	1,484,508
	2,230,413	2,771,042

12 Share capital

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 preferred shares were converted into common shares;
- Second preferred shares, cumulative, redeemable, convertible, issuable in series;
- Third preferred shares, issuable in series; and
- Common shares.

Issued and fully paid

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

Stock options

Stock options are granted to directors, full-time employees and consultants. The terms and conditions of the grants thereunder are contingent on 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 2,400,000. 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 range from immediate to a three-year vesting term.

The following tables summarize the IBEX stock option plan for the year ended July 31, 2019 and the year ended July 31 2018:

	July 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	**(160,000)**	**0.22**	(220,000)	0.13
Ending balance	**1,645,000**	**0.20**	1,505,000	0.21

The following table summarizes the IBEX stock options outstanding as at July 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**	**4.39**
0.08	**50,000**	**50,000**	**3.92**
0.15	**300,000**	**-**	**9.40**
0.20	**700,000**	**450,000**	**8.39**
0.23	**500,000**	**500,000**	**0.39**
0.24	**75,000**	**75,000**	**7.24**
	1, 645,000	**1,095,000**	

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

	Options outstanding and currently exercisable		
Exercise prices $	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)
0.05	20,000	20,000	5.39
0.08	50,000	50,000	4.92
0.20	775,000	375,000	9.39
0.23	550,000	550,000	1.39
0.24	110,000	92,500	8.40
	1,505,000	1,087,500	

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 year ended July 31, 2019:

Risk-free interest rate	1.93%
Expected dividend yield	Nil
Expected life of the options	10 years
Expected volatility	98%

During the year ended July 31, 2019, the fair value of the options granted at an exercise price of $0.145 is $38,760 (July 31, 2018 - Exercise price of $0.20 and fair value of $149,808).

13 Commitments and contingency

Operating lease commitments – Company as lessee

The Company leases offices under operating leases. The leases terms are five years. The leases are renewable at the end of the lease term at market rate.

The future minimum payments for all commitments are as follows:

Years ending July 31	$
2020	187,911
2021	191,754
2022	152,390
2023	146,657
2024	111,592

14 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 (see Note 3). The Company defines its capital as equity plus long-term debt.

There has been no change to the capital risk management strategy during the year ended July 31, 2019 and 2018.