



Condensed Consolidated Interim Financial Statements

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**NOTICE TO THE READER OF THE INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The interim consolidated financial statement of IBEX Technologies Inc. (the “Company”) and the accompanying interim consolidated balance sheet as at October 31, 2011 and the interim consolidated income statements, cash flows, comprehensive income and changes in shareholders’ equity for the three-month period then ended are the responsibility of the Company’s management. These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders’ by the independent external auditors, Pricewaterhouse Cooper LLP.

The interim consolidated financial statements have been prepared by management and include the selection of the appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards. Management has determined such amounts on a reasonable basis in order to ensure that the interim consolidated financial statements are presented fairly in all material respects. The Company’s accounting procedures and related systems of internal controls are designed to provide a reasonable assurance that its assets are safeguarded and its financial records are reliable. Readers are cautioned that these interim consolidated financial statements may not be appropriate for their purposes.

Paul Baehr,
President and Chief Executive Officer

Montreal, Canada
December 21, 2011

Nancy Bisson, CGA
Director of finance

Montreal, Canada
December 21, 2011

**IBEX Technologies Inc./Technologies IBEX Inc.**Unaudited Condensed Consolidated Interim Financial Statements
For the first quarter ended October 31, 2011 and 2010**Consolidated Statements of Financial Position**

	Notes	October 31, 2011 \$	July 31, 2011 \$	August 1, 2010 \$
Assets				
Current assets				
Cash and cash equivalents	5	1,425,920	1,213,302	2,333,556
Marketable securities	5	700,000	700,000	300,000
Trade and other receivables	6	638,076	779,783	422,761
Inventories	7	426,032	327,050	226,364
Prepays		53,265	85,525	68,236
		3,243,293	3,105,660	3,350,917
Non-current assets				
Marketable securities	5	300,000	300,000	400,000
Deposits		10,500	10,500	8,650
Property, plant & equipment	8	1,038,665	1,063,131	760,384
Total assets		4,592,458	4,479,291	4,519,951
Liabilities				
Current liabilities				
Accounts payables and accrued liabilities	4	255,202	286,787	472,042
Total current liabilities		255,202	286,787	472,042
Equity				
Share capital	15	52,660,078	52,660,078	52,660,078
Contributed surplus		563,753	563,753	522,760
Deficit		(48,886,575)	(49,031,327)	(49,134,929)
		4,337,256	4,192,504	4,047,909
Total liabilities and equity		4,592,458	4,479,291	4,519,951



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Consolidated Statements of changes in equity

	Share Capital	Contributed Surplus	Deficit	Total \$
At August 1, 2010	52,660,078	522,760	(49,134,929)	4,047,909
Net earnings & comprehensive income	-	-	(177,888)	(177,888)
Employee share option schemes	-	26,705	-	26,705
At October 31, 2010	52,660,078	549,465	(49,312,817)	3,896,726
At August 1, 2011	52,660,078	563,753	(49,031,327)	4,192,504
Net earnings & comprehensive income	-	-	144,752	144,752
At October 31, 2011	52,660,078	563,753	(48,886,575)	4,337,256



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Consolidated Statements of Comprehensive Income (Loss)

	Notes	October 31, 2011 \$	October 31, 2010 \$
Revenues		752,464	512,975
Cost of sales	10	200,164	302,416
Research and Development expenses	10	58,408	56,774
Selling, general and administrative expenses	10	290,513	296,649
Earnings before under-noted items		203,379	(142,864)
Foreign exchange (gain) loss	11	62,095	35,686
Finance expenses	10	(3,468)	(662)
Earnings before income taxes		144,752	(177,888)
Provision for current and deferred income taxes		-	-
Net earnings and comprehensive income		144,752	(177,888)
Earnings (loss) per share basic and diluted		0.01	(0.01)



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Consolidated Statements of Cash Flows

	October 31, 2011 \$	October 31, 2010 \$
Cash flows from operating activities		
Net earnings	144,752	(177,888)
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Adjustments for non-cash income and expenses		
Amortisation	41,019	35,374
Stock based compensation expense	-	26,706
Unrealized net gains arising from fair value changes	98,700	193,602
	284,471	77,794
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Changes in working capital		
Trade and other receivables	43,008	(135,817)
Inventories	(98,982)	14,369
Prepaid expenses	32,260	28,320
Trade and other payables	(31,586)	(9,280)
Net changes in non-cash working capital balances	(55,300)	(102,408)
Net cash generated from (used in) operating activities	229,171	(26,614)
<hr/>		
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,553)	(155,387)
Net cash generated from (used in) investing activities	(16,553)	(155,387)
<hr/>		
Net increase (decrease) in cash, cash equivalents	212,618	(180,001)
Cash, cash equivalent at beginning of the quarter	1,213,302	2,333,556
Cash, cash equivalents at end of the quarter	1,425,920	2,153,555



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Notes to Condensed Consolidated Financial Statements

1 General information

IBEX Technologies Inc. ("IBEX" or the "Company") and its wholly-owned subsidiaries (together "the Company") is a biopharmaceutical company currently engaged in the production and sale of proprietary enzymes for use as reagents in hemostasis monitoring devices, and of arthritis diagnostic kits for pharmaceutical research.

The Company is a public company, which is listed on the TSX Venture and is incorporated and domiciled in Canada. The address of its registered office is 5485 Pare Street, Suite 100, Montreal, Quebec.

2 Summary of significant accounting policies

Basis of presentation

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 3, the company has consistently applied the same accounting policies in its opening IFRS statement of financial position at August 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended July 31, 2011.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of December 13, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending July 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The condensed interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended July 31, 2011. Note 8 discloses IFRS information for the year ended July 31, 2011 not provided in the 2011 annual financial statements.

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Accounting standards issued but not yet applied

New standards, amendments and interpretations issued but only effective beginning August 1, 2013.

IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1 2013.

IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

IFRS 12, "Disclosures of interest in other entities" includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

IFRS 13, "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS, do not extend to use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

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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 included the estimated useful life of assets and impairment of long-lived assets. 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 income in the period in which they become known.

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") and IBEX Technologies Corporation.

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of over one half of the voting rights. 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. Inter-Company transactions, balances between company companies are eliminated.

Functional and presentational currency and foreign currency translation*Presentation and functional currency*

The financial statements of the Company entities 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 currency, 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

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 where items are re-measured.



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Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid short-term highly liquid 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.

Cash equivalents include mutual funds and Guaranteed Investment Certificates (“GICs”) in the amount of \$840,000 bearing interest at rates ranging from 1.35% to 2.26% (July 31, 2011 – \$785,000).

Financial instruments

Financial assets and 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 liabilities at fair value through profit or loss: A financial asset or 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. The company uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt, and has issued warrants that qualify as derivative liabilities. All derivatives have been classified as fair value through profit or loss, are included on the balance sheet within other assets, warrants or other liabilities. Gains and losses on re-measurement to fair value of interest rate swaps and warrants are included in “other gains and losses (net)”.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within “other gains and losses (net)” in the period in which they arise. Non-derivative financial assets and 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 balance sheet date, which are classified as long-term. Interest swaps and warrants are classified as current.

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- (ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The company's available-for-sale assets comprise investments in debt and equity securities (other than those qualifying as cash equivalents).

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 other comprehensive income except for exchange gains and losses on the translation of debt securities, which are recognized in the consolidated statement of income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in "other gains and losses (net)". 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.

Interest on available-for-sale debt instruments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as dividend income when the company's right to receive payment is established.

- (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 trade receivables and cash and cash equivalents, 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.

The company routinely sells its receivables under a factoring arrangement with a Canadian bank. The company is obligated under the terms of this agreement to make payments to the factor or to repurchase receivables sold under certain circumstances. These recourse provisions result in the company retaining substantially all risks and rewards of ownership of the factored receivables, and as a result it continues to recognize the full carrying amount of these receivables and accounts for these transactions as financing. The associated financial liability is included within bank indebtedness on the balance sheet.

- (iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, bank debt and long-term debt. Trade 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 payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are 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.

Impairment of financial assets



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At each reporting date, the company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

- (i) significant financial difficulty of the obligor;
- (ii) delinquencies in interest or principal payments; and
- (iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, the company recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Asset/Liability	Classification	Basis of accounting
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Held to maturity	Amortized cost
Trade receivables and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Derivatives	Fair value through profit or loss	Fair value

Derivatives

All derivative instruments are recorded in the consolidated balance sheet at fair value at each balance sheet date. Derivatives may be embedded in other financial instruments (the "host instrument"). Derivatives are treated as separate derivatives if their economic characteristics



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and risks are not clearly and 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 held for trading or designated at fair value. These derivatives are measured at fair value at each balance sheet date with subsequent changes recognized in net earnings 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, 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.

Inventories

Inventories are composed of work in process and finished goods, which are valued at the lower of cost and net realizable value determined on a first-in, first-out basis. 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 an 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 derecognised. All other repairs and maintenance are charged in profit or loss during the period in which they are incurred.

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

	Term
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.

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 to sell 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. Accounts payable 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 lease are charged to the income statement 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 (options).

Compensation expense for stock options is included in net earnings, with the offset credited to contributed surplus. Using the fair value method, compensation expense is measured at the grant date and recognized over the vesting period of the stock options. Any consideration paid on exercise of stock options or purchase of stock is credited to capital stock.

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Share Capital

Ordinary 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 earnings per share

Net earnings per share is calculated using the weighted average number of shares outstanding of 24,703,244 - (July 31, 2011 – 24,703,244). The outstanding options (note 14) have been excluded from the computation of diluted earnings per share as they are anti-dilutive.

Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable for goods supplied. Revenue from sales is recognised when all the following conditions have been satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the goods leaves the Company premises.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is again when the customer has physically received the goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 inventories 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. Development cost 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.



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As at October 31, 2011 and 2010, 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 financial statements as and when it is earned and collectability is reasonably assured. For quarter ended October 31, 2011, an amount of \$15,723 (October 31, 2010 – nil) was 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. Tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly to shareholders' equity.

Current 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 tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the 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 tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases 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 statement of financial position date are expected to apply when the deferred tax assets or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Tax on income in interim periods is accrued using the tax rate that would be applicable for the expected annual income.

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3 Transition to the IFRS

The interim consolidated financial statements for the period ended October 31, 2011 are the Company's first financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are provided in this note. These disclosures are prepared under IFRS as set out in the basis of presentation in note 2.

IFRS requires that comparative financial information be provided. The date at which the Company began applying IFRS, August 1, 2010, is recognized as the "transition date". IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be July 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters.

Initial elections upon adoption

IFRS 1 optional exemptions

- a) Business combinations – IFRS 1 indicated that a first-time adopter may elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the transition date. The Company has taken advantages of this election.
- b) Share based payment – IFRS 1 allows a first-time adopter not to apply IFRS 2, Share-based payments to all equity instruments of share-based payments that had vested at the transition date. The Company has elected to take advantage of this exemption.
- c) Income taxes – No specific exemptions are provided for in IFRS 1 for the first time adoption of IAS 12. Under Canadian GAAP, an entity is required to present both current and long-term future income taxes on its balance sheet. Under IFRS, an entity must present them entirely as long-term.

Adjustments to the Company's accumulated other comprehensive income, retained earnings and cash flows from Canadian GAAP to IFRS

The transition from Canadian GAAP to IFRS had no significant impact on consolidated statement of financial position, statement of changes in equity, statements of comprehensive income and statement of cash flows generated by the Company.

4 Financial Instruments**Currency risk**

The Company operates internationally, and its sales are contracted in US dollars. A change in the currency exchange rate between the Canadian dollar and the US dollar could have a material effect on its consolidated results of operations, financial position or cash flows.

The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by using forward foreign exchange contracts to hedge a portion of

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the exposure of its foreign currency cash flows. Foreign exchange contracts will usually have a maturity of less than two years.

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 earnings as foreign exchange gain and in the consolidated balance sheet as accounts receivable.

The Company is exposed to foreign currency risk primarily as a result of sales revenues and expenses denominated in US dollars. Financial instruments denominated in foreign currencies as at October 31, 2011 and July 31, 2011 were as follows:

	October 31, 2011		July 31, 2011	
	\$	US\$	\$	US\$
Cash and cash equivalents	523,553	525,287	260,134	272,249
Accounts receivable	408,256	409,608	430,318	450,359
Accounts payable and accrued liabilities	28,349	28,443	11,706	12,251

The impact on the Company's financial instruments of a 5% increase in the US dollar exchange rate would be a \$45,323 foreign exchange gain recorded in net earnings for the quarter ended October 31, 2011 (July 31, 2011 – \$33,937).

Forward foreign exchange contracts	Notional amount US\$	Exchange rate	Maturity date	Notional equivalent \$
Sell				
US\$ to CA\$	500,000	1.070	Dec. 20, 2011	535,100
US\$ to CA\$	500,000	1.070	Feb. 06, 2012	536,150
US\$ to CA\$	500,000	1.045	May 10, 2012	522,500

On October 31, 2011, the average of the forward exchange rates for these contracts was approximately CAD\$0.9967 and the value of the forward exchange contracts on October 31, 2011 was \$98,700. This compares to the value as at July 31, 2011 of \$261,435 which was taken into profit in fiscal 2011 with an offset recorded in other receivables.

Trade receivables and other receivables

Trade receivables and other receivables are amounts due from customers for inventories sold in the ordinary course of business. The carrying value of trade receivables is considered a



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reasonable approximation of fair value. All trade and other receivables have been reviewed for indicator of impairment.

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk consist of marketable securities, which consist of Guaranteed Investment Certificates (“GICs”) held at highly rated institutions with variable interest rates and maturities at the date of purchase of four months or more. Therefore, the Company considers the interest rate risk to be low. A 0.5% change in interest rates would not have a material impact on net earnings for the quarter ended October 31, 2011.

Credit risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, marketable securities and accounts receivable. Cash and cash equivalents consist of bank balances maintained at financial institutions with high credit ratings. Marketable securities consist of 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 accounts receivable as at October 31, 2011 was as follows:

Trade receivables	\$	%
Current	361,697	89
Past due 0–30 days	46,559	11
	<u>408,256</u>	<u>100</u>

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

	October 31, 2011 %	July 31, 2011 %
Customer 1	54	41
Customer 2	18	36
Customer 3	10	-



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Liquidity risk

Liquidity risk is risk that the Company will not be able to meet its financial liabilities when due. The Company's financial liabilities include its accounts payable and accrued liabilities presented on the consolidated balance sheet, which are due within the next 12 months. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

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.

Certain of the Company's financial instruments are recorded at their fair value. 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 three following 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.

The following table shows the breakdown of the fair-value valuation of the financial instruments among the three levels.

	October 31, 2011			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Trade and other receivables	-	98,700	-	98,700

5 Cash, cash equivalent and marketable securities

	October 31, 2011	July 31, 2011
Cash, cash equivalent	1,425,920	1,213,302
Short-term bank deposits	700,000	700,000
Long-term bank deposits	300,000	300,000
	2,425,920	2,213,302



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6 Trade and other receivables

	October 31, 2011	July 31, 2011
	\$	\$
Trade	408,256	430,318
Accrued interest	6,351	-
Gain on forward foreign exchange contracts	98,700	261,435
Other	124,769	88,030
	<u>638,076</u>	<u>779,783</u>

7 Inventories

	October 31, 2011	July 31, 2011
	\$	\$
Finished goods – Enzymes	396,128	311,257
Finished goods – Arthritis diagnostic kits	29,904	15,541
Work in process – Enzymes	-	252
	<u>426,032</u>	<u>327,050</u>

The cost of inventories recognised as an expense during the quarter was (\$98,982) – (2011; (\$100,031)).



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8 Property, plant and equipment

	Machinery & Equipment	Furniture & Fixtures	Leasehold Improvements	Total
At August 1, 2010				
Cost	1,335,259	585,192	265,216	2,185,667
Accumulated depreciation	(790,835)	(567,250)	(67,198)	(1,425,283)
Net book amount	544,424	17,942	198,018	760,384
Year ended July 31, 2011				
Opening net book amount	544,424	17,942	198,018	760,384
Government grants	(21,240)	-	-	(21,240)
Additions	465,661	7,451	9,748	482,860
Disposals	-	-	-	-
Depreciation charge	(98,340)	(6,319)	(54,215)	(158,873)
Closing net book amount	890,505	19,074	153,551	1,063,131
Quarter ending October 31, 2011				
Opening net book amount	890,505	19,074	153,551	1,063,131
Government grants	-	-	-	-
Additions	16,553	-	-	16,553
Disposals	-	-	-	-
Depreciation charge	(26,432)	(1,665)	(12,922)	(41,019)
Closing net book amount	880,626	17,409	140,629	1,038,665
At October 31, 2011				
Cost	1,796,233	592,643	274,964	2,663,840
Accumulated depreciation	(915,607)	(575,234)	(134,335)	(1,625,175)
Net book amount	880,626	17,409	140,629	1,038,665

9 Employee salaries and benefits expense

	October 31, 2011	October 31, 2011
	\$	\$
Salaries and employee benefits	305,630	300,458
Stock-based compensation cost	-	26,706
Total	305,630	327,164
Number of employees	15	13



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10 Expense by nature

	October 31, 2011	October 31, 2010
	\$	\$
Salaries & Board compensation	318,130	351,063
Contracts & Collaborators	36,118	22,079
Professional fees	49,341	59,387
Shareholders relation fees	11,865	6,441
Occupancy costs	51,057	53,662
Insurance	19,632	19,660
Royalties	14,760	8,655
Sales, administration & all other expenses	106,146	85,148
Foreign exchange loss	62,095	35,686
Financial costs (gain)	(3,468)	(661)
Changes in inventory allocation, work in process and finished goods	(98,982)	14,369
Amortisation	41,019	35,594
Total	607,712	690,861

11 Other losses (gains) – net

	October 31, 2011	October 31, 2010
	\$	\$
Foreign currency forward exchange contracts:	109,835	(193,602)
Foreign exchange (gains)/losses (other than financing)	(47,740)	229,287
Total	62,095	35,685

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For the first quarter ended October 31, 2011 and 2010**12 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:

	October 31, 2011	October 31, 2010
	\$	\$
Salaries and employee benefits	142,823	155,158
Total	142,823	155,158

13 Segmented information and economic dependence*Industry*

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

Geographic information

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

	October 31, 2011	October 31, 2010
Canada	28%	1%
United States	58%	55%
Europe	13%	37%
Other	2%	7%
	100%	100%

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

	October 31, 2011	October 31, 2010
Customer 1	54%	27%
Customer 2	18%	20%
Customer 3	10%	-%



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14 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 transferred shares were converted into common shares.

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

Third preferred shares, issuable in series.

Issued

	October 31, 2011	Book value July 31, 2011
	\$	\$
24,703,244 Common shares	52,660,078	52,660,078

Stock options

The total authorised number of ordinary share is 2 million shares with a par value of 1 per share.

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 quarter ended October 31:

Risk-free interest rate	3.46%
Expected dividend yield	nil
Expected life of the options	10 years
Expected volatility	146%

No options were granted during the quarter ended October 31, 2011. For the year ended July 31, 2011, there was an increase in general and administrative expenses of \$40,993 and a corresponding increase in contributed surplus for stock-based compensation amortization.

Stock options are granted to directors, full-time employees, and consultants. The terms and conditions of the grants thereunder being contingent upon the market value of the company's stock, the discretion of the Board of Directors and regulatory requirements. The number of common shares reserved for issuance under this stock option plan is 2,000,000. The maximum term permissible under the plan is 10 years. The terms and the vesting privileges are determined at the date of grant. The vesting privileges for the options granted during the quarter ended October 31, 2011 and year ended July 31, 2011 range from immediate to a one-year vesting term.

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The following tables summarize the IBEX stock option plan for the quarters ended October 31, 2011 and October 31, 2010:

	October 31, 2011		October 31, 2010	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,315,500	0.31	1,478,385	0.24
Granted	-	-	-	-
Expired	-	-	(23,885)	0.63
Cancelled	-	-	-	-
Ending balance	<u>1,315,500</u>		<u>1,454,500</u>	

The following table summarizes the IBEX stock options outstanding as at October 31, 2011:

Range of Exercise prices \$	Options outstanding			Options currently exercisable		
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number outstanding	Weighted average exercise price \$	
0.06	25,000	6.12	0.06	25,000	0.06	
0.10	245,000	6.41	0.10	245,000	0.10	
0.18-0.25	876,500	7.31	0.22	876,500	0.22	
0.33-0.45	38,500	3.29	0.36	38,500	0.36	
0.50-0.70	130,500	0.90	0.59	130,500	0.59	

15 Commitments*Operating lease commitments – Company as lessee*

The company leases offices under operating leases agreements. The lease terms are five years. The leases agreements are renewable at the end of the lease period at market rate.



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The future minimum lease payments under operating leases are as follows:

Years ending July 31	\$
2012	128,000
2013	128,000
2014	98,000
2015	8,000
2016	8,000

Licensing arrangements

On July 30, 2008, the Company entered into a licensing arrangement for certain arthritis technologies which calls for a payment to the licensor in the amount of \$75,000 should net sales related to this technology exceed \$1 million. The Company has also agreed to pay a royalty of 3% on the net sales related to this technology. As at October 31, 2011, no amounts have been disbursed or accrued for the contingent payments.

16 Capital

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

There has been no change to the capital risk management strategy during the quarter ended October 31, 2011. Management is satisfied that it has adequate cash resources to maintain its ongoing operations.