



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Second Quarter ended January 31, 2021 and 2020

Condensed Interim Consolidated Financial Statements

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

Management's Statement of Responsibility for Financial Information

The condensed interim consolidated financial statements are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where necessary, management has made judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management is also responsible for all other information in these condensed interim consolidated financial statements and for ensuring that this information is consistent, where appropriate, with the information and data included in the condensed interim consolidated financial statements.

The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The condensed interim consolidated financial statements have not been audited by the Company's independent auditor, PricewaterhouseCoopers LLP.

The Board of Directors is responsible for overseeing management in the performance of its responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee which comprises three independent directors. The Audit Committee meets from time to time with management and the Company's independent auditor to review the financial statements and matters relating to the audit. The Company's independent auditor has full and free access to the Audit Committee. These condensed interim consolidated financial statements have been reviewed by the Audit Committee, who recommended their approval by the Board of Directors.



Paul Baehr
President and Chief Executive Officer

Montréal, Canada
March 17, 2021



Belinda Franco, CPA, CA
Director of Finance

Montréal, Canada
March 17, 2021



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Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	January 31, 2021 \$	July 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		3,851,406	3,705,517
Trade and other receivables	4	958,517	877,062
Inventories	5	245,047	232,718
Prepaid expenses		38,620	99,587
Total current assets		5,093,590	4,914,884
Non-current assets			
Property, plant, equipment and intangible assets	6	981,305	1,037,806
Right-of-use assets	7	684,020	514,585
Deferred income tax assets		2,125,940	2,125,940
Total assets		8,884,855	8,593,215
Liabilities			
Current liabilities			
Trade and other payables		639,408	943,515
Current portion of lease liabilities	7	179,031	166,329
Total current liabilities		818,439	1,109,844
Non-current liabilities			
Non-current portion of lease liabilities	7	533,752	363,691
Total liabilities		1,352,191	1,473,535
Equity			
Share capital	11	52,672,258	52,672,258
Contributed surplus		808,654	794,241
Deficit		(45,948,248)	(46,346,819)
		7,532,664	7,119,680
Total liabilities and equity		8,884,855	8,593,215

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



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Consolidated Statements of Changes in Equity

In Canadian dollars

	Notes	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
As at July 31, 2020		52,672,258	794,241	(46,346,819)	-	7,119,680
Net earnings		-	-	398,571	-	398,571
Share-based compensation		-	14,413	-	-	14,413
Cumulative translation adjustments		-	-	-	-	-
As at January 31, 2021		52,672,258	808,654	(45,948,248)	-	7,532,664
As at July 31, 2019		52,672,258	713,011	(47,312,508)	501,011	6,573,772
Net earnings		-	-	35,460	-	35,460
Share-based compensation		-	46,698	-	-	46,698
Cumulative translation adjustments		-	-	-	(1,554)	(1,554)
As at January 31, 2020		52,672,258	759,709	(47,277,048)	499,457	6,654,376

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

In Canadian dollars

	Notes	For the three-month period ended January 31		For the six-month period ended January 31	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenues		1,312,915	1,004,861	2,477,573	2,083,601
Cost of sales	8	610,376	544,204	1,142,976	1,009,297
Research and development expenses	8	15,147	24,537	22,365	87,805
Selling, general and administrative expenses	8	474,683	467,316	987,120	938,415
Operating earnings (loss)		212,709	(31,196)	325,112	48,084
Foreign exchange (gain) loss	8	113,463	(16,363)	118,390	(13,297)
Finance expenses - net	8	10,394	14,170	19,978	25,921
Other income	8	(159,706)	-	(207,874)	-
Earnings (loss) before income taxes		248,558	(29,003)	394,618	35,460
Provision for income taxes		53	-	(3,953)	-
Net earnings (loss)		248,505	(29,003)	398,571	35,460
Other comprehensive (loss) gain					
Foreign currency translation adjustments – (loss) gain			(1,246)		(1,554)
Comprehensive income (loss)		248,505	(30,249)	398,571	33,906
Basic and diluted net earnings (loss) per share		0.01	0.00	0.02	0.00

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Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the six-month period ended January 31, 2021	For the six-month period ended January 31, 2020
		\$	\$
Cash flows (used) generated from operating activities			
Net earnings (loss)		398,571	35,460
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	92,606	118,033
Depreciation right-of-use assets	7	97,028	84,425
Share-based compensation		14,413	46,698
Accretion expenses on lease liabilities	7	13,933	12,641
		616,551	297,257
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		(81,455)	571,206
(Increase) decrease in inventories		(12,329)	(93,507)
Increase (decrease) in prepaid expenses		60,967	24,524
(Decrease) increase in trade and other payables		(304,107)	(232,649)
Net changes in non-cash working capital balances		(336,924)	269,574
Net cash (used in) generated from operating activities		279,627	566,831
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(36,105)	(26,329)
Net cash used in investing activities		(36,105)	(26,329)
Cash flows used in financing activities			
Repayment of long-term debt		-	(27,345)
Principal payments of leases liabilities	7	(97,633)	(89,235)
Net cash used in financing activities		(97,633)	(116,580)
Net change in cash and cash equivalents		145,889	423,922
Cash and cash equivalents at beginning of year		3,705,517	2,579,859
Cash and cash equivalents at end of first quarter		3,851,406	3,003,781
Interest paid		-	21,267
Interest received		3,871	20,198

The accompanying notes are an integral part of these Condensed Interim 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 unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2021 and were signed on its behalf.

The Company is a public company listed on the TSX Venture Exchange and is incorporated and domiciled in Canada. The address of its registered office is 5485 Paré Street, Suite 100, Montréal, Québec.

2 Summary of significant accounting policies

Basis of presentation

These unaudited condensed interim consolidated financial statements (“interim financial statements”) were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and in compliance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Accordingly, certain information and notes disclosures normally included in the audited annual consolidated financial statements have been omitted or condensed. These interim financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended July 31, 2020.

The interim financial statements include all adjustments considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Accounting policies

These interim financial statements have been prepared using the same accounting policies as those presented in the Company’s audited annual consolidated financial statements for the year ended July 31, 2020.

On August 1, 2019, the Company adopted IFRS 16 “Leases” using the modified retrospective approach measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

The cumulative effect of initially applying IFRS 16 was recognized as \$678,171 right-of-use assets with corresponding lease liabilities.

New accounting standards, amendments and interpretations issued and effective for the Company beginning on or after August 1, 2020 are as follows:

IAS 1, Presentation of Financial Statements (“IAS 1”), and IAS 8, Accounting Policies, Changes in accounting Estimates and Errors (“IAS 8”)

Definition of Material (Amendments to IAS 1, Presentation of Financial Statements, and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected



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to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

IAS 1 and IAS 8 are applicable for annual periods beginning on or after January 1, 2020. The Company does not expect any impact in its financial statements upon the amendments of IAS 1 and IAS 8.

3 Financial instruments

Currency risk

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

The Company’s objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by buying, from time to time, forward foreign exchange contracts to hedge a portion of the exposure of its foreign currency cash flows. Foreign exchange contracts will usually have a maturity of less than two years. As at January 31, 2021 and 2020, the Company has no forward foreign exchange contracts outstanding.

The Company is exposed to foreign currency risk primarily as a result of revenues and expenses denominated in US dollars. Financial instruments denominated in foreign currencies as at January 31, 2021 and July 31, 2020 were as follows:

	January 31, 2021		July 31, 2020	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	2,299,123	1,799,000	2,344,679	1,749,238
Trade and other receivables	629,409	492,496	672,034	501,368
Trade and other payables	43,369	33,935	23,449	17,494

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 \$144,258 recorded in net earnings for the six-month period ended January 31, 2021 (July 31, 2020 gain of \$149,663).

Interest rate risk

The Company’s interest rate risk was related to the long-term debt. The Company does no longer have an interest rate risk since the long term debt was repaid in June 2020.

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.



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The aging of trade receivables as at January 31, 2021 was as follows:

Trade receivables	\$	%
Current	780,193	99
Past due 31–90 days	9,435	1
Over 90 days	-	-
	789,628	100

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

	January 31, 2021	July 31, 2020
	%	%
Customer 1	57	66
Customer 2	20	10
Customer 3	12	-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities when due. The Company's financial liabilities include its trade and other payables presented on the consolidated statement of financial position, which are due within the next 12 months, and long-term debt. The Company manages liquidity risk by maintaining adequate cash balances to discharge its liabilities when due.

The following table details the maturities of the financial liabilities as at January 31, 2021.

	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	639,408	639,408	639,408	-	-	-
Lease liabilities ¹	712,783	785,951	204,965	417,706	114,385	48,895
	1,352,191	1,425,359	844,373	417,706	114,385	48,895

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.



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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 January 31, 2021 and July 31, 2020, there are no financial instruments that were accounted for using fair value.

4 Trade and other receivables

	January 31, 2021	-	July 31, 2020
	\$		\$
Trade	789,628		746,589
Canada Emergency Wage Subsidy (Note 8)	159,706		125,762
Sales tax	9,047		4,711
Other receivable	136		-
	958,517		877,062

5 Inventories

	January 31, 2021		July 31, 2020
	\$		\$
Finished goods – Enzymes	190,365		201,694
Finished goods – Arthritis diagnostic kits	32,075		31,024
Work in process – Enzymes	22,607		-
	245,047		232,718



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6 Property, plant, equipment and intangible assets

	January 31, 2021 \$	January 31, 2020 \$
Opening July 31, 2020 and 2019		
Cost	3,748,943	6,618,731
Accumulated depreciation	(2,711,137)	(4,388,318)
Net book amount	1,037,806	2,230,413
Six-month period ended January 31, 2021 and 2020		
Opening net book amount	1,037,806	2,230,413
Additions	36,105	26,329
Depreciation charge	(92,606)	(118,033)
Effect of exchange rate variations	-	7,001
Closing net book amount	981,305	2,145,710
Ending January 31, 2021 and 2020		
Cost	3,785,048	6,647,772
Accumulated depreciation	(2,803,743)	(4,518,562)
Net book amount	981,305	2,145,710



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7 Right-of Use Assets and Lease Liabilities

	January 31, 2021 \$	January 31, 2020 \$
<i>Right-of-Use Assets</i>		
Opening July 31, 2020 and 2019		
Cost	682,520	-
Accumulated depreciation	(167,935)	-
Net book amount	514,585	-
Six-month period ended January 31, 2021 and 2020		
Opening net book amount	514,585	-
Additions	266,463	678,171
Depreciation charge	(97,028)	(84,425)
Closing net book amount	684,020	593,746
Ending January 31, 2021 and 2020		
Cost	948,983	678,171
Accumulated depreciation	(264,963)	(84,425)
Net book amount	684,020	593,746
<i>Lease liabilities</i>		
Opening July 31, 2020 and 2019		
Addition	266,463	678,171
Accretion expense	13,933	12,641
Payments	(97,633)	(89,235)
As at January 31, 2021 and 2020	712,783	601,577
Current portion of lease liabilities	179,031	156,216
Long-term portion of lease liabilities	533,752	445,361
Closing net book amount	712,783	601,577



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8 Expense by nature

	January 31, 2021	January 31,
	\$	2020
	\$	\$
Salaries and benefits expense	1,219,079	1,145,773
Share-based compensation expense	14,413	46,698
Board compensation	49,892	49,881
Contracts and collaborators	63,419	59,796
Professional fees	85,880	94,520
Shareholders' relation fees	11,328	7,653
Occupancy costs	56,812	100,865
Insurance	49,228	53,041
Royalties	17,720	13,845
Sales, administration and all other expenses	407,385	354,494
Foreign exchange loss (gain)	118,390	(13,297)
Accretion expense - lease	13,933	12,641
Finance expense	9,916	33,534
Finance revenue	(3,871)	(20,254)
Changes in inventory allocation, work in process and finished goods	(12,329)	(93,507)
Depreciation of property, plant, equipment and intangible assets	92,606	118,033
Depreciation right-of-use assets	97,028	84,425
Other income 1	(207,874)	-
	2,082,955	2,048,141

1- The Company has met all requirements under the Canada Emergency Wage Subsidy (CEWS) and has received or accrued in FY2021 the following: subsidies of \$48,168 relating to Q1 FY2021 and \$159,706 relating to Q2 FY2021.

9 Key management compensation

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

	January 31, 2021	January 31,
	\$	2020
	\$	\$
Salaries, share-based compensation and employee benefits	760,130	521,306

As of January 31, 2021 and included in the above, an amount of \$154,232 was paid to key management in respect of the Company's profit sharing plan for the year ending July 31, 2020 (January 31, 2020 – None).



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10 Segment information and economic dependence

Reliance on key customers

The Company is highly reliant on sales from a small number of customers. During the six-month period ended January 31, 2021, 73% of its sales derived from its top three customers (July 31, 2020 – 71%)

	January 31, 2021	July 31, 2020
	%	%
Customer A	52	56
Customer B	14	8
Customer C	7	7

Industry

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

Geographic information

The Company currently only has production facilities in Canada.

The Company's sales by geographic region for the six-month period ended January 31, 2021 and the year ended July 31, 2020 were as follows:

	January 31, 2021	July 31, 2020
	%	%
Canada	21	18
United States	57	65
United Kingdom	9	6
Other	13	11
	100	100

11 Share capital

Issued and fully paid

	January 31, 2021		July 31, 2020	
	Number of common shares	Book value \$	Number of common shares	Book value \$
Beginning balance	24,773,244	52,672,258	24,773,244	52,672,258
Stock options exercised	-	-	-	-
Ending balance	24,773,244	52,672,258	24,773,244	52,672,258



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Stock options

The following tables summarize the IBEX stock option plan for the quarter ended January 31, 2021 and the year ended July 31 2020:

	January 31, 2021		July 31, 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,475,000	0.17	1,645,000	0.20
Granted	-	-	455,000	0.14
Expired	-	-	(575,000)	0.22
Forfeited	(25,000)	0.20	(50,000)	0.20
Ending balance	1,450,000	0.17	1,475,000	0.17

The following table summarizes the IBEX stock options outstanding as at January 31, 2021:

Options outstanding and currently exercisable			
Exercise prices \$	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)
0.08	50,000	50,000	2.42
0.14	455,000	227,500	8.98
0.15	300,000	200,000	7.90
0.20	575,000	575,000	6.88
0.24	70,000	70,000	6.22
	1,450,000	1,122,500	