



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Third Quarter ended April 30, 2021 and 2020

Condensed Interim Consolidated Financial Statements

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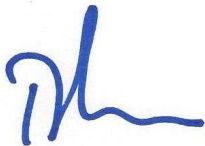
**NOTICE TO THE READER OF THE UNAUDITED CONDENSED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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.

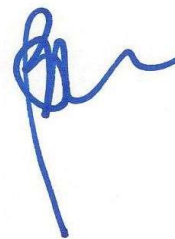
The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The condensed interim consolidated financial statements have not been audited by the Company's independent auditor, PricewaterhouseCoopers 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
June 16, 2021



Belinda Franco, CPA, CA
Director of Finance & Administration

Montréal, Canada
June 16, 2021



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Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	April 30, 2021 \$	July 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		4,210,710	3,705,517
Trade and other receivables	4	678,213	877,062
Inventories	5	300,905	232,718
Prepaid expenses		116,962	99,587
Total current assets		5,306,790	4,914,884
Non-current assets			
Property, plant, equipment and intangible assets	6	1,048,188	1,037,806
Right-of-use assets	7	634,527	514,585
Deferred income tax assets		2,125,940	2,125,940
Total assets		9,115,445	8,593,215
Liabilities			
Current liabilities			
Trade and other payables		578,095	943,515
Current portion of lease liabilities	7	167,876	166,329
Total current liabilities		745,971	1,109,844
Non-current liabilities			
Non-current portion of lease liabilities	7	498,251	363,691
Total liabilities		1,244,222	1,473,535
Equity			
Share capital	11	52,680,158	52,672,258
Contributed surplus		805,804	794,241
Deficit		(45,614,739)	(46,346,819)
		7,871,223	7,119,680
Total liabilities and equity		9,115,445	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		-	-	732,080	-	732,080
Share-based compensation		7,900	11,563	-	-	19,463
Cumulative translation adjustments		-	-	-	-	-
As at April 30, 2021		52,680,158	805,804	(45,614,739)	-	7,871,223
As at July 31, 2019		52,672,258	713,011	(47,312,508)	501,011	6,573,772
Net earnings		-	-	661,897	-	661,897
Share-based compensation		-	63,678	-	-	63,678
Cumulative translation adjustments		-	-	-	(14,867)	(14,867)
As at April 30, 2020		52,672,258	776,689	(46,650,611)	486,144	7,284,480

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

In Canadian dollars

	Notes	For the three-month period ended April 30		For the nine-month period ended April 30	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenues		1,467,665	1,679,409	3,945,238	3,763,010
Cost of sales	8	563,317	611,463	1,706,293	1,620,760
Research and development expenses	8	65,984	25,273	88,349	113,078
Selling, general and administrative expenses	8	409,103	451,880	1,396,223	1,390,295
Impairment of property, plant and equipment		-	37,000	-	37,000
Operating earnings (loss)		429,261	553,793	754,373	601,877
Foreign exchange (gain) loss	8	123,131	(86,337)	241,521	(99,634)
Finance expenses - net	8	8,961	13,693	28,939	39,614
Other income	8	(36,386)	-	(244,260)	-
Earnings (loss) before income taxes		333,555	626,437	728,173	661,897
Provision for income taxes		46	-	(3,907)	-
Net earnings (loss)		333,509	626,437	732,080	661,897
Other comprehensive (loss) gain					
Foreign currency translation adjustments – (loss) gain		-	(13,313)	-	(14,867)
Comprehensive income (loss)		333,509	613,124	732,080	647,030
Basic and diluted net earnings (loss) per share		0.01	0.02	0.03	0.02

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Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the nine-month period ended April 30, 2021	For the nine-month period ended April 30, 2020
		\$	\$
Cash flows (used) generated from operating activities			
Net earnings (loss)		732,080	661,897
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	131,497	174,895
Depreciation right-of-use assets	7	152,818	126,986
Impairment of property, plant and equipment		-	37,000
Share-based compensation		15,463	63,677
Accretion expenses on lease liabilities	7	19,566	19,614
Lease termination		-	(108)
		1,051,424	1,083,961
Changes in non-cash working capital balances			
Decrease (increase) in trade and other receivables		198,849	(141,792)
Increase in inventories		(68,187)	(92,131)
Increase in prepaid expenses		(17,375)	(86,643)
Decrease in trade and other payables		(365,420)	(221,797)
Net changes in non-cash working capital balances		(252,133)	(542,363)
Net cash (used in) generated from operating activities		799,291	541,598
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(141,879)	(101,930)
Net cash used in investing activities		(141,879)	(101,930)
Cash flows used in financing activities			
Repayment of long-term debt		-	(42,112)
Issuance of shares upon exercise of stock options	11	4,000	-
Principal payments of leases liabilities	7	(156,219)	(134,285)
Net cash used in financing activities		(152,219)	(176,397)
Net change in cash and cash equivalents		505,193	263,271
Cash and cash equivalents at beginning of year		3,705,517	2,579,859
Cash and cash equivalents at end of third quarter		4,210,710	2,843,130
Interest paid		-	31,845
Interest received		5,426	31,725

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 June 16, 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 April 30, 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 April 30, 2021 and July 31, 2020 were as follows:

	April 30, 2021		July 31, 2020	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	2,157,495	1,756,203	2,344,679	1,749,238
Trade and other receivables	587,469	478,200	672,034	501,368
Trade and other payables	19,895	16,195	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 \$136,253 recorded in net earnings for the nine-month period ended April 30, 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 April 30, 2021 was as follows:

Trade receivables	\$	%
Current	606,549	95
Past due 31–90 days	33,245	5
Over 90 days	-	-
	639,794	100

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

	April 30, 2021	July 31, 2020
	%	%
Customer 1	35	66
Customer 2	12	-
Customer 3	11	-
Customer 4	-	10

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 April 30, 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	578,095	578,095	578,095	-	-	-
Lease liabilities ¹	666,127	732,019	193,156	384,918	114,829	39,116
	1,244,222	1,310,114	771,251	384,918	114,829	39,116

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 April 30, 2021 and July 31, 2020, there are no financial instruments that were accounted for using fair value.

4 Trade and other receivables

	April 30, 2021	July 31, 2020
	\$	\$
Trade	639,794	746,589
Canada Emergency Wage Subsidy (Note 8)	-	125,762
Sales tax	38,419	4,711
Other receivable	-	-
	678,213	877,062

5 Inventories

	April 30, 2021	July 31, 2020
	\$	\$
Finished goods – Enzymes	244,740	201,694
Finished goods – Arthritis diagnostic kits	41,041	31,024
Work in process – Enzymes	15,124	-
	300,905	232,718



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6 Property, plant, equipment and intangible assets

	April 30, 2021 \$	April 30, 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
Nine-month period ended April 30, 2021 and 2020		
Opening net book amount	1,037,806	2,230,413
Additions	141,879	101,930
Assets held for sale	-	(1,093,374)
Depreciation charge	(131,497)	(174,895)
Impairment	-	(37,000)
Effect of exchange rate variations	-	60,883
Closing net book amount	1,048,188	1,087,957
Ending April 30, 2021 and 2020		
Cost	3,890,822	3,748,943
Accumulated depreciation	(2,842,634)	(2,660,986)
Net book amount	1,048,188	1,087,957



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7 Right-of Use Assets and Lease Liabilities

	April 30, 2021 \$	April 30, 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	-
Nine-month period ended April 30, 2021 and 2020		
Opening net book amount	514,585	-
Addition	272,760	689,902
Termination	-	(7,857)
Depreciation charge	(152,818)	(124,569)
Closing net book amount	634,527	557,476
Ending April 30, 2021 and 2020		
Cost	955,280	682,045
Accumulated depreciation	(320,753)	(124,569)
Net book amount	634,527	557,476
<i>Lease liabilities</i>		
Opening July 31, 2020 and 2019		
Addition	272,760	689,902
Termination	-	(5,548)
Accretion expense	19,566	19,614
Payments	(156,219)	(134,285)
As at April 30, 2021 and 2020	666,127	569,683
Current portion of lease liabilities	167,876	163,093
Long-term portion of lease liabilities	498,251	406,590
Closing net book amount	666,127	569,683



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8 Expense by nature

	April 30, 2021 \$	April 30, 2020 \$
Salaries and benefits expense	1,785,464	1,745,640
Share-based compensation expense	15,463	63,677
Board compensation	80,873	75,752
Contracts and collaborators	131,724	64,290
Professional fees	117,034	146,928
Shareholders' relation fees	13,900	13,023
Occupancy costs	87,775	145,021
Insurance	73,681	83,712
Royalties	24,680	13,326
Sales, administration and all other expenses	644,144	563,014
Foreign exchange loss (gain)	241,521	(99,634)
Accretion expense - lease	19,566	19,614
Finance expense	14,799	48,343
Finance revenue	(5,426)	(28,343)
Changes in inventory allocation, work in process and finished goods	(68,187)	(92,131)
Depreciation of property, plant, equipment and intangible assets	131,497	174,895
Depreciation right-of-use assets	152,818	126,986
Impairment of property, plant and equipment	-	37,000
Other income ²	(244,260)	-
	<u>3,217,066</u>	<u>3,101,113</u>

2- The Company has met all requirements under the Canada Emergency Wage Subsidy (CEWS) and has received in FY2021 the following: subsidies of \$48,168 relating to Q1 FY2021, \$159,706 relating to Q2 FY2021 and \$36,386 relating to Q3 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:

	April 30, 2021 \$	April 30, 2020 \$
Salaries, share-based compensation and employee benefits	<u>978,483</u>	<u>786,490</u>

As of April 30, 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 (April 30, 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 nine-month period ended April 30, 2021, 71% of its sales derived from its top four customers (July 31, 2020 – 77%)

	April 30, 2021	July 31, 2020
	%	%
Customer A	48	56
Customer B	12	7
Customer C	7	6
Customer D	4	8

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 nine-month period ended April 30, 2021 and the year ended July 31, 2020 were as follows:

	April 30, 2021	July 31, 2020
	%	%
Canada	20	18
United States	56	65
United Kingdom	8	6
Other	16	11
	100	100

11 Share capital

Issued and fully paid

	April 30, 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	50,000	7,900	-	-
Ending balance	24,823,244	52,680,158	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 April 30, 2021 and the year ended July 31 2020:

	April 30, 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
Exercised	(50,000)	0.08	-	-
Expired	-	-	(575,000)	0.22
Forfeited	(75,000)	0.20	(50,000)	0.20
Ending balance	1,350,000	0.17	1,475,000	0.17

The following table summarizes the IBEX stock options outstanding as at April 30, 2021:

Options outstanding and currently exercisable			
Exercise prices \$	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)
0.14	455,000	455,000	8.74
0.15	300,000	200,000	7.65
0.20	525,000	525,000	6.64
0.24	70,000	70,000	5.98
	1,350,000	1,250,000	