

Condensed Interim Consolidated Financial Statements

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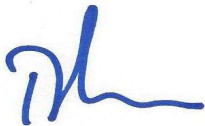
**NOTICE TO THE READER OF THE UNAUDITED CONDENSED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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.

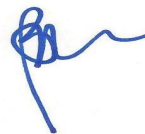
The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The condensed interim consolidated financial statements have not been audited by the Company's independent auditor, PricewaterhouseCoopers 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
December 14, 2022



Belinda Franco, CPA, CA
Vice-President Finance and Administration

Montréal, Canada
December 14, 2022



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
First Quarter ended October 31, 2022 and July 31, 2022

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	October 31, 2022 \$	July 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		8,159,406	7,641,052
Trade and other receivables	4	1,088,861	991,432
Inventories	5	243,434	227,175
Prepaid expenses		134,420	165,909
Total current assets		9,626,121	9,025,568
Non-current assets			
Property, plant, equipment and intangible assets	6	1,183,019	1,124,305
Right-of-use assets	7	1,540,846	1,547,316
Deferred income tax assets		1,250,008	1,250,008
Total assets		13,599,994	12,974,197
Liabilities			
Current liabilities			
Trade and other payables		1,555,834	1,575,381
Current portion of lease liabilities	7	228,052	175,853
Total current liabilities		1,783,886	1,751,234
Non-current liabilities			
Non-current portion of lease liabilities	7	1,404,266	1,448,845
Total liabilities		3,188,152	3,200,079
Equity			
Share capital	11	52,597,391	52,680,158
Contributed surplus		1,046,865	977,881
Deficit		(43,232,414)	(43,910,921)
		10,411,842	9,747,118
Total liabilities and equity		13,599,994	12,947,197

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 \$	Total \$
As at July 31, 2022		52,680,158	977,881	(43,910,921)	9,747,118
Net earnings		-	-	678,507	678,507
Share buyback		(82,767)	65,199		(17,568)
Share-based compensation	11	-	3,785	-	3,785
As at October 31, 2022		52,597,391	1,046,865	(43,232,414)	10,411,842
As at July 31, 2021		52,680,158	806,890	(45,585,316)	7,901,732
Net earnings		-	-	664,559	664,559
Share-based compensation	11	-	1,085	-	1,085
As at October 31, 2021		52,680,158	807,975	(44,920,757)	8,567,676

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Consolidated Statements of Earnings and Comprehensive Income

In Canadian dollars

	Notes	For the three-month Period ended October 31, 2022	For the three-month Period ended October 31, 2021
		\$	\$
Revenues		1,751,571	1,781,201
Cost of sales	8	535,024	657,428
Research and development expenses	8	162,920	57,476
Selling, general and administrative expenses	8	491,610	371,095
Operating earnings		562,017	695,202
Foreign exchange loss	8	(85,737)	21,622
Finance expenses - net	8	(30,753)	9,021
Other gains	8	-	-
Earnings before income taxes		678,507	664,559
Provision for income tax		-	-
Net earnings and comprehensive income		678,507	664,559
Basic and diluted net earnings per share		0.03	0.03

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



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Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the three-month period ended October 31, 2022	For the three-month period ended October 31, 2021
		\$	\$
Cash flows (used) generated from operating activities			
Net earnings		678,507	664,559
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	33,862	43,381
Depreciation right-of-use assets	7	65,731	52,293
Share-based compensation	11	3,785	1,085
Accretion expenses on lease liabilities	7	16,803	6,183
		798,688	767,501
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		(97,429)	91,780
(Increase) decrease in inventories		(16,258)	18,292
Decrease in prepaid expenses		31,488	26,996
(Decrease) increase in trade and other payables		(19,547)	(35,582)
Net changes in non-cash working capital balances		(101,746)	101,486
Net cash (used in) generated from operating activities		696,942	868,987
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(92,576)	(37,275)
Net cash used in investing activities		(92,576)	(37,275)
Cash flows used in financing activities			
Share repurchase to treasury stock		(17,568)	-
Principal payments of leases liabilities	7	(68,444)	(56,923)
Net cash used in financing activities		(86,012)	(56,923)
Net change in cash and cash equivalents		518,354	774,789
Cash and cash equivalents at beginning of year		7,641,052	4,433,901
Cash and cash equivalents at end of first quarter		8,159,406	5,208,690

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



IBEX Technologies Inc. / Technologies IBEX Inc.

Consolidated Financial Statements

First Quarter ended October 31, 2022 and 2021

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 December 14, 2022 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, 2022.

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, 2022.

A number of new standards or amendments to standards and interpretations will be effective for the fiscal year beginning August 1, 2022 or after. The Company does not expect that these new standards or amendments will have a significant impact on its consolidated financial statements.

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 October 31, 2022, the Company has two forward foreign exchange contracts outstanding.

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On April 25, 2022 and June 17, 2022, the Company entered into forward foreign exchange contracts under which it has undertaken to sell a total of \$1,550,000 USD to Canadian dollars at future dates, at varying rates, to April 2023.

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 October 31, 2022 and July 31, 2022 were as follows:

	October 31, 2022		July 31, 2022	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	827,025	605,924	1,240,539	967,357
Trade and other receivables	889,401	651,623	869,244	677,826
Trade and other payables	52,184	38,234	44,265	34,517

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 \$83,212 recorded in net earnings for the three-month period ended October 31, 2022 (July 31, 2022, \$107,702).

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.

The aging of trade receivables as at October 31, 2022 was as follows:

Trade receivables	\$	%
Current	953,767	99.5
Past due 31–90 days	4,832	0.5
Over 90 days	-	-
	958,599	100

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

	October 31, 2022	July 31, 2022
	%	%
Customer 1	50	64
Customer 2	21	25
Customer 3	11	-



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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 October 31, 2022.

	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	1,555,834	1,555,834	1,555,834	-	-	-
Lease liabilities ¹	1,632,318	1,926,250	292,884	497,607	510,944	624,815
	3,188,152	3,482,084	1,848,718	497,607	510,944	624,815

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.

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 October 31, 2022 and July 31, 2022, there are no financial instruments that were accounted for using fair value.



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4 Trade and other receivables

	October 31, 2022	July 31, 2022
	\$	\$
Trade	958,599	869,244
Sales tax	40,414	19,377
Interest receivable	-	11,100
Receivable from a Director	-	955
Other receivable	89,848	90,756
	1,088,861	991,432

5 Inventories

	October 31, 2022	July 31, 2022
	\$	\$
Finished goods – Enzymes	178,047	212,362
Finished goods – Arthritis diagnostic kits	20,725	-
Work in process – Enzymes	44,662	14,813
	243,434	227,175



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6 Property, plant, equipment and intangible assets

	October 31, 2022	October 31, 2021
	\$	\$
Opening July 31, 2022 and 2021		
Cost	4,164,956	4,020,115
Accumulated depreciation	(3,040,651)	(2,891,437)
Net book amount	1,124,305	1,128,678
Three-month period ended October 31, 2022 and 2021		
Opening net book amount	1,124,305	1,128,678
Additions	92,576	37,275
Depreciation charge	(33,862)	(43,381)
Closing net book amount	1,183,019	1,122,572
Ending October 31, 2022 and 2021		
Cost	4,257,532	4,057,390
Accumulated depreciation	(3,074,513)	(2,934,818)
Net book amount	1,183,019	1,122,572

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7 Right-of Use Assets and Lease Liabilities

	October 31, 2022	October 31, 2021
	\$	\$
<i>Right-of-Use Assets</i>		
Opening July 31, 2022 and 2021		
Cost	2,140,855	1,588,581
Accumulated depreciation	(593,539)	(372,820)
Net book amount	1,547,316	1,215,761
Three-month period ended October, 2022 and 2021		
Opening net book amount	1,547,316	1,215,761
Addition	59,261	59,035
Addition - Termination	(173,565)	(114,532)
Depreciation charge	(65,731)	(52,293)
Depreciation - Termination	173,565	114,532
Closing net book amount	1,540,846	1,222,503
Ending October 31, 2022 and 2021		
Cost	2,026,551	1,533,084
Accumulated depreciation	(485,705)	(310,581)
Net book amount	1,540,846	1,222,503
<i>Lease liabilities</i>		
Opening July 31, 2022 and 2021	1,624,698	1,249,260
Addition	59,261	59,035
Accretion expense	16,803	6,183
Payments	(68,444)	(56,923)
As at October 31, 2022 and 2021	1,632,318	1,257,555
Current portion of lease liabilities	228,052	203,767
Long-term portion of lease liabilities	1,404,266	1,053,788
Closing net book amount	1,632,318	1,257,555



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8 Expense by nature

	October 31, 2022 \$	October 31, 2021 \$
Salaries and benefits expense	637,518	550,911
Share-based compensation expense	3,785	1,085
Board compensation	63,165	38,969
Contracts and collaborators	27,173	46,565
Professional fees	74,601	41,089
Shareholders' relation fees	4,230	7,342
Occupancy costs	32,452	27,870
Insurance	25,854	24,949
Royalties	9,473	5,032
Sales, administration and all other expenses	227,969	228,221
Foreign exchange loss (gain)	(85,737)	21,622
Finance expense	22,918	12,583
Finance revenue	(53,671)	(3,562)
Changes in inventory allocation, work in process and finished goods	(16,259)	18,292
Depreciation of property, plant, equipment and intangible assets	33,862	43,381
Depreciation right-of-use assets	65,731	52,293
	<u>1,073,064</u>	<u>1,116,642</u>

9 Key management compensation

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

	October 31, 2022 \$	October 31, 2021 \$
Salaries, share-based compensation and employee benefits	<u>255,954</u>	<u>218,870</u>

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 three-month period ended October 31, 2022, 75% of its sales derived from its top three customers (July 31, 2022 – 71%)

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	October 31, 2022	July 31, 2022
	%	%
Customer A	53	51
Customer B	11	11
Customer C	11	9

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 three-month period ended October 31, 2022 and the year ended July 31, 2022 were as follows:

	October 31, 2022	July 31, 2022
	%	%
Canada	18	20
United States	60	57
Germany	6	7
United Kingdom	12	11
Other	4	5
	100	100

11 Share capital*Issued and fully paid*

	October 31, 2022		July 31, 2022	
	Number of common shares	Book value \$	Number of common shares	Book value \$
Beginning balance	24,823,244	52,680,158	24,823,244	52,680,158
Stock cancelled	(39,000)	(82,767)	-	-
Ending balance	24,784,244	52,597,391	24,823,244	52,680,158

NCIB

On July 29, 2022, the Company announced that the Toronto Stock Venture Exchange approved its notice of intention to launch a Normal Course Issuer Bid ("2023 NCIB"). The 2023 NCIB commenced on August 5, 2022 and will end



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on the earlier of August 4, 2023 or when the Company completes its maximum purchases under the NCIB. As of the date of the financial statements, 39,000 shares were repurchased and cancelled at a cost of \$17,568.

Stock options

Stock options are granted to directors, full-time employees and consultants. The terms and conditions of the grants thereunder are contingent on the market value of the Company's stock, the discretion of the Board of Directors and regulatory requirements. The number of common shares reserved for issuance under this stock option plan is 2,400,000. The maximum term permissible under the plan is 10 years. The terms and the vesting privileges are determined at the date of grant. The vesting privileges for the options range from immediate to a three-year vesting term.

Stock options

The following tables summarize the IBEX stock option plan for the quarter ended October 31, 2022 and the year ended July 31 2022:

	October 31, 2022		July 31, 2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,615,000	0.25	1,350,000	0.17
Granted	-	-	450,000	0.48
Expired	-	-	(185,000)	0.19
Ending balance	1,615,000	0.25	1,615,000	0.25

The following table summarizes the IBEX stock options outstanding as at October 31, 2022:

Options outstanding and currently exercisable			
Exercise prices \$	Number outstanding	Number vested and exercisable	Weighted average remaining contractual life (years)
0.14	405,000	405,000	7.24
0.15	300,000	300,000	6.15
0.20	425,000	425,000	5.14
0.24	35,000	35,000	4.47
0.48	450,000	400,000	9.15
	1,615,000	1,565,000	



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12 Restatement

The unaudited consolidated financial statements for the quarter ended October 31, 2021 reported the right of use and lease obligation under an existing lease originally maturing in April 2024. Upon further review of the facts and circumstances, it was determined that an existing lease extension from May 2024 to April 2029 entered into in September 2020 had not been taken into consideration and should have been accounted for as a lease modification at the time it was entered into with the related adjustments to the right of use and the lease obligation. Therefore, the previously recorded right of use and lease obligation were adjusted to take into account the lease extension. The effects of the adjustments to the consolidated financial statements for the quarter ended October 31, 2021 comparatives are as follows:

Adjustments to the consolidated statement of financial position:

	Previously Stated	Adjustment	Adjusted
	\$	\$	\$
Oct 31, 2021			
Right-of-use assets	589,202	633,301	1,222,503
Non-current portion of lease liabilities	420,487	633,301	1,053,788

All the earnings and comprehensive income adjustments relating to the quarter-ended financial statements are immaterial.