IBEX Technologies Inc. / Technologies IBEX Inc.

Unaudited Condensed Interim Consolidated Financial Statements
Second Quarter ended January 31, 2023 and 2022

Condensed Interim Consolidated Financial Statements

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 15, 2023

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

Montréal, Canada
March 15, 2023

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	**January 31, 2023 $**	July 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		**7,489,644**	7,641,052
Trade and other receivables	4	**1,041,639**	991,432
Inventories	5	**214,443**	227,175
Prepaid expenses		**88,672**	165,909
Total current assets		**8,834,398**	9,025,568
Non-current assets			
Property, plant, equipment and intangible assets	6	**1,636,538**	1,124,305
Right-of-use assets	7	**1,475,075**	1,547,316
Deferred income tax assets		**1,250,008**	1,250,008
Total assets		**13,196,019**	12,974,197
Liabilities			
Current liabilities			
Trade and other payables		**1,105,922**	1,575,381
Current portion of lease liabilities	7	**216,401**	175,853
Total current liabilities		**1,322,323**	1,751,234
Non-current liabilities			
Non-current portion of lease liabilities	7	**1,359,161**	1,448,845
Total liabilities		**2,681,484**	3,200,079
Equity			
Share capital	11	**52,597,391**	52,680,158
Contributed surplus		**1,049,525**	977,881
Deficit		**(43,132,381)**	(43,910,921)
		10,514,535	9,747,118
Total liabilities and equity		**13,196,019**	12,947,197

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

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		**-**	**-**	**778,540**	**778,540**
Share repurchase		**(82,767)**	**65,199**		**(17,568)**
Share-based compensation	11	**-**	**6,445**	**-**	**6,445**
As at January 31, 2023		**52,597,391**	**1,049,525**	**(43,132,381)**	**10,514,535**
As at July 31, 2021		52,680,158	806,890	(45,585,316)	7,901732
Net earnings		-	-	1,070,029	1,070,029
Share-based compensation		-	163,504	-	163,504
As at January 31, 2022		52,680,158	970,394	(44,515,287)	9,135,265

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

Consolidated Statements of Earnings and Comprehensive Income

In Canadian dollars

		For the three-month period ended January 31		For the six-month period ended January 31	
	Notes	**2023 $**	2022 $	**2023 $**	2022 $
Revenues		**1,722,070**	1,832,038	**3,473,641**	3,613,239
Cost of sales	8	**560,943**	573,204	**1,095,967**	1,230,632
Research and development expenses	8	**223,256**	66,059	**386,176**	123,535
Selling, general and administrative expenses	8	**812,443**	840,121	**1,304,053**	1,211,215
Operating earnings		**125,428**	352,654	**687,445**	1,047,857
Foreign exchange (gain) loss	8	**95,242**	(59,966)	**9,505**	(38,344)
Finance expenses - net	8	**(75,300)**	7,151	**(106,053)**	16,172
Other expenses	8	**5,453**	-	**5,453**	-
Earnings before income taxes		**100,033**	405,469	**778,540**	1,070,029
Provision for income taxes		**-**	-	**-**	-
Net earnings and comprehensive income		**100,033**	405,469	**778,540**	1,070,029
Basic and diluted net earnings per share		**0.00**	0.02	**0.03**	0.04

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

Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	**For the six-month period ended January 31, 2023 $**	For the six-month period ended January 31, 2022 $
Cash flows (used) generated from operating activities			
Net earnings		**778,540**	1,070,029
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	**70,687**	79,313
Depreciation right-of-use assets	7	**131,502**	105,039
Share-based compensation		**6,445**	163,504
Accretion expenses on lease liabilities	7	**33,972**	12,245
		1,021,146	1,430,130
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		**(50,206)**	401,935
Decrease (increase) in inventories		**12,732**	(15,154)
Decrease in prepaid expenses		**77,236**	67,578
(Decrease) increase in trade and other payables		**(469,459)**	74,794
Net changes in non-cash working capital balances		**(429,697)**	529,153
Net cash (used in) generated from operating activities		**591,449**	1,959,283
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	**(582,920)**	(69,575)
Net cash used in investing activities		**(582,920)**	(69,575)
Cash flows used in financing activities			
Share repurchase		**(17,568)**	-
Principal payments of leases liabilities	7	**(142,369)**	(113,845)
Net cash used in financing activities		**(159,937)**	(113,845)
Net change in cash and cash equivalents		**(151,408)**	1,775,863
Cash and cash equivalents at beginning of year		**7,641,052**	4,433,901
Cash and cash equivalents at end of the quarter		**7,489,644**	6,209,764

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 15, 2023 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.

On June 17, 2022, the Company entered into forward foreign exchange contracts under which it has sold a total of $800,000 USD to Canadian dollars in 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 January 31, 2023 and July 31, 2022 were as follows:

	January 31, 2023		July 31, 2022	
	CA$	**US$**	CA$	US$
Cash and cash equivalents	**981,823**	**735,448**	1,240,539	967,357
Trade and other receivables	**781,541**	**585,424**	869,244	677,826
Trade and other payables	**11,333**	**8,489**	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 $87,602 recorded in net earnings for the six-month period ended January 31, 2023 (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 January 31, 2023 was as follows:

Trade receivables	**$**	**%**
Current	**739,101**	87
Past due 31–90 days	**114,410**	13
Over 90 days	**-**	-
	853,511	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, 2023 %	July 31, 2022 %
Customer 1	**56**	64
Customer 2	**16**	25
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, 2023.

	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	1,105,922	1,105,922	1,105,922	-	-	-
Lease liabilities[1]	1,575,562	1,852,325	278,787	501,214	511,965	560,359
	2,681,484	2,958,247	1,384,709	501,214	511,965	560,359

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 January 31, 2023 and July 31, 2022, there are no financial instruments that were accounted for using fair value.

4 Trade and other receivables

	January 31, 2023 $	July 31, 2022 $
Trade	**853,511**	869,244
Sales tax	**81,194**	19,377
Interest receivable	**16,814**	11,100
Receivable from a Director	**331**	955
Other receivable	**89,789**	90,756
	1,041,639	991,432

5 Inventories

	January 31, 2023 $	July 31, 2022 $
Finished goods – Enzymes	**166,328**	212,362
Finished goods – Arthritis diagnostic kits	**28,119**	-
Work in process – Enzymes	**19,996**	14,813
	214,443	227,175

6 Property, plant, equipment and intangible assets

	January 31, 2023 $	January 31, 2022 $
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
Six-month period ended January 31, 2023 and 2022		
Opening net book amount	**1,124,305**	1,128,678
Additions	**582,920**	69,575
Depreciation charge	**(70,687)**	(79,313)
Closing net book amount	**1,636,538**	1,118,940
Ending January 31, 2023 and 2022		
Cost	**4,747,876**	4,089,690
Accumulated depreciation	**(3,111,338)**	(2,970,750)
Net book amount	**1,636,538**	1,118,940

7 Right-of Use Assets and Lease Liabilities

	January 31, 2023 $	January 31, 2022 restated $
Right-of-Use Assets		
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
Six-month period ended January 31, 2023 and 2022		
Opening net book amount	**1,547,316**	1,215,761
Additions	**59,261**	59,035
Addition - Termination	**(173,565)**	(114,532)
Depreciation charge	**(131,502)**	(105,039)
Depreciation - Termination	**173,565**	114,532
Closing net book amount	**1,475,075**	1,169,757
Ending January 31, 2023 and 2022		
Cost	**2,026,551**	1,533,084
Accumulated depreciation	**(551,476)**	(363,327)
Net book amount	**1,475,075**	1,169,757
Lease liabilities		
Opening July 31, 2022 and 2021	**1,624,698**	1,249,260
Addition	**59,261**	59,035
Accretion expense	**33,972**	12,245
Payments	**(142,369)**	(113,845)
As at January 31, 2023 and 2022	**1,575,562**	1,206,695
Current portion of lease liabilities	**216,401**	192,154
Long-term portion of lease liabilities	**1,359,161**	1,014,541
Closing net book amount	**1,575,562**	1,206,695

8 Expense by nature

	January 31, 2023 $	January 31, 2022 $
Salaries and benefits expense	**1,509,186**	1,393,203
Share-based compensation expense	**6,445**	163,504
Board compensation	**157,889**	65,836
Contracts and collaborators	**65,541**	92,277
Professional fees	**170,521**	89,540
Shareholders' relation fees	**16,645**	11,513
Occupancy costs	**71,498**	66,533
Insurance	**51,708**	50,172
Royalties	**18,171**	15,998
Sales, administration and all other expenses	**503,671**	447,607
Foreign exchange loss (gain)	**9,505**	(38,343)
Accretion expense - lease	**33,972**	12,245
Finance expense	**16,196**	11,973
Finance revenue	**(156,221)**	(8,046)
Changes in inventory allocation, work in process and finished goods	**12,732**	(15,154)
Depreciation of property, plant, equipment and intangible assets	**70,687**	79,313
Depreciation right-of-use assets	**131,502**	105,039
Other expense	**5,453**	-
	2,695,101	2,543,210

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, 2023 $	January 31, 2022 $
Salaries, share-based compensation and employee benefits	**1,012,837**	771,756

As of January 31, 2023 and included in the above, an amount of $438,251 was paid to key management in respect of the Company's profit sharing plan for the year ending July 31, 2022 (January 31, 2022 – $153,769).

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, 2023, 78% of its sales derived from its top three customers (July 31, 2022 – 71%)

	January 31, 2023 %	July 31, 2022 %
Customer A	**57**	51
Customer B	**11**	11
Customer C	**10**	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 six-month period ended January 31, 2023 and the year ended July 31, 2022 were as follows:

	January 31, 2023 %	July 31, 2022 %
Canada	**16**	20
United States	**65**	57
United Kingdom	**10**	7
Germany	**6**	11
Other	**3**	5
	100	100

11 Share capital

Issued and fully paid

	January 31, 2023		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
Share repurchase	**(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 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.

The following tables summarize the IBEX stock option plan for the quarter ended January 31, 2023 and the year ended July 31 2022:

	January 31, 2023		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 January 31, 2023:

	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**	**6.98**
0.15	**300,000**	**300,000**	**5.90**
0.20	**425,000**	**425,000**	**4.88**
0.24	**35,000**	**35,000**	**4.22**
0.48	**450,000**	**425,000**	**8.90**
	1,615,000	**1,590,000**	

12 Restatement

The unaudited consolidated financial statements for the quarter ended January 31, 2022 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 year-to-date ended January 31, 2022 comparatives are as follows:

Adjustments to the consolidated statement of financial position:

	Previously Stated $	Adjustment $	**Adjusted $**
Jan 31, 2022			
Right-of-use assets	**536,456**	633,301	**1,169,757**
Non-current portion of lease liabilities	**381,240**	633,301	**1,014,541**

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