



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
Third Quarter ended April 30, 2023 and 2022

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 6, 2023



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

Montréal, Canada
June 6, 2023



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Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	April 30, 2023 \$	July 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		7,518,058	7,641,052
Trade and other receivables	4	1,826,358	991,432
Inventories	5	243,943	227,175
Prepaid expenses		174,932	165,909
Total current assets		9,763,291	9,025,568
Non-current assets			
Property, plant, equipment and intangible assets	6	1,667,459	1,124,305
Right-of-use assets	7	1,409,307	1,547,316
Deferred income tax assets		1,250,008	1,250,008
Total assets		14,090,065	12,974,197
Liabilities			
Current liabilities			
Trade and other payables		1,164,791	1,575,381
Current portion of lease liabilities	7	204,451	175,853
Total current liabilities		1,369,242	1,751,234
Non-current liabilities			
Non-current portion of lease liabilities	7	1,313,623	1,448,845
Total liabilities		2,682,865	3,200,079
Equity			
Share capital	11	52,597,391	52,680,158
Contributed surplus		1,050,759	977,881
Deficit		(42,240,950)	(43,910,921)
		11,407,200	9,747,118
Total liabilities and equity		14,090,065	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		-	-	1,669,971	1,669,971
Share repurchases		(82,767)	65,199		(17,568)
Share-based compensation	11		7,679	-	7,679
As at April 30, 2023		52,597,391	1,050,759	(42,240,950)	11,407,200
As at July 31, 2021		52,680,158	806,890	(45,585,316)	7,901,732
Net earnings		-	-	1,639,631	1,639,631
Share-based compensation			167,207	-	167,207
As at April 30, 2022		52,680,158	974,097	(43,945,685)	9,708,570

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Consolidated Statements of Earnings and Comprehensive Income

In Canadian dollars

	Notes	For the three-month period ended April 30		For the nine-month period ended April 30	
		2023 \$	2022 \$	2023 \$	2022 \$
Revenues		2,264,196	2,209,234	5,737,837	5,822,473
Cost of sales	8	597,965	648,572	1,693,932	1,879,204
Research and development expenses	8	119,457	87,310	505,633	210,845
Selling, general and administrative expenses	8	896,239	878,355	2,200,292	2,089,570
Operating earnings		650,535	594,997	1,337,980	1,642,854
Foreign exchange (gain) loss	8	32,494	(6,078)	41,999	(44,422)
Finance expenses - net	8	(68,993)	31,473	(175,046)	47,645
Other income	8	(195,617)	-	(190,164)	-
Earnings before income taxes		882,651	569,602	1,661,191	1,639,631
Provision for income taxes		(8,780)	-	(8,780)	-
Net earnings and comprehensive income		891,431	569,602	1,669,971	1,639,631
Basic and diluted net earnings per share		0.03	0.02	0.06	0.06

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Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the nine-month period ended April 30, 2023 \$	For the nine-month period ended April 30, 2022 \$
Cash flows (used) generated from operating activities			
Net earnings		1,669,971	1,639,631
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	117,889	114,844
Depreciation right-of-use assets	7	197,270	163,094
Share-based compensation		7,679	167,207
Accretion expenses on lease liabilities	7	50,510	42,496
		2,043,319	2,177,272
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		(834,926)	364,169
(Increase) decrease in inventories		(16,768)	57,494
(Increase) decrease in prepaid expenses		(9,023)	(24,850)
(Decrease) increase in trade and other payables		(410,590)	284,248
Net changes in non-cash working capital balances		(1,271,307)	681,061
Net cash (used in) generated from operating activities		772,012	2,808,333
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(661,043)	(111,743)
Net cash used in investing activities		(661,043)	(111,743)
Cash flows used in financing activities			
Share repurchases	11	(17,568)	-
Principal payments of leases liabilities	7	(216,395)	(170,865)
Net cash used in financing activities		(233,963)	(170,685)
Net change in cash and cash equivalents		(122,994)	2,525,725
Cash and cash equivalents at beginning of year		7,641,052	4,433,901
Cash and cash equivalents at end of third quarter		7,518,058	6,959,626

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 6, 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. As at April 30, 2023, the Company has forward foreign exchange contracts outstanding.



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In March and May 2023, the Company entered into forward foreign exchange contracts under which it has undertaken to sell a total of \$2,250,000 USD to Canadian dollars in October 2023, January 2024 and April 2024.

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, 2023 and July 31, 2022 were as follows:

	April 30, 2023		July 31, 2022	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	\$1,434,000	\$1,063,404	1,240,539	967,357
Trade and other receivables	\$815,011	\$604,384	869,244	677,826
Trade and other payables	\$47,721	\$35,389	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 \$110,065 recorded in net earnings for the nine-month period ended April 30, 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 April 30, 2023 was as follows:

Trade receivables	\$	%
Current	1,487,214	95
Past due 31–90 days	81,436	5
Over 90 days	-	-
	<u>1,568,650</u>	<u>100</u>

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, 2023	July 31, 2022
	%	%
Customer 1	44	64
Customer 2	37	25
Customer 3	-	-



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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 April 30, 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	\$1,164,791	\$1,164,791	\$1,164,791	-	-	-
Lease liabilities ¹	\$1,518,074	\$1,778,299	\$264,590	\$504,821	\$512,985	\$495,903
	\$2,682,865	\$2,943,090	\$1,429,381	\$504,821	\$512,985	\$495,903

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 April 30, 2023 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

	April 30, 2023 \$	July 31, 2022 \$
Trade	1,568,650	869,244
Sales tax	53,580	19,377
Interest receivable	16,657	11,100
Receivable from a Director	797	955
Other receivables ²	186,674	90,756
	<u>1,826,358</u>	<u>991,432</u>

2-Other receivables consist mainly of R&D tax credit accruals.

5 Inventories

	April 30, 2023 \$	July 31, 2022 \$
Finished goods – Enzymes	135,546	212,362
Finished goods – Arthritis diagnostic kits	52,798	-
Work in process – Enzymes	55,599	14,813
	<u>243,943</u>	<u>227,175</u>



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6 Property, plant, equipment and intangible assets

	April 30, 2023 \$	April 30, 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
Nine-month period ended April 30, 2023 and 2022		
Opening net book amount	1,124,305	1,128,678
Additions	661,043	111,743
Depreciation charge	(117,889)	(114,844)
Closing net book amount	1,667,459	1,125,577
Ending April 30, 2023 and 2022		
Cost	4,825,999	4,131,858
Accumulated depreciation	(3,158,540)	(3,006,281)
Net book amount	1,667,459	1,125,577



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7 Right-of-Use Assets and Lease Liabilities

	April 30, 2023 \$	April 30, 2022 \$
<i>Right-of-Use Assets</i>		
Cost		
As at July 31, 2022 and 2021	2,140,855	1,588,581
Addition	59,261	59,034
Termination	(173,565)	(114,532)
As at April 30, 2023 and 2022	2,026,551	1,533,083
Accumulated depreciation		
As at July 31, 2022 and 2021	(593,539)	(372,820)
Depreciation	(197,270)	(163,094)
Termination	173,565	114,533
As at April 30, 2023 and 2022	(617,244)	(421,381)
Net book amount	1,409,307	1,111,702
<i>Lease liabilities</i>		
Opening July 31, 2022 and 2021	1,624,698	1,249,260
Addition	59,261	59,034
Accretion expense	50,510	42,496
Payments	(216,395)	(170,865)
As at April 30, 2023 and 2022	1,518,074	1,179,925
Current portion of lease liabilities	204,451	161,728
Long-term portion of lease liabilities	1,313,623	1,018,197
Closing net book amount	1,518,074	1,179,925



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8 Expense by nature (year-to-date)

	April 30, 2023 \$	April 30, 2022 \$
Salaries and benefits expense	2,466,792	2,333,501
Share-based compensation expense	7,679	167,206
Board compensation	217,223	102,075
Contracts and collaborators	74,472	184,563
Professional fees	276,359	153,431
Shareholders' relation fees	39,601	14,818
Occupancy costs	117,545	100,925
Insurance	77,813	75,382
Royalties	47,584	35,437
Sales, administration and all other expenses	776,398	676,848
Foreign exchange loss (gain)	41,999	(44,422)
Accretion expense - lease	50,510	42,496
Finance expense	23,257	20,016
Finance revenue	(248,813)	(14,867)
Changes in inventory allocation, work in process and finished goods	(16,768)	57,495
Depreciation of property, plant, equipment and intangible assets	117,889	114,844
Depreciation right-of-use assets	197,270	163,094
Other income ³	(190,164)	-
	<u>4,076,646</u>	<u>4,182,842</u>

3-Other income consists mainly of R&D tax credits accrued or received relating to FY2022 and FY2023.

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, 2023 \$	April 30, 2022 \$
Salaries, share-based compensation and employee benefits	<u>824,113</u>	<u>857,441</u>

During the year, the Company also paid \$438,251 relating to the profit-sharing plan for the year ending July 31, 2022. (April 30, 2022 – \$153,769).



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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, 2023, 76% of its sales derived from its top three customers (July 31, 2022 – 71%)

	April 30, 2023	July 31, 2022
	%	%
Customer A	53	51
Customer B	17	11
Customer C	6	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 nine-month period ended April 30, 2023 and the year ended July 31, 2022 were as follows:

	April 30, 2023	July 31, 2022
	%	%
Canada	22	20
United States	60	57
United Kingdom	7	7
Germany	5	11
Other	6	5
	100	100

11 Share capital

Issued and fully paid

	April 30, 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
Stock repurchases	(39,000)	(82,767)	-	-
Ending balance	24,784,244	52,597,391	24,823,244	52,680,158



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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

The following tables summarize the IBEX stock option plan for the quarter ended April 30, 2023 and the year ended July 31 2022:

	April 30, 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 April 30, 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	6.74
0.15	300,000	300,000	5.65
0.20	425,000	425,000	4.64
0.24	35,000	35,000	3.98
0.48	450,000	425,000	8.65
	1,615,000	1,590,000	