

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 13, 2023



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

Montréal, Canada
December 13, 2023



IBEX Technologies Inc. / Technologies IBEX Inc.
Unaudited Condensed Interim Consolidated Financial Statements
First Quarter ended October 31, 2023 and July 31, 2023

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

	Notes	October 31, 2023 \$	July 31, 2023 \$
Assets			
Current assets			
Cash and cash equivalents		8,745,644	8,547,043
Trade and other receivables	4	1,946,186	1,342,874
Inventories	5	234,012	170,921
Prepaid expenses		109,992	167,016
Total current assets		11,035,834	10,227,854
Non-current assets			
Property, plant, equipment and intangible assets	6	2,185,208	1,960,060
Right-of-use assets	7	1,507,600	1,520,960
Deferred income tax assets		3,122,482	3,122,482
Total assets		17,851,124	16,831,356
Liabilities			
Current liabilities			
Trade and other payables		1,904,926	1,585,245
Current portion of lease liabilities	7	269,275	212,845
Total current liabilities		2,174,201	1,798,090
Non-current liabilities			
Non-current portion of lease liabilities	7	1,370,114	1,426,178
Total liabilities		3,544,315	3,224,268
Equity			
Share capital	11	52,300,282	52,543,063
Contributed surplus		1,213,555	1,081,332
Deficit		(39,207,028)	(40,017,307)
		14,306,809	13,607,088
Total liabilities and equity		17,851,124	16,831,356

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, 2023		52,543,063	1,081,332	(40,017,307)	13,607,088
Net earnings		-	-	810,279	810,279
Share buyback	11	(242,781)	130,961		(111,820)
Share-based compensation	11	-	1,262	-	1,262
As at October 31, 2023		52,300,282	1,213,555	(39,207,028)	14,306,809
As at July 31, 2022		52,680,158	977,881	(43,910,921)	9,747,118
Net earnings		-	-	678,507	678,507
Share buyback	11	(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

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Consolidated Statements of Earnings and Comprehensive Income

In Canadian dollars

	Notes	For the three-month Period ended October 31, 2023	For the three-month Period ended October 31, 2022
		\$	\$
Revenues		2,058,206	1,751,571
Cost of sales	8	481,931	535,024
Research and development expenses	8	129,132	162,920
Selling, general and administrative expenses	8	839,087	491,610
Operating earnings		608,056	562,017
Foreign exchange loss	8	(106,937)	(85,737)
Finance expenses - net	8	(79,800)	(30,753)
Other gains	8	(15,486)	-
Earnings before income taxes		810,279	678,507
Provision for income tax		-	-
Net earnings and comprehensive income		810,279	678,507
Basic and diluted net earnings per share		0.03	0.03

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Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	For the three-month period ended October 31, 2023	For the three-month period ended October 31, 2022
		\$	\$
Cash flows (used) generated from operating activities			
Net earnings		810,279	678,507
Adjustments for non-cash income and expenses			
Depreciation of property, plant, equipment and intangible assets	6	59,751	33,862
Depreciation right-of-use assets	7	73,562	65,731
Share-based compensation	11	1,262	3,785
Accretion expenses on lease liabilities	7	18,396	16,803
		963,250	798,688
Changes in non-cash working capital balances			
(Increase) decrease in trade and other receivables		(603,312)	(97,429)
(Increase) decrease in inventories		(63,091)	(16,258)
Decrease in prepaid expenses		57,024	31,488
Increase (decrease) in trade and other payables		319,681	(19,547)
Net changes in non-cash working capital balances		(289,698)	(101,746)
Net cash (used in) generated from operating activities		673,552	696,942
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(284,899)	(92,576)
Net cash used in investing activities		(284,899)	(92,576)
Cash flows used in financing activities			
Share repurchases	11	(111,820)	(17,568)
Principal payments of leases liabilities	7	(78,232)	(68,444)
Net cash used in financing activities		(190,052)	(86,012)
Net change in cash and cash equivalents		198,601	518,354
Cash and cash equivalents at beginning of year		8,547,043	7,641,052
Cash and cash equivalents at end of first quarter		8,745,644	8,159,406

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, 2023 and 2022

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. These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on December 13, 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, 2023.

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, 2023.

A number of new standards or amendments to standards and interpretations will be effective for the fiscal year beginning August 1, 2023 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, 2023, the Company has three forward foreign exchange contracts outstanding.



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On May 2, 2023, May 31, 2023, and October 12, 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 at future dates, at varying rates, to October 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 October 31, 2023 and July 31, 2023 were as follows:

	October 31, 2023		July 31, 2023	
	CA\$	US\$	CA\$	US\$
Cash and cash equivalents	861,930	621,390	1,782,840	1,352,994
Trade and other receivables	1,515,419	1,092,509	847,086	642,852
Trade and other payables	39,177	28,244	36,704	27,854

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 \$120,826 recorded in net earnings for the three-month period ended October 31, 2023 (July 31, 2023, \$133,332).

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, 2023 was as follows:

Trade receivables	\$	%
Current	1,243,485	82
Past due 31–90 days	271,934	18
Over 90 days	-	-
	1,515,419	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, 2023 %	July 31, 2023 %
Customer 1	62	75
Customer 2	13	11

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.

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The following table details the maturities of the financial liabilities as at October 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	1,904,926	1,904,926	1,904,926	-	-	-
Lease liabilities ¹	1,639,389	1,908,602	339,293	585,221	596,806	387,282
	3,544,315	3,813,528	2,244,219	585,221	596,806	387,282

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

4 Trade and other receivables

	October 31, 2023	July 31, 2023
	\$	\$
Trade	1,515,419	902,445
Sales tax	85,722	60,383
Interest receivable	14,762	15,498
SR&ED receivable	330,283	364,548
	1,946,186	1,342,874

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5 Inventories

	October 31, 2023 \$	July 31, 2022 \$
Finished goods – Enzymes	162,344	164,586
Finished goods – Arthritis diagnostic kits	19,862	6,335
Work in process – Enzymes	51,806	-
	<u>234,012</u>	<u>170,921</u>

6 Property, plant, equipment and intangible assets

	October 31, 2023 \$	October 31, 2022 \$
Opening July 31, 2023 and 2022		
Cost	5,172,156	4,164,956
Accumulated depreciation	(3,212,096)	(3,040,651)
Net book amount	<u>1,960,060</u>	<u>1,124,305</u>
Three-month period ended October 31, 2023 and 2022		
Opening net book amount	1,960,060	1,124,305
Additions	284,899	92,576
Depreciation charge	(59,751)	(33,862)
Closing net book amount	<u>2,185,208</u>	<u>1,183,019</u>
Ending October 31, 2023 and 2022		
Cost	5,457,055	4,257,532
Accumulated depreciation	(3,271,847)	(3,074,513)
Net book amount	<u>2,185,208</u>	<u>1,183,019</u>



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7 Right-of Use Assets and Lease Liabilities

	October 31, 2023	October 31, 2022
	\$	\$
<i>Right-of-Use Assets</i>		
Opening July 31, 2023 and 2022		
Cost	2,206,545	2,026,326
Accumulated depreciation	(685,585)	(479,010)
Net book amount	1,520,960	1,547,316
Three-month period ended October, 2023 and 2022		
Opening net book amount	1,520,960	1,547,316
Addition	60,202	59,261
Addition - Termination	(59,262)	(59,036)
Depreciation charge	(73,562)	(65,731)
Depreciation - Termination	59,262	59,036
Closing net book amount	1,507,600	1,540,846
Ending October 31, 2023 and 2022		
Cost	2,207,485	2,026,551
Accumulated depreciation	(699,885)	(485,705)
Net book amount	1,507,600	1,540,846
<i>Lease liabilities</i>		
Opening July 31, 2023 and 2022		
Addition	60,202	59,261
Accretion expense	18,396	16,803
Payments	(78,232)	(68,444)
As at October 31, 2023 and 2022	1,639,389	1,632,318
Current portion of lease liabilities	269,275	228,052
Long-term portion of lease liabilities	1,370,114	1,404,266
Closing net book amount	1,639,389	1,632,318



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8 Expense by nature

	October 31, 2023 \$	October 31, 2022 \$
Salaries and benefits expense	784,046	637,518
Share-based compensation expense	1,262	3,785
Board compensation	75,092	63,165
Contracts and collaborators	139,196	27,173
Professional fees	66,910	74,601
Shareholders' relation fees	13,385	4,230
Occupancy costs	44,001	32,452
Insurance	24,863	25,854
Royalties	-	9,473
Sales, administration and all other expenses	231,173	227,969
Foreign exchange loss (gain)	(106,937)	(85,737)
Finance expense	25,243	22,918
Finance revenue	(105,043)	(53,671)
Changes in inventory allocation, work in process and finished goods	(63,091)	(16,259)
Depreciation of property, plant, equipment and intangible assets	59,751	33,862
Depreciation right-of-use assets	73,562	65,731
Other income	(15,486)	-
	<u>1,247,927</u>	<u>1,073,064</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, 2023 \$	October 31, 2022 \$
Salaries, share-based compensation and employee benefits	<u>269,636</u>	<u>255,954</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, 2023, 75% of its sales derived from its top three customers (July 31, 2023 – 75%)

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	October 31, 2023	July 31, 2023
	%	%
Customer A	60	55
Customer B	10	13
Customer C	5	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 three-month period ended October 31, 2023 and the year ended July 31, 2023 were as follows:

	October 31, 2023	July 31, 2023
	%	%
Canada	9	19
United States	66	62
Germany	5	6
United Kingdom	10	8
Other	10	5
	100	100

11 Share capital*Issued and fully paid*

	October 31, 2023		July 31, 2023	
	Number of common shares	Book value \$	Number of common shares	Book value \$
Beginning balance	24,758,644	52,543,063	24,823,244	52,680,158
Shares repurchased	(114,400)	(242,781)	(64,600)	137,095
Ending balance	24,644,244	52,300,282	24,758,644	52,543,063



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NCIB

On July 17, 2023, the Company announced that the Toronto Stock Venture Exchange approved the renewal of the Normal Course Issuer Bid (“2024 NCIB”) that was originally launched on July 29, 2022. The 2024 NCIB commenced on August 5, 2023 and will end on the earlier of August 4, 2024 or when the Company completes its maximum purchases under the NCIB. A total of 1,500,000 shares can be repurchased under the 2024 NCIB. As of the date of the financial statements, 64,600 shares were repurchased and cancelled at a cost of \$42,584 for the original 2023 NCIB and 245,000 shares have been repurchased and cancelled for the 2024 NCIB at a cost of \$232,500, of which 130,600 shares occurred after quarter-end.

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.

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Stock options

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

	October 31, 2023		July 31, 2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	1,615,000	0.25	1,615,000	0.25
Granted	-	-	-	-
Expired	-	-	-	-
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, 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	6.24
0.15	300,000	300,000	5.15
0.20	425,000	425,000	4.14
0.24	35,000	35,000	3.47
0.48	450,000	425,000	8.15
	1,615,000	1,590,000	