Hamilton Thorne Ltd.

Consolidated Financial Statements

December 31, 2023 and 2022

Independent Auditor's Report

To the Shareholders of Hamilton Thorne Ltd.:

Opinion

We have audited the consolidated financial statements of Hamilton Thorne Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of operations and comprehensive income (loss), consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisitions

Key Audit Matter Description

As described in Note 3 to the consolidated financial statements, during 2023, the Company's wholly owned subsidiary Hamilton Thorne Nederland BV completed the acquisition of Gynetics MP NV and Gynetics S, BV which was accounted for as a business combination, which, in the aggregate, amounted to $20,506,626 in total consideration. The identifiable assets acquired and the liabilities assumed are measured at fair value as of the acquisition date. Where the net of the fair value of the assets acquired and liabilities assumed is less than the fair value of consideration transferred, the difference is accounted for as goodwill. In assessing the fair value of the acquired assets, management used various valuation techniques involving significant judgment and subjectivity.

We considered this to be a key audit matter due to the complexity of the transactions, which included the valuation of the acquired intangible assets. This resulted in a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence related to management's estimates. As such, an increased extent of audit effort was required, which included the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures over management's valuation techniques in determining fair value of the acquired assets and in determining goodwill for the acquisition. Our audit work in relation to this included, but was not restricted to, the following:

- Analyzed the signed purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations.
- Tested the mathematical accuracy of management's valuation models and supporting calculations.
- Evaluated the fair value of the consideration transferred.
- Evaluated the reasonableness of key assumptions in management's models, including testing of historical financial results which were used as a basis for future projections.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
    - Comparing to externally available industry and economic trends;
    - Evaluating budgets and forecasts for future operations; and
    - Comparing against guideline companies within the same industry.

Impairment Analysis of Goodwill and Long-Lived Assets

Key Audit Matter Description

We draw attention to Notes 3, 5, 6 and 12 to the consolidated financial statements. The Company has recorded goodwill, property and equipment, right-of-use assets and intangible assets of $70,052,967 as of December 31, 2023. The Company performs impairment testing for goodwill and long-lived assets on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. In determining the estimated recoverable amounts using a discounted cash flow model, the Company's significant assumptions include future cash flows based on expected operating results, long-term growth rates and the discount rate.

We considered this a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures over the impairment of goodwill and long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Tested management's key assumptions, including a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected operating results, long-term growth rates and the discount rate.
- Tested the mathematical accuracy of management's impairment model and supporting calculations.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of the Company's impairment model, which included:

- Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data;
- Developing a range of independent estimates and comparing those to the discount rate selected by management; and
- Performing a sensitivity analysis by developing a range of independent estimates of growth rates and weighted average cost of capital.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Saad Shaikh.

MNP LLP

Toronto, Ontario
March 27, 2024

Chartered Professional Accountants
Licensed Public Accountants

Hamilton Thorne Ltd.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(Expressed in U.S. Dollars)

		December 31, 2023		December 31, 2022
Assets				
Current				
Cash and cash equivalents	**$**	**9,734,607**	$	16,673,401
Accounts receivable (note 15)		**8,281,638**		7,036,807
Inventories (note 4)		**14,442,601**		12,273,706
Income tax receivable		**76,645**		-
Prepaid expenses		**2,138,646**		1,362,484
Total current assets		**34,674,137**		37,346,398
Property and equipment (note 5)		**4,068,280**		2,560,365
Right of use assets (note 12)		**6,105,548**		3,282,693
Deposits		**571,356**		214,643
Other receivables		**69,160**		336,292
Deferred tax asset		**3,909,453**		3,735,329
Intangible assets (notes 3 and 6)		**30,287,604**		20,297,402
Goodwill (notes 3 and 6)		**29,591,535**		18,894,136
Total assets	**$**	**109,277,073**	$	86,667,258
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**10,881,700**	$	8,723,901
Current portion of notes payable and long-term debt (note 7)		**4,802,551**		3,279,991
Current portion of lease liability (note 12)		**1,092,548**		821,304
Income tax payable		**-**		476,821
Contract liabilities		**253,783**		293,495
Total current liabilities		**17,030,582**		13,595,512
Notes payable and long-term debt (note 7)		**16,791,764**		11,129,975
Long-term lease liability (note 12)		**5,267,000**		2,637,905
Deferred tax liability		**5,305,677**		2,810,344
Other liabilities		**230,670**		271,360
Total liabilities		**44,625,693**		30,445,096
Shareholders' Equity				
Common shares (note 8)		**74,020,920**		66,556,334
Contributed surplus		**9,256,589**		9,409,968
Accumulated other comprehensive loss		**(1,319,581)**		(3,044,614)
Accumulated deficit		**(17,306,548)**		(16,699,526)
Total shareholders' equity		**64,651,380**		56,222,162
Total liabilities and shareholders' equity	**$**	**109,277,073**	$	86,667,258

Approved by the Board of Directors:

/s/ "Karen Firestone"
Karen Firestone
Chairman of the Audit Committee

/s/ "Bruno Maruzzo"
Bruno Maruzzo
Director, Member of the Audit Committee

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the years ended December 31, 2023 and 2022

(Expressed in U.S. Dollars)

		2023		*2022*
Sales	**$**	**67,225,476**	$	58,178,067
Cost of sales		**33,374,911**		29,097,937
Gross profit		**33,850,565**		29,080,130
Expenses				
Research and development		**3,863,464**		3,675,448
Sales and marketing		**14,762,695**		12,297,962
General and administrative		**14,946,409**		10,815,509
Total expenses		**33,572,568**		26,788,919
Income from operations		**277,997**		2,291,211
Other income (expense)				
Interest expense including accretion		**(1,372,855)**		(433,834)
Foreign exchange income (loss)		**(14,757)**		141,777
Income (loss) before taxes		**(1,109,615)**		1,999,154
Income tax recovery (expense) (note 11)				
Current tax (expense)		**(440,920)**		(738,249)
Deferred tax recovery (expense)		**943,513**		649,689
Total Income tax recovery (expense)		**502,593**		(88,560)
Net income (loss)		**(607,022)**		1,910,594
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net income (loss):				
Foreign currency translation gain (loss) net of tax		**1,725,033**		(4,052,842)
Other comprehensive income (loss)	**$**	**1,725,033**	$	(4,052,842)
Comprehensive income (loss)	**$**	**1,118,011**	$	(2,142,248)
Earnings per share on net income (loss):				
Basic	**$**	**(0.00)**	$	0.01
Diluted	**$**	**(0.00)**	$	0.01
Weighted average number of common shares outstanding (note 8):				
Basic		**147,422,766**		143,869,999
Diluted		**147,422,766**		147,640,067

The accompanying notes are an integral part of these consolidated financial statements

Hamilton Thorne Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2023 and 2022

(Expressed in U.S. Dollars)

	Common shares		Contributed	Accumulated Other Comprehensive	Accumulated	
	Shares	Dollars	Surplus	Income (Loss)	Deficit	Total
December 31, 2021	**142,545,860**	**$ 65,317,530**	**$ 8,241,322**	**$ 1,008,228**	**$ (18,610,120)**	**$ 55,956,960**
Share-based payments expense (note 9)	-	-	2,020,760	-	-	2,020,760
Tax effect of share-based payment expense (note 9)	-	-	8,964	-	-	8,964
Issuance of common shares - exercise of options (note 8 and 9)	1,717,135	461,065	(83,339)	-	-	377,726
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	666,957	777,739	(777,739)	-	-	-
Net income and Comprehensive loss for the year	-	-	-	(4,052,842)	1,910,594	(2,142,248)
December 31, 2022	**144,929,952**	**$ 66,556,334**	**$ 9,409,968**	**$ (3,044,614)**	**$ (16,699,526)**	**$ 56,222,162**
Share-based payments expense (note 9)	-	-	1,606,128	-	-	1,606,128
Tax effect of share-based payment expense (note 9)	-	-	(61,364)	-	-	(61,364)
Issuance of common shares - exercise of options (note 8 and 9)	1,225,082	873,394	(428,422)	-	-	444,972
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	962,614	1,269,721	(1,269,721)	-	-	-
Issuance of common shares - acquisition (note 3a and 8)	5,007,117	5,321,471	-	-	-	5,321,471
Net loss and Comprehensive income for the period	-	-	-	1,725,033	(607,022)	1,118,011
December 31, 2023	**152,124,765**	**$ 74,020,920**	**$ 9,256,589**	**$ (1,319,581)**	**$ (17,306,548)**	**$ 64,651,380**

The accompanying notes are an integral part of these consolidated financial statements

(Expressed in U.S. Dollars)

		2023		2022
Cash flows from operating activities:				
Net income (loss) for the year	**$**	**(607,022)**	$	1,910,594
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization (note 5, 6, 12 and 13)		**5,258,385**		3,746,228
Non-cash interest expense and accretion (note 12)		**289,349**		131,179
Share-based compensation expense (note 9)		**1,606,128**		2,020,760
Deferred tax (recovery) (note 11)		**(943,513)**		(649,689)
Loss (gain) on disposal of property and equipment (note 5)		**62,588**		(14,926)
Unrealized foreign currency differences		**(101,361)**		(1,453,077)
Changes in non-cash operating assets and liabilities:				
Accounts receivable		**(482,203)**		(1,653,737)
Inventories		**(798,631)**		(1,989,978)
Income tax receivable		**(76,645)**		-
Prepaid expenses		**(776,163)**		(482,375)
Long-term deposits		**(356,713)**		-
Other receivables		**267,132**		(228,853)
Accounts payable and accrued liabilities		**1,424,723**		997,402
Income tax payable		**(700,824)**		(232,317)
Contract liabilities		**(39,712)**		6,823
Other liabilities		**(40,690)**		162,883
Net cash flows provided by operating activities		**3,984,828**		2,270,917
Cash flows provided by (used in) investing activities:				
Purchase of property and equipment (note 5)		**(2,377,972)**		(1,519,813)
Disposition of property and equipment (note 5)		**16,056**		44,292
Cash paid for acquisitions, net of cash acquired (note 3)		**(13,789,103)**		(7,476,343)
Additions to intangible assets (note 6)		**(1,346,291)**		(1,323,206)
Net cash flows used in investing activities		**(17,497,310)**		(10,275,070)
Cash flows provided by (used in) financing activities:				
Proceeds from line of credit (note 7)		**2,380,000**		1,600,000
Proceeds from notes payable (note 7)		**298,191**		-
Proceeds from term note debt (note 7)		**7,753,367**		8,000,000
Payments on term note debt (note 7)		**(3,200,000)**		(1,840,498)
Payments on notes payable (note 7)		**(56,531)**		-
Payments on lease obligations (note 12)		**(1,300,009)**		(915,673)
Proceeds from exercise of stock options (note 8 and 9)		**444,972**		377,726
Net cash flows provided by (used in) financing activities		**6,319,990**		7,221,555
Net decrease in cash and cash equivalents		**(7,192,492)**		(782,598)
Cash and cash equivalents, beginning of year		**16,673,401**		17,927,391
Exchange difference on cash and cash equivalents		**253,698**		(471,392)
Cash and cash equivalents, end of year	**$**	**9,734,607**	$	16,673,401
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest - net	**$**	**1,063,257**	$	257,638
Taxes	**$**	**999,855**	$	873,119

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

The Company's principal business is the development, manufacture and sale of precision instruments, consumables, software and services for the assisted reproductive technologies ("ART"), research, and cell biology markets.

Hamilton Thorne Ltd. (the "Company" or "HTL") was created on October 28, 2009 by the reverse asset acquisition by Hamilton Thorne, Inc. ("HTI") of Calotto Capital Inc. ("Calotto"). HTL's shares are traded on the Toronto Stock Exchange (Venture)(TSX-V).

The Company operates from its headquarters in Beverly, Massachusetts, USA. Its registered office is located at 77 King Street West, Suite 400, Toronto-Dominion Centre Toronto, ON M5K 0A1 Canada.

The consolidated financial statements of the Company for the years ended December 31, 2023 and 2022 were authorized for issuance by the Board of Directors and the Audit Committee on March 27, 2024.

2. Basis of Preparation

(a) Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

(b) Basis of Measurement

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in US dollars, or as otherwise noted. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in US dollars. HTL's functional currency is Canadian dollars, which is then translated to US dollars for presentation purposes. The functional currency of HTL's US-based subsidiaries Hamilton Thorne, Inc. and Embryotech Laboratories Inc. is US dollars. The functional currency of Gynemed GmbH & Co. KG and HTL Holding GmbH is Euros. The functional currency of Hamilton Thorne Holdings UK Limited and Planer Limited is British Pound Sterling. The functional currency of Tek-Event Pty Ltd. is Australian dollars. The functional currency of Hamilton Thorne Holdings DK ApS and IVFTECH ApS is Danish krone. The functional currency of Hamilton Thorne Spain, S.L.U. and Microptic, S.L. is Euros. The functional currency of Hamilton Thorne Netherlands, B.V., Gynetics Medical Products, N.V. and Gynetics Services B.V. is Euros. The functional currency of Hamilton Thorne Asia Pte. Ltd. is Singapore dollars. Assets and liabilities of subsidiaries having a functional currency other than the US dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income (loss) included in shareholders' equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the statement of operations and comprehensive loss.

(d) Material Accounting Policies

The accounting policies outlined below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Hamilton Thorne, Inc., Embryotech Laboratories Inc., Gynemed GmbH & Co. KG, HTL Holding GmbH, Hamilton Thorne Holdings UK Limited, Planer Limited, Tek-Event Pty Ltd., Hamilton Thorne Holdings DK ApS, IVFTECH ApS, Hamilton Thorne Spain, S.L.U. (effective December 1, 2022), Microptic, S.L. (effective December 1, 2022), Hamilton Thorne Netherlands, B.V. (effective October 11, 2023), Gynetics Medical Products, N.V. (effective October 11, 2023), Gynetics Services (effective October 11, 2023) and Hamilton Thorne Asia Pte. Ltd. (effective October 23, 2023). All inter-company balances and transactions have been eliminated on consolidation.

Use of Estimates and Critical Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items, subject to estimates and assumptions more fully described in the annual consolidated financial statements include allowances for sales, provision for expected credit losses, reserve for inventory obsolescence, impairment of non-financial assets, share-based payment expense, and income taxes. Additional items include, but are not limited to, the estimated useful life of assets, and legal liabilities. Actual results could differ from those estimates.

(a) Sales allowances

The sales returns and allowances provision represent management's best estimate of the value of the products sold in the current financial year that may be returned in a future year. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component.

(b) Expected credit loss provision (note 15)

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The Expected Credit Loss ("ECL") model requires considerable judgement, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12 month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

(c) Reserve for inventory obsolescence (note 4)

The Company values inventory at the lower of cost or net realizable value. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Furthermore, significant changes in demand for the Company's products would impact management's estimates in establishing its inventory provision. Management estimates are estimated on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary.

(d) Impairment of goodwill (note 6)

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (deferred development costs, customer lists, trade names, and quality management systems) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statements of operations and comprehensive income (loss). The assessment of fair values requires the use of estimates and assumptions related to future operating performance and discount rates; differences in these estimates and assumptions could have a significant impact on the consolidated financial statements. During the years ended December 31, 2023 and 2022, no impairment of intangibles assets or goodwill was recorded.

(e) Impairment of non-financial assets (note 5 and 6)

Non-financial assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in earnings of continuing or discontinued operations, as appropriate. During the years ended December 31, 2023 and 2022, no impairment of non-financial assets was recorded.

(f) Share-based payments expense (note 9 and 13)

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. This estimate requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, forfeiture rate and dividend yield of the share option.

(g) Investment tax credits

Investment tax credits ("ITCs") are recognized according to IAS20, where there is reasonable assurance that the ITCs will be received, and all attached conditions will be complied with. ITCs that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. Where the ITCs relates to an asset, it reduces the carrying amount of the asset. The ITCs is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. During the year ended December 31, 2023, ITCs of $572,467 ($nil in 2022) were recorded in the consolidated statement of operations and comprehensive income (loss).

(h) Income taxes (note 11)

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes, including the probability of recovery of deferred tax assets. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Company recognizes tax assets for loss carryforwards when they are more likely than not to be realized, based on the Company's projected income in that tax jurisdiction and whether other restrictions on the realization of the tax losses are likely to occur.

(i) Incremental borrowing rates (note 12)

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right of use asset. The Company's incremental borrowing rate is determined with reference to the borrowing rate for a similar asset within a country for a similar lease term. For determination of the applicable lease term, management takes into consideration any options for lease extensions, as well as contractually agreed break clauses within each lease.

(j) Business combinations

Acquisitions have been accounted for as business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in income and comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payments at the acquisition date; and

- leases in accordance with IFRS 16, whereby the lease is recognized in accordance with the present value of remaining payments less any adjustment for a lease above or below market rates.

When the consideration transferred by the entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include demand deposits held with banks with original maturities of less than 90 days. Cash equivalents are carried at fair value and accounts may be subject to withdrawal restrictions or penalties.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventory are calculated on an average cost basis. In determining net realizable value, the Company considers factors such as current selling price, product lifecycle including cost to sell, and future sales volumes. Allowances for slow-moving or obsolete inventory are recorded when considered appropriate.

Property and equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives using the following methods and rates:

Machinery and equipment	2-5 years straight line
Leasehold improvements	Lesser of useful life or term of the lease
Furniture and fixtures	5-10 years straight line

Impairment of non-financial assets

Non-financial assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management reviews the carrying value of the assets and considers whether an impairment charge should be recorded. The review is based on the assessment of technology changes, the Company's intended use, and on the projected estimated discounted cash flows expected to be generated from the underlying assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the fair value of money and the uses specific to the asset for which the estimate of future cash flows has been adjusted.

Revenue recognition

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation.

The Company recognizes revenue, net of sales discounts and taxes, when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled, including variable consideration to the extent that it is highly probable that a significant reversal will not occur. The sales returns and allowances provision represent management's best estimate of the value of the products sold in the current financial year that may be returned in a future year. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component.

The Company also sells service contracts for service and maintenance of the underlying product beyond the warranty period. The Company defers revenue upon entering into the agreement and recognizes revenue ratably over the contract period. Unrecognized revenue at period end is shown on the statement of financial position as contract liabilities.

Intangible assets

Internally generated intangible assets, such as deferred development costs, are capitalized when the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Amortization of the internally generated intangible assets begins when the development is complete and the asset is available for use.

Intangible assets are amortized on a straight line basis over the period of their expected future benefit using the following rates:

Development costs and acquired product rights	5 years
Customer lists	10-15 years
Trade names and trade secrets	10 years
Technology	5 years

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit and loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rate enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting end, deferred tax assets are evaluated and if required, reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of use asset or the lease term using the straight-line method. The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its borrowing rate as the discount rate.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Financial assets and liabilities

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Subsequent to initial recognition, all non-derivative financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss. Derivative financial liabilities are measured at fair value through profit or loss.

Impairment of financial assets

For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

Share-based payments

The Company has long-term incentive plans which includes stock options and restricted share units ("RSUs"), as described in note 9. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value of stock options is measured using the Black-Scholes option pricing model. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Any revisions are recognized in the consolidated statements of operations and comprehensive income (loss) such that the cumulative expense reflects the revised estimate. Options issued to the offset is credited to contributed surplus. Any consideration paid upon exercise of stock options would be credited to share capital and the related contributed surplus transferred to share capital.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Grants of RSUs are recorded at fair value at the time of grant and recognized as an expense over their vesting period. The quoted market price of the underlying shares on the grant date is considered to be equivalent to fair value for the RSUs. The charge to equity for RSUs is not updated to fair value at each subsequent reporting period. Upon settlement, the amount recognized in contributed surplus for the award is reclassified to share capital.

Earnings per share

The Company presents basic and diluted earnings per share data. Basic earnings per share data is calculated by dividing the net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during each period presented. The diluted earnings per share is determined by adjusting the net income attributable to common shareholders and the weighted-average number of common shares outstanding for the effects of all dilutive potential common shares. The diluted earnings per share calculation considers the impact of stock options, warrants, and other potentially dilutive instruments, which are anti-dilutive when the Company is in a loss position.

Revised IFRS, interpretations and amendments

Amendment to Disclosure of Accounting Policy Information – IAS 1 Presentation of financial statements

In February 2021, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 Presentation of Financial Statements that aim to assist companies in providing more relevant and company-specific disclosures of accounting policies. The amendments require companies to disclose 'material' accounting policies rather than 'significant' accounting policies. The amendments clarify that accounting policy information is material if, when considered together with other information, it can be reasonably expected to influence decisions that the primary users of the financial statements make. Furthermore, accounting policy information may be material based on nature, even if the amounts are not material. The amendments are effective for annual periods beginning on January 1, 2023. Their adoption did not have a significant impact on the disclosures made in these consolidated financial statements.

New standards not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);

(Expressed in U.S. Dollars)

- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning January 1, 2025:
- Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates);

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

3. Acquisitions

a) Gynetics Medical Products, N.V. and Gynetics Services B.V.

On October 10, 2023, the Company's wholly-owned subsidiary Hamilton Thorne Netherlands, B.V. directly acquired 100% of the capital stock of Gynetics Medical Products, N.V. (“Gynetics”) and its affiliated distribution group, Gynetics Services B.V. The transaction is accounted for as a business combination. The acquired assets of the company include the trade name, customer lists, technology, and all tangible operating assets. Gynetics, based in Lommel, Belgium is a leading manufacturer of a wide range of innovative, high-quality In Vitro Fertilization ("IVF") devices in the global IVF market. The Transaction reinforces Hamilton Thorne's consumables product offerings and provides the Company with additional profitable operations in the well-established European ART market.

The consideration paid for the Gynetics business was EUR 19.3 million (approximately $20.5 million) in cash and the issuance of an aggregate of 5,007,117 common shares (the "Seller Shares") of Hamilton Thorne stock at a closing price of Cdn $1.335 per share with an aggregate value of EUR 5.0 million (approximately $5.3 million). The seller shares will be subject to a 5-year escrow pending final calculation of any closing adjustments and to satisfy any possible indemnity claims.

Transaction costs for this acquisition were $449,727 for the year ended December 31, 2023 and were included in general and administrative expenses.

The fair value of the consideration paid was:

Cash	$	14,884,593
Working capital adjustment payable		300,562
Equity - common shares issued, at fair value		5,321,471
Total fair value of consideration paid	$	20,506,626

The final allocation of the fair value consideration paid is as follows:

Cash acquired	$	1,095,489
All other net tangible assets		(1,320,018)
Intangible asset- Customer list		8,920,517
Intangible asset- Tradename		1,232,258
Intangible asset- Technology		835,082
Goodwill		9,743,298
Total	$	20,506,626

Goodwill is primarily related to future earnings, cash flow and the assembled workforce, and is not expected to be deductible for tax purposes.

The final allocation of the value of the tangible assets and liabilities acquired is as follows:

Cash and cash equivalents	$	1,095,489
Accounts receivable, trade		762,628
Inventories		1,370,264
Property and equipment		23,011
Right of use assets		136,003
Total tangible assets	$	3,387,395
Accounts payable and Accrued liabilities		(656,516)
Lease liabilities		(136,003)
Deferred tax liability		(2,819,405)
Total - net tangible assets	$	(224,529)

(Expressed in U.S. Dollars)

b) Microptic S.L. and Automatic Diagnostic Systems, S.L.U.

On November 30, 2022, the Company's wholly-owned subsidiary Hamilton Thorne Spain S.L.U. directly acquired 100% of the capital stock of Microptic S.L. (“Microptic”) and its affiliated company, Automatic Diagnostic Systems, S.L.U. (“ADS”). The transaction is accounted for as a business combination. The acquired assets of the company include the trade name, customer lists, technology, and all tangible operating assets. Microptic, based in Barcelona, Spain is a leading developer of artificial intelligence (“AI”) enabled CASA software, consumables, and image analysis systems for the ART and laboratory markets worldwide. The transaction expands Hamilton Thorne's product offerings and provides the Company with profitable operations in the well-established European ART market.

The consideration paid for the Microptic business was EUR 9.9 million (approximately $10.4 million) in cash, and takes into account certain working capital and other adjustments, including EUR 2.1 million (approximately $2.2 million) of cash transferred with the business. A total of EUR 810,000 (approximately $844,300) of the cash consideration was placed in a 2-year escrow pending final calculation of certain closing adjustments and to satisfy any possible indemnity claims.

Transaction costs for this acquisition were $150,508 for the year ended December 31, 2022 and are included in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

The fair value of the consideration paid was:

Cash	$	9,531,093
Cash consideration held in escrow		844,279
Fair value adjustment of escrow consideration		(87,586)
Working capital adjustment		(19,853)
Total fair value of consideration paid	$	10,267,933

The final allocation of the fair value consideration paid is as follows:

Cash acquired	$	2,899,029
All other net tangible assets		(843,705)
Intangible asset- Customer list		1,313,144
Intangible asset- Tradename		1,178,428
Intangible asset- Technology		933,437
Goodwill		4,787,600
Total	$	10,267,933

Goodwill is primarily related to future earnings, cash flow and the assembled workforce, and is not expected to be deductible for tax purposes.

The final allocation of the value of the tangible assets and liabilities acquired is as follows:

Cash and cash equivalents	$	2,899,029
Accounts receivable, trade		190,415
Inventories		758,057
Property and equipment		107,492
Right of use assets		27,841
Prepaid expenses		2,085
Total tangible assets	$	3,984,919
Accounts payable and Accrued liabilities		(1,045,501)
Lease liabilities		(27,841)
Deferred tax liability		(856,253)
Total - net tangible assets	$	2,055,324

(Expressed in U.S. Dollars)

4. Inventories

Inventories consist of the following:

	December 31, 2023	December 31, 2022
Raw materials	$ **6,961,425**	$ 5,722,783
Work in progress	**589,216**	331,051
Finished goods	**7,337,704**	6,677,032
Total inventory	**14,888,345**	12,730,866
Allowance for obsolete or slow-moving items	**(445,744)**	(457,160)
Total	$ **14,442,601**	$ 12,273,706

Allowances are established for inventory that is determined to be excess or obsolete. The company identified specific inventory and wrote down excess and obsolete inventory of $474,376 in 2023 and $115,690 in 2022. Included in cost of sales are inventory costs of $26,745,099 in 2023 and $24,539,294 in 2022.

5. Property and Equipment

Property and equipment and activity consisted of the following at December 31, 2023 and 2022:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance December 31, 2021	$ 3,757,101	$ 278,863	$ 202,378	$ 4,238,342
Acquisitions (note 3)	-	107,492	-	107,492
Additions	378,626	28,119	1,113,068	1,519,813
Disposals	(84,525)	-	-	(84,525)
Effect of movements in exchange rates	(141,807)	(3,230)	20,330	(124,707)
Balance December 31, 2022	$ 3,909,395	$ 411,244	$ 1,335,776	$ 5,656,415
Acquisitions	16,225	6,786	-	23,011
Additions	619,365	814,453	944,154	2,377,972
Disposals	(16,672)	(124,223)	-	(140,895)
Effect of movements in exchange rates	59,651	19,230	79,727	158,608
Balance December 31, 2023	**$ 4,587,964**	**$ 1,127,490**	**$ 2,359,657**	**$ 8,075,111**
Accumulated depreciation				
Balance December 31, 2021	$ 2,197,203	$ 243,369	$ 119,972	$ 2,560,544
Depreciation expense	579,081	41,364	24,685	645,130
Disposals	(55,159)	-	-	(55,159)
Effect of movements in exchange rates	(50,977)	(3,728)	240	(54,465)
Balance December 31, 2022	$ 2,670,148	$ 281,005	$ 144,897	$ 3,096,050
Depreciation expense	473,271	292,828	166,690	932,789
Disposals	(12,292)	(49,960)	-	(62,252)
Effect of movements in exchange rates	27,092	8,910	4,242	40,244
Balance December 31, 2023	**$ 3,158,219**	**$ 532,783**	**$ 315,829**	**$ 4,006,831**
Net book value as at:				
December 31, 2022	$ 1,239,247	$ 130,239	$ 1,190,879	$ 2,560,365
December 31, 2023	**$ 1,429,745**	**$ 594,707**	**$ 2,043,828**	**$ 4,068,280**

(Expressed in U.S. Dollars)

In 2023, the Company recorded a loss on disposal of property and equipment of $62,588 ($14,926 in 2022) included in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

6. Intangible Assets and Goodwill

Intangible assets and activity consisted of the following at December 31, 2023 and 2022:

	Development cost	*Acquired customer list*	*Acquired Trade name / secrets*	*Acquired Technology*	*Total*
Cost					
Balance December 31, 2021	$ 6,859,002	$ 15,722,859	$ 4,744,100	$ -	$ 27,325,961
Acquisitions (note 3b)	-	1,313,144	1,178,428	933,437	3,425,009
Additions	1,323,206	-	-	-	1,323,206
Disposals	(54,707)	-	-	-	(54,707)
Effect of movements in exchange rates	(127,949)	(1,099,944)	(315,522)	27,183	(1,516,232)
Balance December 31, 2022	$ 7,999,552	$ 15,936,059	$ 5,607,006	$ 960,620	$ 30,503,237
Acquisitions (note 3a)	-	8,920,517	1,232,258	835,082	10,987,857
Additions	1,346,291	-	-	-	1,346,291
Disposals	(144,195)	-	-	-	(144,195)
Effect of movements in exchange rates	96,757	788,575	212,539	62,199	1,160,070
Balance December 31, 2023	**$ 9,298,405**	**$ 25,645,151**	**$ 7,051,803**	**$ 1,857,901**	**$ 43,853,260**
Accumulated amortization					
Balance December 31, 2021	$ 2,366,685	$ 4,402,581	$ 1,262,278	$ -	$ 8,031,544
Amortization expense	674,169	1,185,853	442,839	-	2,302,861
Disposals	(54,707)	-	-	-	(54,707)
Effect of movements in exchange rates	(6,572)	(20,754)	(46,537)	-	(73,863)
Balance December 31, 2022	$ 2,979,575	$ 5,567,680	$ 1,658,580	$ -	$ 10,205,835
Amortization expense	845,592	1,546,746	604,480	247,582	3,244,400
Disposals	(144,195)	-	-	-	(144,195)
Effect of movements in exchange rates	30,147	176,240	47,585	5,644	259,616
Balance December 31, 2023	**$ 3,711,119**	**$ 7,290,666**	**$ 2,310,645**	**$ 253,226**	**$ 13,565,656**
Net book value as at:					
December 31, 2022	$ 5,019,977	$ 10,368,379	$ 3,948,426	$ 960,620	$ 20,297,402
December 31, 2023	**$ 5,587,286**	**$ 18,354,485**	**$ 4,741,158**	**$ 1,604,675**	**$ 30,287,604**

Goodwill

Activity consisted of the following for the years ended December 31, 2023 and 2022:

Balance at December 31, 2021	$ 14,773,128
Microptic acquisition (note 3b)	4,787,600
Foreign exchange adjustment	(666,592)
Total at December 31, 2022	$ 18,894,136
Gynetics acquisition (note 3a)	9,743,298
Foreign exchange adjustment	954,101
Total at December 31, 2023	**$ 29,591,535**

(Expressed in U.S. Dollars)

The Company performed goodwill impairment testing on each of its acquired cash generation units (CGU's). The recoverable amount of each CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate. The cash flows beyond the five-year period were extrapolated using selected per annum growth rate. The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically, adjusted for anticipated growth.

The following are key assumptions on which management based its determinations of the recoverable amount for goodwill based on each CGU's value in use.

Assumptions 2023	***Embryotech Laboratories Inc.***	***Gynemed GmbH & Co. KG***	***Planer Ltd.*** [1]	***IVFtech ApS***	***Microptic S.L.***
After-tax discount rate	15.5%	16.0%	18.0%	17.6%	14.0%
Terminal growth rate	3.0%	2.0%	3.0%	3.0%	3.0%

The Company performed sensitivities of key assumptions used in the impairment test and determined that, if all other assumptions were held constant, a 0.5% increase or decrease in the after-tax discount rate, and a 10% increase or decrease in the enterprise value to the revenue growth rate used in determining the terminal value would change the estimated fair value by the following:

Sensitivity analysis 2023	***Embryotech Laboratories Inc.***	***Gynemed GmbH & Co. KG***	***Planer Ltd.*** [1]	***IVFtech ApS***	***Microptic S.L.***
Change in:					
After-tax discount rate	$ 581,000	$ 2,373,000	$ 895,000	$ 378,000	$ 583,000
Enterprise value to the revenue growth rate used in determining the terminal value	$ 252,000	$ 728,000	$ 216,000	$ 125,000	$ 171,000

[1] including Tek-Event Pty Ltd.

7. Notes Payable and Long-term Debt

Notes payable and long-term debt obligations consist of the following:

	December 31, 2023	*December 31, 2022*
Notes payable under bank revolving line of credit	**$ 3,980,000**	$ 1,600,000
Notes payable under acquisition line of credit	**7,753,367**	-
Notes payable under 2019 bank term note	**400,000**	1,000,000
Notes payable under 2021 bank term note	**2,583,333**	3,583,333
Notes payable under 2022 bank term note	**6,400,000**	8,000,000
Notes payable, government backed loans and other	**477,615**	226,633
Total notes payable and long-term debt	**21,594,315**	14,409,966
Current portion of notes payable and long-term debt	**4,802,551**	3,279,991
Total long-term debt	**$ 16,791,764**	$ 11,129,975

Notes payable under bank line of credit

In September 2016 the Company negotiated and closed an $8 million secured credit facility with a Massachusetts regional bank to replace the existing line of credit and facilitate the acquisition of Embryotech. The new credit facility included a line of credit of up to $2.5 million (the "Revolver"), of which $1.5 million was drawn at closing, and a term loan of $5.5 million (the "2016 Term Loan"). The credit facility was obtained jointly by Hamilton Thorne, Inc. ("HTI") and Embryotech Laboratories Inc. ("ELI"), both wholly owned subsidiaries of HTL. The facility replaced the prior $3.5 million revolving line of credit and resulted in net new borrowings of approximately $3.5 million. In April 2017, a new term loan of $4.0 million was added to the facility, in August 2019 a $3.0 million term loan was added and in July 2021 a $5.0 million term loan was added. The facility was expanded in September 2019 to $4.5 million, and is currently extended through July 2025.

(Expressed in U.S. Dollars)

The $4.5 million revolving line of credit bears interest at the prime rate (8.5% as of December 31, 2023 and 7.5% as of December 31, 2022), matures in July 2025, and is renewable annually upon bank approval. Borrowings are subject to a standard borrowing base eligibility for receivables and inventories and are not subject to any periodic full repayment provisions. The revolving line of credit balance was $4.0 million as of December 31, 2023 and $1.6 million as of December 31, 2022. Total interest expense was $275,780 for the year ended December 31, 2023 and $41,497 for the year ended December 31, 2022.

In May 2023, the Company renewed its acquisition line of credit to US$8.0 million with its commercial bank to support growth and future acquisitions. The line of credit advances up to $8.0 million with interest at prime rate, permits advances up to 55% of target acquisition purchase price, and automatically converts to five year, fixed-rate term loans when balance exceeds $1.0 million. The new line of credit utilization was $7,753,367 as of December 31, 2023 and $nil as of December 31, 2022. Total interest expense was $126,776 for the year ended December 31, 2023, and $nil for the year ended December 31, 2022.

The 2017 Term Note originated in April 2017 when the Company expanded its secured credit facility to partially finance the acquisition of Gynemed with a new term note of $4.0 million (the “2017 Term Note”). The term note was obtained by HTL Holding GmbH, a wholly owned subsidiary of HTL, bore interest at a rate of 4.49% per annum, matured and was paid off in April 2022, and included interest expense of $nil for the year ended December 31, 2023 ($4,878 for the year ended December 31, 2022).

The 2019 Term Note originated in August 2019 when the Company utilized its secured credit facility to partially finance the acquisition of Planer with a new term note of $3.0 million (the “2019 Term Note”). The term note was obtained by Hamilton Thorne, Inc, a wholly owned subsidiary of HTL, bears interest at a rate of 4.44% per annum, matures in August 2024, and includes a standard schedule of repayments, including an interest expense of $32,622 for the year ended December 31, 2023 ($59,650 for the year ended December 31, 2022), as follows:

Less than one year	$	406,771
One year		-
Two years		-
Greater than two years		-
Total	$	406,771

The 2021 Term Note originated in July 2021 when the Company utilized its secured credit facility to partially finance the acquisition of IVTECH and K4 with a new term note of $5.0 million (the “2021 Term Note”). The term note was obtained by Hamilton Thorne Holdings DK ApS, a wholly owned subsidiary of HTL, bears interest at a rate of 3.32% per annum, matures in July 2026, and includes a standard schedule of repayments, including an interest expense of $105,172 for the year ended December 31, 2023 ($153,719 for the year ended December 31, 2022), as follows:

Less than one year	$	1,071,734
One year		1,037,850
Two years		589,858
Greater than two years		-
Total	$	2,699,442

The 2022 Term Note originated in December 2022 when the Company utilized its secured credit facility to partially finance the acquisition of Microptic and ADS with a new term note of $8.0 million (the “2022 Term Note”). The term note was obtained by Hamilton Thorne Spain S.L.U., a wholly owned subsidiary of HTL, bears interest at a rate of 6.8% per annum, matures in December 2027, and includes a standard schedule of repayments, including an interest expense of $500,934 for the year ended December 31, 2023 ($nil for the year ended December 31, 2022), as follows:

Less than one year	$	1,991,781
One year		1,880,311
Two years		1,770,000
Greater than two years		1,659,689
Total	$	7,301,781

The combined credit facility is secured by all of the assets of all subsidiaries, contains standard financial covenants, and includes other usual and customary terms and conditions. The Company was in compliance with all covenants as at December 31, 2023 and 2022.

Notes payable, shareholder and other

In August,2020, the Company’s UK subsidiary Planer Limited closed on a UK government relief loan under the Coronavirus Business Interruption Loan Scheme (“CBILS”) in the original amount of GBP 250,000 (approximately $323,000). The loan specifically supports the ongoing UK staffing and operations of Planer Limited, was interest free for the first 12 months and is 80% secured by the UK government. Terms are six years, no payments for the first six months, at interest rate of 3.8% over UK base interest rate, currently 5.25%. Total interest expense was $19,297 for the year ended December 31, 2023 and $12,323 for the year ended December 31, 2022.

In February 2023, the Company's wholly-owned subsidiary IVFtech ApS negotiated and closed a DKK 4.0 million (approximately $0.6 million) unsecured credit facility with a Danish regional bank. The line of credit bears interest at three months Cibor plus 2.9% (6.8% as of December 31, 2023) and is renewable annually upon bank approval. Borrowings are subject to a standard equity ratio. The new line of credit utilization was $298,191 as of December 31, 2023. Total interest expense was $2,676 for the year ended December 31, 2023 and $nil for the year ended December 31, 2022. The Company was in compliance with all covenants as at December 31, 2023.

(Expressed in U.S. Dollars)

8. Share Capital and Earnings Per Share

There are an unlimited number of common shares authorized. The issued and outstanding common shares are 152,124,765 as at December 31, 2023 and 144,929,952 as at December 31, 2022.

In October 2023, the Company issued 5,007,117 common shares with a fair value of $5,321,471 as a portion of the purchase price of the acquisition of Gynetics Medical Products, N.V. and Gynetics Services B.V. The share consideration was placed in escrow pending final calculation of certain closing adjustments and to satisfy any possible indemnity claims, and will be released over a five year period.

For the year ended December 31, 2023, the Company issued 1,225,082 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $444,972 (see note 9). The Company also issued 962,614 shares due to vesting of Restricted Share Units under the expanded 2019 Equity Incentive Plan (see note 9).

For the year ended December 31, 2022, the Company issued 1,717,135 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $377,726 (see note 9). The Company also issued 666,957 shares due to vesting of Restricted Share Units under the expanded 2019 Equity Incentive Plan (see note 9).

The following table shows the components used in the calculation of basic and diluted earnings per common share for each year:

	For the year ended December 31	
	2023	*2022*
Net income (loss) for the year	**$ (607,022)**	$ 1,910,594
Weighted average number of shares outstanding	**147,422,766**	143,869,999
Potential dilutive securities - assumed exercise of options	**-**	3,770,068
Weighted average number of shares outstanding - diluted	**147,422,766**	147,640,067

For the year ended December 31, 2023, 2,459,912 of potentially dilutive common shares issuable upon the exercise of RSUs and options were not included in the computation of loss per share because their effect was anti-dilutive ($nil excluded for the year ended December 31, 2022).

9. Equity Compensation Plans

Stock options

In June 2019 the Company's shareholders approved the adoption of the Hamilton Thorne Ltd. 2019 Long-Term Equity Incentive Plan (the "2019 Equity Incentive Plan") to replace the Company's 2009 Stock Option Plan. Pursuant to the terms of the 2019 Equity Incentive Plan, the board of directors of the Company may from time to time, in its discretion, and in accordance with TSX Venture Exchange requirements, issue equity awards in the form of either stock options or restricted share units to any director, officer, employee, management company employee, or consultant of the Company or any affiliate determined by the board of directors as eligible for participation in the Plan. Awards issued pursuant to the 2019 Equity Incentive Plan were originally exercisable or redeemable into a maximum of 6,000,000 common shares. In June 2022, the shareholders of the Company approved an amendment to increase the number of shares subject to the Plan by 5,000,000 shares. All stock options previously issued under the Company's 2009 Stock Option Plan will continue in full force and effect, but no further options may be issued under the 2009 Stock Option Plan. At December 31, 2023 there were 2,637,627 common shares available for future grants (3,787,712 at December 31, 2022).

The number of common shares reserved for issuance to any individual director or officer under the 2019 Equity Incentive Plan, may not exceed 5% of the issued and outstanding common shares. The vesting requirements under the new Plan are determined by the Compensation committee of the Board. In general, the existing options granted to directors, officers and other employees vest over four years.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of a participant was by reason of death or disability, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Options granted may be "incentive stock options" for US participants. The exercise price per share shall not be less than the closing sale price traded on an exchange on the last trading day preceding the date of the grant.

On August 4, 2009 the Company adopted the 2009 Stock Option Plan, including the roll-over and inclusion of the 2007 HTI Plan. Under that Plan, the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, employees, consultants and consultant companies options to purchase common shares, exercisable for a period of up to ten years from the date of grant. The Plan was approved by the shareholders of the Company in August 2009 and 3,431,830 shares were reserved of issuance under the Plan. The original plan was increased several times by shareholders votes, to 18,080,000 as of March 31, 2019. Under the new plan all stock options previously issued under the Company's 2009 Stock Option Plan will continue in full force and effect, but no further options may be issued under this Plan.

Stock option activity consisted of the following:

	Number of Options	*Weighted Average Exercise Price in Cdn $*
Outstanding at December 31, 2021	9,331,960	0.75
Granted	646,000	1.79
Exercised	(1,717,135)	0.29
Expired	-	-
Forfeited	(527,894)	1.06
Outstanding at December 31, 2022	7,732,931	0.92
Granted	**854,000**	**1.65**
Exercised	**(1,225,082)**	**0.49**
Expired	**-**	**-**
Forfeited	**(383,756)**	**0.73**
Outstanding at December 31, 2023	**6,978,093**	**1.05**
Exercisable at December 31, 2022	5,999,088	0.70
Exercisable at December 31, 2023	**5,505,124**	**0.87**

In April 2022, the Board granted a total of 446,000 options to employees of Hamilton Thorne and its subsidiaries at an exercise price of Cdn $1.92, all vesting over 48 months. Using the Black-Scholes model, the fair value weighted average of the grant was approximately $376,659 or $0.84 each. The fair value of options was determined using a weighted average volatility of 58.16%, risk-free interest rates of 1.34%, dividend yield and forfeiture dividend yield and forfeiture rate of nil, and an expected life of 6.25 years. Volatility was estimated by using the Company's stock price for the estimated life. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the US Treasury note rates with a term similar to the expected life of the options.

In September 2022, the Board granted a total of 200,000 options to the CFO at an exercise price of Cdn $1.50, all vesting over 48 months. Using the Black-Scholes model, the fair value weighted average of the grant was approximately $126,038 or $0.63 each. The fair value of options was determined using a weighted average volatility of 54.69%, risk-free interest rates of 3.12%, dividend yield and forfeiture dividend yield and forfeiture rate of nil, and an expected life of 6.25 years. Volatility was estimated by using the Company's stock price for the estimated life. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the US Treasury note rates with a term similar to the expected life of the options.

In April 2023, the Board granted a total of 854,000 options to employees of Hamilton Thorne and its subsidiaries at an exercise price of Cdn $1.65, all vesting over 48 months. Using the Black-Scholes model, the fair value weighted average of the grant was approximately $513,308 or $0.60 each. The fair value of options was determined using a weighted average volatility of 46.58%, risk-free interest rates of 2.87%, dividend yield and forfeiture dividend yield and forfeiture rate of nil, and an expected life of 6.25 years. Volatility was estimated by using the Company's stock price for the estimated life. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the US Treasury note rates with a term similar to the expected life of the options.

During the year ended December 31, 2023, no options expired and 383,756 options were forfeited. During the year ended December 31, 2022, no options expired and 527,894 options were forfeited.

During the year ended December 31, 2023, a total of 1,225,082 options were exercised by 10 employees for cash of $444,972. During the year ended December 31, 2022, a total of 1,717,135 options were exercised by 14 employees and two directors for cash of $377,726.

The Company recorded share-based compensation expense of $1,606,128 and $2,020,760 during the years ended December 31, 2023 and 2022, respectively, which is included proportionately in departmental expenses.

At December 31, 2023, the following stock options were outstanding under the Plan:

Expiration date	Exercise Price in Cdn $	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Life Remaining in Years
March, 2024	0.05	287,500	287,500	0.2
May, 2025	0.36	1,002,531	1,002,531	1.4
February, 2026	0.18	205,700	205,700	2.2
September, 2026	0.19	25,000	25,000	2.7
April, 2027	0.63	1,101,594	1,101,594	3.3
August, 2027	0.84	35,000	35,000	3.7
September, 2027	0.76	75,000	75,000	3.7
April, 2028	0.79	270,313	270,313	4.4
November, 2028	1.09	598,581	598,581	4.9
November, 2029	0.96	555,750	555,750	5.9
April, 2030	1.05	205,000	184,045	6.3
August, 2030	1.38	239,500	203,802	6.7
April, 2031	1.75	547,500	366,931	7.3
May, 2031	1.89	298,000	186,250	7.4
October, 2031	1.91	232,000	130,500	7.8
April, 2032	1.92	280,000	122,452	8.3
September, 2032	1.50	200,000	62,500	8.8
April, 2033	1.65	819,124	91,675	9.3
Total		6,978,093	5,505,124	5.2

Restricted Share Units

Restricted share unit activity consisted of the following:

	Number of Restricted Share Units	***Weighted Average Fair Value at Issuance in Cdn $***
Outstanding at December 31, 2021	1,585,265	1.57
Granted	1,185,075	1.73
Settled	(666,957)	1.41
Expired	-	-
Forfeited	(20,001)	1.24
Outstanding at December 31, 2022	2,083,382	1.71
Granted	**1,571,377**	**1.57**
Settled	**(962,614)**	**1.68**
Expired	**-**	**-**
Forfeited	**-**	**-**
Outstanding at December 31, 2023	**2,692,145**	**1.64**

In April 2022, the Board granted a total of 744,877 restricted share units (RSUs) to directors and management, including the CEO, CFO and CTO at a fair value on the date of the grant of Cdn $1.92, vesting in three equal installments over three years, with the first vesting date of April 12, 2023, and then annually in April, 2024 and April, 2025. At each vesting date, the units are settled to common shares and issued to the holder. The fair value of the RSUs at issuance was $1,133,456.

In September 2022, the Board granted a total of 28,897 restricted share units (RSUs) to the CFO at a fair value on the date of the grant of Cdn $1.50, vesting in three installments over three years, with the first vesting date of September 1, 2023, and then annually in August, 2024 and August, 2025. At each vesting date, the units are settled to common shares and issued to the holder. The fair value of the RSUs at issuance was $32,921.

In November 2022, the Board granted a total of 411,301 restricted share units (RSUs) to employees at a fair value on the date of the grant of Cdn $1.39, vesting in three installments over three years, with the first vesting date of November 30, 2023, and then annually in November, 2024 and 2025. At each vesting date, the units are settled to common shares and issued to the holder. The fair value of the RSUs at issuance was $423,236.

In April 2023, the Board granted a total of 1,106,040 restricted share units (RSUs) to directors and management, including the CEO and CFO, at a fair value on the date of the grant of Cdn $1.65, vesting in three installments over three years, with the first vesting date of April 12, 2024, and then annually in April, 2025 and April, 2026. At each vesting date, the units are settled to common shares and issued to the holder. The fair value of the RSUs at issuance was $1,358,140.

In November 2023, the Board granted a total of 465,337 restricted share units (RSUs) to management, including the CEO, at a fair value on the date of the grant of Cdn $1.37, vesting in three installments over three years, with the first vesting date of November 15, 2024, and then annually in November, 2025 and 2026. At each vesting date, the units are settled to common shares and issued to the holder. The fair value of the RSUs at issuance was $463,476.

At December 31, 2023, the following restricted share units were outstanding under the Plan:

Expiration date	Fair value at Issuance Price in Cdn $	Number of RSUs Outstanding	Number of units Exercisable	Weighted Average Life Remaining in Years
March, 2024	1.75	267,154	267,154	0.2
June, 2024	1.89	10,036	10,036	0.5
March, 2024	1.91	67,615	67,615	0.2
March, 2025	1.92	482,496	482,496	1.2
September, 2025	1.50	19,265	19,265	1.8
November, 2025	1.39	274,201	274,201	1.9
April, 2026	1.65	1,106,040	1,106,040	2.3
November, 2026	1.37	465,338	465,338	2.9
Outstanding at December 31, 2023		**2,692,145**	**2,692,145**	**1.9**

10. Segmented Information and Major Customers

The Company's operations are comprised of a single reporting segment engaged in sales to the ART, research and cell biology markets. As such, the amounts reported and disclosed in the consolidated financial statements for sales, net income, depreciation and total assets also represent those of that segment. In 2023, sales in the Americas comprised approximately 29% of total sales, with approximately 56% to the EMEA, and 15% to the Asia/Pacific region. In 2022, sales in the Americas comprised approximately 29% of total sales, with approximately 53% to the EMEA, and 18% to the Asia/Pacific region.

Enterprise sales consist of:

	For the years ended December 31,	
	2023	*2022*
Equipment sales	**$ 28,865,920**	$ 26,803,958
Services and consumables	**38,359,556**	31,374,109
Total	**$ 67,225,476**	$ 58,178,067

For the years ended December 31, 2023 and 2022, the Company had no customer exceeding 10% of revenues.

(Expressed in U.S. Dollars)

11. Income Taxes

The reconciliation of the combined US federal and state statutory income tax rate of 22% (24.9% in 2022) to the effective tax rate is as follows:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Tax amount	**Effective Rate**	Tax amount	Effective Rate
Net Income (Loss) before recovery of income taxes	**$ (1,109,615)**		$ 1,999,154	
Expected income tax (recovery) expense	**(243,632)**	**22.0%**	496,840	24.9%
Permanent differences	**347,658**	**-31.3%**	117,396	5.9%
Other taxes not reduced by tax losses	**2,963**	**-0.3%**	5,794	0.3%
Difference in foreign tax rate	**(209,833)**	**18.9%**	(270,475)	-13.5%
Changes in enacted tax rates	**40,446**	**-3.6%**	(5,525)	-0.3%
Stock-based compensation	**218,707**	**-19.7%**	478,526	23.9%
Change in unrealized trade losses	**(151,697)**	**13.7%**	(262,285)	-13.1%
Difference in tax rate for NOL	**6,668**	**-0.6%**	(730)	0.0%
True-up from prior year provision	**(342,076)**	**30.8%**	(666,547)	-33.3%
Development tax credit	**(131,109)**	**11.8%**	-	0.0%
Trade tax	**321,754**	**-29.0%**	211,328	10.6%
Unrealized foreign exchange	**-**	**0.0%**	(2,991)	-0.1%
Realized foreign exchange	**6,734**	**-0.6%**	51,135	2.6%
US Losses for inverted entity	**(536,541)**	**48.4%**	(796,091)	-39.8%
Change in tax benefits not recognized	**143,331**	**-12.9%**	409,590	20.5%
Other differences	**24,034**	**-2.2%**	322,595	16.1%
Income tax (recovery) expense	**$ (502,593)**	**45.3%**	$ 88,560	4.4%

The Company's income tax expense is allocated as follows:

	2023	*2022*
Current tax expense	**$ 440,920**	$ 738,249
Deferred tax (recovery)	**(943,513)**	(649,689)
Income tax (recovery) expense	**$ (502,593)**	$ 88,560

Deferred Tax

The Company recognized certain deferred tax temporary differences and loss carry-forward assets in fiscal 2022 and 2023. Management has made an assessment that the benefits of the temporary differences and net operating losses are more likely than not to be realized in future periods based on current and projected results from operations.

The following table summarizes the components of deferred tax:

	2023	*2022*
Deferred Tax Assets		
Federal non-operating losses	**$ 3,713,295**	$ 3,544,159
Operating losses US state	**529**	5,497
Reserve	**164,628**	166,009
Intangible assets	**102,783**	107,401
Right of use liability	**534,065**	321,998
Share-based payments expense	**834,717**	884,468
Tax credits	**12,322**	12,322
(Carry-over to next page)	5,362,339	5,041,854

(Expressed in U.S. Dollars)

		2023		*2022*
Deferred Tax Assets				
(Carry-over from previous page)	$	5,362,339	$	5,041,854
Deferred Tax Liabilities				
Development cost		**(104,019)**		(661,712)
Property and equipment		**(148,696)**		(118,141)
Intangible assets		**(455,102)**		-
Right of use assets		**(507,576)**		(297,628)
Goodwill		**(237,493)**		(229,044)
Net Deferred Tax Asset	**$**	**3,909,453**	$	3,735,329

		2023		*2022*
Deferred Tax Liabilities				
Development cost	**$**	**(208,245)**	$	(121,326)
Property and equipment		**(370,246)**		(209,594)
Inventory		**(75,290)**		-
Intangible assets		**(4,341,118)**		(2,240,182)
Goodwill		**(310,778)**		(239,242)
Net deferred Tax Liability	**$**	**(5,305,677)**	$	(2,810,344)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax assets:

		2023		*2022*
Balance at the beginning of the year	**$**	**3,735,329**	$	2,971,300
Recognized in profit/loss		**235,488**		755,065
Recognized in equity		**(61,364)**		8,964
Total	**$**	**3,909,453**	$	3,735,329

Movement in net deferred tax liabilities:

		2023		*2022*
Balance at the beginning of the year	**$**	**(2,810,344)**	$	(2,022,950)
Recognized in profit/loss		**708,025**		(105,376)
Recognized in Goodwill		**(2,819,405)**		(856,253)
Recognized in OCI		**(383,953)**		174,235
Total	**$**	**(5,305,677)**	$	(2,810,344)

(Expressed in U.S. Dollars)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following temporary differences:

	2023	*2022*
Non-Capital Losses carried forward - Canadian	**$ 8,476,914**	$ 7,321,232
Non-Capital Losses carried forward - Other	**510,736**	-
Share issuance cost - Canadian	**75,935**	157,415
Trade loss - Germany	**1,628,920**	2,508,162
Development cost	**53,137**	-
Share-based payments expense	**-**	167,238
Reserve	**-**	221,395
Intangibles	**113,484**	608,782
Other temporary differences	**308,133**	288,034
Total	**$ 11,167,259**	$ 11,272,258

Share issue and financing costs will be fully amortized in 2024.

Net Operating Losses Carryforward (20-year) - US Federal

Loss Year	**Expire in**	**Available NOL**
2004	2024	$ 2,516,028
2005	2025	2,643,584
2006	2026	1,428,523
2007	2027	2,263,932
2008	2028	1,264,716
2009	2029	1,319,193
2010	2030	1,510,065
2011	2031	1,586,383
2012	2032	1,327,855
2023	indefinite	697,215
Balance at the end of the year		$ 16,557,494

The Company’s Canadian non-capital income tax losses expire as follows:

Loss Year	**Expire in**	**Available NOL**
2013	2033	$ 35,598
2014	2034	25,355
2015	2035	39,579
2016	2036	77,149
2017	2037	240,798
2018	2038	941,606
2019	2039	1,040,128
2020	2040	1,478,487
2021	2041	1,999,421
2022	2042	2,136,964
2023	2043	461,829
Balance at the end of the year		$ 8,476,914

(Expressed in U.S. Dollars)

U.S. Income Tax Status

U.S. federal tax legislation was enacted in 2004 to address perceived U.S. tax concerns in “corporate inversion” transactions. A “corporate inversion” generally occurs when a non-U.S. corporation acquires “substantially all” of the equity interests in, or the assets of, a U.S. corporation or partnership, if, after the acquisition, former equity holders of the U.S. corporation or partnership own a specified level of stock in the non-U.S. corporation. The tax consequences of these rules depend upon the percentage identity of stock ownership that results. Generally, in the “80-percent identity” transactions, i.e. former equity holders of the U.S. corporation owns 80% or more of the equity of the non-U.S. acquiring entity (excluding certain equity interests), the tax benefits of the inversion are limited by treating the non-U.S. acquiring entity as a domestic entity for U.S. tax purposes. In the “60-80 percent identity” transactions, the benefits of the inversion are limited by barring certain corporate-level “toll charges” from being offset by certain tax attributes of the U.S. corporation (e.g. loss carryforwards), and imposing excise taxes on certain stock based compensation held by “insiders” of the U.S. corporation.

12. Leases and Other Commitments

In the ordinary course of operating, the Company may from time to time be subject to various claims or possible claims. Management believes that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company’s financial position, results of operations, or cash flows. These matters are inherently uncertain, and management’s view of these matters may change in the future.

Right of use assets and lease liabilities consisted of the following at December 31, 2023 and 2022:

Right of use asset:		***Rental and operating facilities***
Cost		
Balance December 31, 2021	$	4,336,131
Acquisition (note 3)		27,256
Additions		1,527,410
Disposal		(697,007)
Effect of movements in exchange rates		(144,142)
Balance December 31, 2022	$	5,049,648
Additions		3,833,149
Effect of movements in exchange rates		116,409
Balance December 31, 2023	**$**	**8,999,206**
Accumulated amortization		
Balance December 31, 2021	$	1,712,546
Amortization expense		798,237
Disposal		(697,007)
Effect of movements in exchange rates		(46,821)
Balance December 31, 2022	$	1,766,955
Amortization expense		1,081,196
Effect of movements in exchange rates		45,507
Balance December 31, 2023	**$**	**2,893,658**
Net book value as at:		
December 31, 2022		3,282,693
December 31, 2023	**$**	**6,105,548**

(Expressed in U.S. Dollars)

Lease liabilities:		***Rental and operating facilities***
Balance December 31, 2021	$	2,796,339
Acquisition (note 3)		27,256
Additions		1,527,410
Effect of movements in exchange rates		(107,302)
Interest		131,179
Payments		(915,673)
Total lease liabilities at December 31, 2022	$	3,459,209
Additions		3,833,149
Effect of movements in exchange rates		77,850
Interest		289,349
Payments		(1,300,009)
Total lease liabilities at December 31, 2023	**$**	**6,359,548**
Less: current portion		1,092,548
Long-term lease liabilities at December 31, 2023	**$**	**5,267,000**

The Company and its subsidiaries have entered into agreements to lease office premises and equipment until 2044. The annual rent expenses consist of minimum rent and does not include variable costs. The minimum payments under all agreements are as follows:

Less than one year	$	1,445,474
One year		1,440,992
Two years		1,386,309
Greater than two years		3,328,105
Total	**$**	**7,600,880**

13. Expenses

A schedule of the Company's expenses for cost of goods sold and all operating expenses for the years ended is as follows:

		For the years ended December 31,		
		2023		*2022*
Materials and other costs	**$**	**29,001,794**	$	25,193,840
Employee wages and benefits		**17,585,399**		15,550,111
Depreciation and amortization (note 5, 6 and 12)		**5,258,384**		3,746,228
Travel and trade shows		**2,643,529**		1,772,234
Consultancy		**2,259,134**		1,131,207
Acquisition related expense		**1,708,034**		978,059
Share-based payments expense (note 9)		**1,606,128**		2,020,760
Insurance		**1,209,394**		909,267
Regulatory expenses		**963,787**		783,935
Freight-out and transportation expenses		**689,705**		697,180
Rent expense		**514,756**		419,622
Marketing and public relations expense		**415,420**		291,661
Contract labor		**351,037**		285,959
Other		**2,740,978**		2,106,793
Total	**$**	**66,947,479**	$	55,886,856

The other expenses above include utilities, repair and maintenance cost, recruiting, non-capitalized research and development costs, supplies, and miscellaneous.

(Expressed in U.S. Dollars)

14. Capital Management

The Company's objective when managing capital is to safeguard its ability to continue to operate as a profitable enterprise in order to pursue the continued development and commercialization of its technologies and to provide financial flexibility. In the management of capital, the Company includes the components of shareholders' equity as well as its debt and totaled approximately $86,233,551 and $74,091,000 as at December 31, 2023 and 2022, respectively.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, raise new debt or enter into new capital leases.

There are no externally imposed capital requirements other than our standard bank covenants applicable to the line of credit and term loan as of December 31, 2023 and December 31, 2022.

15. Financial Instruments

Fair Value

The Company's carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contract liabilities and other liabilities approximate their fair values due to the immediate or short-term maturity of these instruments. The carrying values of the bank term notes and long-term debt approximate their fair value as the interest rates are consistent with the current market rates for debt with similar terms.

The following is a summary of the Company's categories of financial instruments outstanding as at December 31, 2023:

Cash and cash equivalents	Fair value through profit and loss
Accounts receivable	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank term notes	Amortized cost
Long-term debt	Amortized cost
Contract liabilities	Amortized cost
Other liabilities	Amortized cost

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents are classified as a Level 1 financial instrument. During the years ended December 31, 2023 and December 31, 2022 there have been no transfers of amounts between Levels. There are no items classified in Levels 2 and 3.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank line of credit has variable interest rates. Changes in the lending institutions prime lending rates can cause fluctuations in interest payments and cash flows. Interest rate risk on term notes is limited due to the fact that they are fixed rate of interest instruments.

For the year ended December 31, 2023, a change in interest rate relating to the bank line of credit of 1% would have increased interest expense by approximately $40,000 ($8,000 for the year ended December 31, 2022).

Foreign Exchange Rate Risk

Foreign exchange risk arises when financial assets or financial liabilities are denominated in a currency that is not the Company's functional currency. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises on recognized financial assets and financial liabilities, principally cash, trade receivables and accounts payable and accrued liabilities. The Company is not exposed to significant foreign exchange risk, as the Company's various subsidiaries sell goods and transact with suppliers primarily in their own respective functional currency. There are minimal sales or purchases outside these functional currencies. Thus, the Company overall is not exposed to significant foreign exchange risk.

(Expressed in U.S. Dollars)

The Company is exposed to foreign exchange risk arising on its net investment in foreign operations. In 2023, the Company recognized foreign currency exchange income in other comprehensive income of $1,725,033 (loss of $4,052,842 in 2022). A change in the company's current foreign exchange rate of 1% would have changed the Other Comprehensive Income gain or loss in 2023 and 2022 by approximately $24,000 and $68,800, respectively.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's principal financial assets that expose it to credit risk are trade and other receivables, the Company mitigates this risk by monitoring the credit worthiness of its customers. The Company recognizes a provision for expected credit losses ("ECLs") based on its assessment of probability of specific losses, estimates of future individual exposures and provisions based on historical experience.

The following is the breakdown of the aging of trade receivables:

	December 31, 2023	December 31, 2022
Trade receivables aging:		
0 to 30 days (Current)	**$ 6,106,708**	$ 4,655,848
31 to 60 days	**1,604,192**	1,542,854
61 to 90 days	**209,306**	583,593
Greater than 90 days	**647,774**	434,601
	$ 8,567,980	$ 7,216,896
Expected credit loss provision	**(286,342)**	(180,089)
Net trade receivables	**$ 8,281,638**	$ 7,036,807

The movement in the provision for expected credit losses can be reconciled as follows:

	December 31, 2023	December 31, 2022
Expected credit loss provision, beginning of period	**$ 180,089**	$ 162,634
Net change in expected credit loss provision during the period	**106,253**	17,455
Expected credit loss provision,end of period	**$ 286,342**	$ 180,089

As at December 31, 2023 and 2022, there was one customer with concentrated credit risk exceeding 10% of accounts receivable.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate.

The provision matrix below shows the expected credit loss rate for each aging category of trade receivables:

	TOTAL	***0 to 30 days Not past due***	***Over 30 days past due***	***Over 60 days past due***	***Over 90 days past due***
As of December 31, 2023					
Default Rates		1.00%	2.00%	15.00%	25.00%
Trade receivables	**$ 8,567,980**	$ 6,106,708	$ 1,604,192	$ 209,306	$ 647,774
Expected credit loss provision	**$ 286,342**	$ 60,919	$ 32,084	$ 31,396	$ 161,944
As of December 31, 2022					
Default Rates		0.00%	3.02%	5.00%	24.00%
Trade receivables	$ 7,216,896	$ 4,655,848	$ 1,542,854	$ 583,593	$ 434,601
Expected credit loss provision	$ 180,089	$ -	$ 46,605	$ 29,180	$ 104,304

(Expressed in U.S. Dollars)

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, by continuously monitoring actual and forecasted cash flows. Based on the Company's ability to generate cash flows through its ongoing operations and financing activities, management believes that cash flows are sufficient to cover its known operating and capital requirements, as well as its debt servicing costs.

The maturity dates of the Company's financial liabilities are as follows:

		Carrying amount		*Contractual cash flows*		*Maturing in the next 12 months*		*Maturing in 13 to 60 months*
As at December 31, 2023:								
Accounts payable and accrued liabilities	**$**	**10,881,700**	$	10,881,700	$	10,881,700	$	-
Lease liabilities		**6,359,548**		7,600,880		1,445,474		6,155,406
Notes payable and long-term debt		**21,594,315**		23,981,343		9,703,695		14,277,648
Total	**$**	**38,835,563**	$	42,463,923	$	22,030,869	$	20,433,054

		Carrying amount		*Contractual cash flows*		*Maturing in the next 12 months*		*Maturing in 13 to 60 months*
As at December 31, 2022:								
Accounts payable and accrued liabilities	$	8,723,901	$	8,723,901	$	8,723,901	$	-
Lease liabilities		3,459,209		3,830,116		1,020,512		2,809,604
Notes payable and long-term debt		14,409,966		16,073,354		5,438,727		10,634,627
Total	$	26,593,076	$	28,627,371	$	15,183,140	$	13,444,231

16. Related Party Transactions

The Company's related parties include key management personnel, comprised of the senior executives and directors. Compensation is as follows for the years ended December 31, 2023 and 2022:

		2023		*2022*
Remuneration	**$**	**2,355,808**	$	2,576,968
Share-based payments		**1,373,133**		1,506,075
Total	**$**	**3,728,941**	$	4,083,043

17. Subsequent Events

On January 4, 2024, the Company's UK subsidiary Planer Limited repaid the unsecured bank loan partially guaranteed by the UK government, which was originally closed in August 2020 in the amount of GBP 250,000 (approximately $155,000 as of December 31, 2023) (the "UK Loan"). The UK Loan bore interest at a rate of 3.8% over the UK base rate (5.25% per annum as at December 31, 2023), with a maturity date of six years from the date of the loan. Interest payments were waived for the first twelve months under the UK Loan.

On January 15, 2024, the Board granted a total of 306,440 stock options to purchase common shares and 766,100 restricted share units ("RSUs") to the CEO. The options are exercisable at Cdn $1.32 per share and expire ten years from the date of grant. Option grants vest over four years and RSUs over three years.

On January 31, 2024, the credit advance on the acquisition line of credit of $7,753,367 was converted into a term loan. The term note was obtained by Hamilton Thorne Netherlands, B.V., a wholly owned subsidiary of HTL, bears interest at a rate of 6.82% per annum, matures in January 2029, and includes a standard schedule of repayments as follows:

Less than one year	$	1,872,309
One year		1,939,131
Two years		1,831,906
Greater than two years		3,472,388
Total	$	9,115,734