Hamilton Thorne Ltd.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited and expressed in U.S. Dollars)

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2024 and December 31, 2023

(Unaudited and expressed in U.S. Dollars)

		March 31, 2024		*December 31, 2023*
Assets				
Current				
Cash and cash equivalents	**$**	**7,504,631**	$	9,734,607
Accounts receivable (note 15)		**9,579,492**		8,281,638
Inventories (note 4)		**13,429,909**		14,442,601
Income tax receivable		**-**		76,645
Prepaid expenses		**2,775,249**		2,138,646
Total current assets		**33,289,281**		34,674,137
Property and equipment (note 5)		**4,958,666**		4,068,280
Right of use assets (note 12)		**5,827,789**		6,105,548
Deposits		**562,899**		571,356
Deferred tax asset		**4,056,548**		3,909,453
Intangible assets (notes 3 and 6)		**29,248,208**		30,287,604
Goodwill (notes 3 and 6)		**29,014,253**		29,591,535
Other receivables		**54,601**		69,160
Total assets	**$**	**107,012,245**	$	109,277,073
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**10,618,918**	$	10,881,700
Current portion of notes payable and long-term debt (note 7)		**4,810,108**		4,802,551
Current portion of lease liability (note 12)		**1,164,528**		1,092,548
Income tax payable		**427,358**		-
Contract liabilities		**244,412**		253,783
Total current liabilities		**17,265,324**		17,030,582
Notes payable and long-term debt (note 7)		**16,197,356**		16,791,764
Long-term lease liability (note 12)		**4,943,070**		5,267,000
Deferred tax liability		**5,023,510**		5,305,677
Other liabilities		**151,540**		230,670
Total liabilities		**43,580,800**		44,625,693
Shareholders' Equity				
Common shares (note 8)		**74,857,497**		74,020,920
Contributed surplus		**9,273,418**		9,256,589
Accumulated other comprehensive loss		**(2,456,871)**		(1,319,581)
Accumulated deficit		**(18,242,599)**		(17,306,548)
Total shareholders' equity		**63,431,445**		64,651,380
Total liabilities and shareholders' equity	**$**	**107,012,245**	$	109,277,073

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

Hamilton Thorne Ltd.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

For the three months ended March 31, 2024 and 2023
(Unaudited and expressed in U.S. Dollars)

		For the three months ended March 31, 2024		2023
Sales	**$**	**19,392,565**	$	16,690,104
Cost of sales		**9,227,662**		8,245,402
Gross profit		**10,164,903**		8,444,702
Expenses				
Research and development		**944,161**		1,058,132
Sales and marketing		**3,634,375**		3,401,830
General and administrative		**5,628,847**		3,547,605
Total expenses		**10,207,383**		8,007,567
Income (loss) from operations		**(42,480)**		437,135
Other income (expense)				
Interest expense including accretion		**(504,880)**		(255,351)
Foreign exchange income (loss)		**(16,023)**		74
Income (loss) before taxes		**(563,383)**		181,858
Income tax recovery (expense) (note 11)				
Current tax (expense)		**(584,172)**		(227,110)
Deferred tax recovery (expense)		**211,504**		122,657
Total Income tax (expense)		**(372,668)**		(104,453)
Net income (loss)		**(936,051)**		77,405
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net income (loss):				
Foreign currency translation gain (loss) net of tax		**(1,137,290)**		818,827
Other comprehensive income (loss)	**$**	**(1,137,290)**	$	818,827
Comprehensive income (loss)	**$**	**(2,073,341)**	$	896,232
Earnings per share on net income (loss):				
Basic	**$**	**(0.01)**	$	0.00
Diluted	**$**	**(0.01)**	$	0.00
Weighted average number of common shares outstanding (note 8):				
Basic		**152,928,421**		145,286,322
Diluted		**152,928,421**		148,565,624

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2024 and 2023
(Unaudited and expressed in U.S. Dollars)

	Common shares Shares	Common shares Dollars	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
December 31, 2023	**152,124,765**	**$ 74,020,920**	**$ 9,256,589**	**$ (1,319,581)**	**$ (17,306,548)**	**$ 64,651,380**
Share-based payments expense (note 9)	-	-	519,805	-	-	519,805
Tax effect of share-based payment expense (note 9)	-	-	95,650	-	-	95,650
Issuance of common shares - exercise of options (note 8 and 9)	689,886	483,339	(245,388)	-	-	237,951
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	252,838	353,238	(353,238)	-	-	-
Net loss and Comprehensive loss for the period	-	-	-	(1,137,290)	(936,051)	(2,073,341)
March 31, 2024	**153,067,489**	**$ 74,857,497**	**$ 9,273,418**	**$ (2,456,871)**	**$ (18,242,599)**	**$ 63,431,445**
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)	-	-	554,551	-	-	554,551
Tax effect of share-based payment expense (note 9)	-	-	7,940	-	-	7,940
Issuance of common shares - exercise of options (note 8 and 9)	553,620	282,593	(42,799)	-	-	239,794
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	346,699	415,162	(415,162)	-	-	-
Net income and Comprehensive income for the period	-	-	-	818,827	77,405	896,232
March 31, 2023	**145,830,271**	**$ 67,254,089**	**$ 9,514,498**	**$ (2,225,787)**	**$ (16,622,121)**	**$ 57,920,679**

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

(Unaudited and expressed in U.S. Dollars)

		2024		*2023*
Cash flows from operating activities:				
Net income (loss) for the period	**$**	**(936,051)**	$	77,405
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization (note 5, 6, 12 and 13)		**1,573,513**		1,128,895
Non-cash interest expense and accretion (note 12)		**95,603**		40,708
Share-based compensation expense (note 9)		**519,805**		554,551
Deferred tax (recovery)		**(211,504)**		(122,657)
Loss (gain) on disposal of property and equipment (note 5)		**(17,864)**		(10,869)
Unrealized foreign currency differences		**2,333**		(75,780)
Changes in non-cash operating assets and liabilities:				
Accounts receivable		**(1,297,854)**		(608,076)
Inventories		**1,035,732**		(96,774)
Income tax receivable		**76,645**		-
Prepaid expenses		**(636,603)**		(720,585)
Long-term deposits		**8,457**		-
Other receivables		**14,559**		213,535
Accounts payable and accrued liabilities		**82,557**		(1,036,124)
Income tax payable		**427,358**		137,212
Contract liabilities		**(9,371)**		(10,476)
Other liabilities		**(79,130)**		1,548
Net cash flows provided by (used in) operating activities		**648,185**		(527,487)
Cash flows provided by (used in) investing activities:				
Purchase of property and equipment (note 5)		**(1,200,298)**		(627,416)
Disposition of property and equipment (note 5)		**24,094**		23,081
Cash paid for acquisitions, net of cash acquired (note 3)		**(300,562)**		-
Additions to intangible assets (note 6)		**(511,383)**		(161,390)
Net cash flows used in investing activities		**(1,988,149)**		(765,725)
Cash flows provided by (used in) financing activities:				
Proceeds from line of credit (note 7)		**495,000**		950,000
Payments on term note debt (note 7)		**(929,223)**		(813,804)
Payments on notes payable (note 7)		**(190,157)**		-
Payments on lease obligations (note 12)		**(380,816)**		(255,381)
Proceeds from exercise of stock options (note 8 and 9)		**237,951**		239,794
Net cash flows provided by (used in) financing activities		**(767,245)**		120,609
Net decrease in cash and cash equivalents		**(2,107,209)**		(1,172,603)
Cash and cash equivalents, beginning of period		**9,734,607**		16,673,401
Exchange difference on cash and cash equivalents		**(122,767)**		384,527
Cash and cash equivalents, end of period	**$**	**7,504,631**	$	15,885,325
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest - net	**$**	**364,176**	$	177,115
Taxes	**$**	**8,886**	$	79,046

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 condensed consolidated interim financial statements of the Company for the three months ended March 31, 2024 and 2023 were authorized for issuance by the Board of Directors and the Audit Committee on May 13, 2024.

2. Basis of Preparation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023 were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2023 prepared in accordance with the International Financial Reporting Standards ["IFRS"] as issued by the IASB. Accordingly, these condensed consolidated interim financial statements for the three months ended March 31, 2024 should be read together with the annual consolidated financial statements for the year ended December 31, 2023.

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2023.

(b) Basis of Measurement

The condensed consolidated interim 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 condensed consolidated interim financial statements are set out below.

(c) Functional and Presentation Currency

These condensed consolidated interim 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 condensed consolidated interim financial statements.

Principles of Consolidation

These condensed consolidated interim 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., Microptic, S.L., 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 the condensed consolidated interim 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 condensed consolidated interim 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 technology) 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 condensed consolidated interim 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 three months ended March 31, 2024 and 2023, 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 three months ended March 31, 2024 and 2023, 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 three months ended March 31, 2024 and 2023, $nil ITCs were recorded in the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

(Unaudited and expressed in U.S. Dollars)

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.

3. Acquisitions

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)

(Unaudited and expressed in U.S. Dollars)

4. Inventories

Inventories consist of the following:

		March 31, 2024		*December 31, 2023*
Raw materials	**$**	**6,831,342**	$	6,961,425
Work in progress		**387,590**		589,216
Finished goods		**6,558,951**		7,337,704
Total inventory		**13,777,883**		14,888,345
Allowance for obsolete or slow-moving items		**(347,974)**		(445,744)
Total	**$**	**13,429,909**	$	14,442,601

Allowances are established for inventory that is determined to be excess or obsolete. During the three months ended March 31, 2024, the company identified specific inventory and wrote down excess and obsolete inventory of $132,817 ($32,573 during the three months ended March 31, 2023). Included in cost of sales for the three months ended March 31, 2024 and 2023 are inventory costs of $7,087,673 and $6,417,556, respectively.

5. Property and Equipment

Property and equipment and activity consisted of the following at March 31, 2024 and December 31, 2023:

		Machinery and equipment		***Furniture and fixtures***		***Leasehold improvements***		***Total***
Cost								
Balance December 31, 2022	$	3,909,395	$	411,244	$	1,335,776	$	5,656,415
Acquisitions (note 3)		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
Additions		494,740		143,550		562,008		1,200,298
Disposals		-		(69,546)		-		(69,546)
Effect of movements in exchange rates		(22,745)		(15,274)		(25,321)		(63,340)
Balance March 31, 2024	**$**	**5,059,959**	**$**	**1,186,220**	**$**	**2,896,344**	**$**	**9,142,523**
Accumulated depreciation								
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
Depreciation expense		86,903		84,317		65,631		236,851
Disposals		-		(40,276)		-		(40,276)
Effect of movements in exchange rates		(11,087)		(6,178)		(2,284)		(19,549)
Balance March 31, 2024	**$**	**3,234,035**	**$**	**570,646**	**$**	**379,176**	**$**	**4,183,857**
Net book value as at:								
December 31, 2023	$	1,429,745	$	594,707	$	2,043,828	$	4,068,280
March 31, 2024	**$**	**1,825,924**	**$**	**615,574**	**$**	**2,517,168**	**$**	**4,958,666**

During the three months ended March 31, 2024, the Company recorded gains on disposal of fixed assets of $17,864 ($10,869 during the three months ended March 31, 2023), included in general and administrative expenses in the condensed consolidated interim statements of operations and comprehensive income (loss).

(Unaudited and expressed in U.S. Dollars)

6. Intangible Assets and Goodwill

Intangible assets and activity consisted of the following at March 31, 2024 and December 31, 2023:

		Development cost		*Acquired customer list*		*Acquired Trade name / secrets*		*Acquired Technology*		*Total*
Cost										
Balance December 31, 2022	$	7,999,552	$	15,936,059	$	5,607,006	$	960,620	$	30,503,237
Acquisitions (note 3b)		-		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
Additions		511,383		-		-		-		511,383
Effect of movements in exchange rates		(43,067)		(492,067)		(108,645)		(42,838)		(686,617)
Balance March 31, 2024	**$**	**9,766,721**	**$**	**25,153,084**	**$**	**6,943,158**	**$**	**1,815,063**	**$**	**43,678,026**
Accumulated amortization										
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
Amortization expense		196,895		562,969		174,091		91,256		1,025,211
Effect of movements in exchange rates		(8,078)		(124,402)		(22,227)		(6,342)		(161,049)
Balance March 31, 2024	**$**	**3,899,936**	**$**	**7,729,233**	**$**	**2,462,509**	**$**	**338,140**	**$**	**14,429,818**
Net book value as at:										
December 31, 2023	$	5,587,286	$	18,354,485	$	4,741,158	$	1,604,675	$	30,287,604
March 31, 2024	**$**	**5,866,785**	**$**	**17,423,851**	**$**	**4,480,649**	**$**	**1,476,923**	**$**	**29,248,208**

Goodwill

Activity consisted of the following at March 31, 2024 and December 31, 2023:

Balance at December 31, 2022	$	18,894,136
Gynetics acquisition (note 3a)		9,743,298
Foreign exchange adjustment		954,101
Total at December 31, 2023	**$**	**29,591,535**
Foreign exchange adjustment		(577,282)
Total at March 31, 2024	**$**	**29,014,253**

(Unaudited and expressed in U.S. Dollars)

7. Notes Payable and Long-term Debt

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

		March 31, 2024		*December 31, 2023*
Notes payable under bank revolving line of credit	**$**	**4,475,000**	$	3,980,000
Notes payable under acquisition line of credit		**-**		7,753,367
Notes payable under 2019 bank term note		**250,000**		400,000
Notes payable under 2021 bank term note		**2,333,333**		2,583,333
Notes payable under 2022 bank term note		**6,000,000**		6,400,000
Notes payable under 2023 bank term note		**7,668,919**		-
Notes payable, government backed loans and other		**280,212**		477,615
Total notes payable and long-term debt		**21,007,464**		21,594,315
Current portion of notes payable and long-term debt		**4,810,108**		4,802,551
Total long-term debt	**$**	**16,197,356**	$	16,791,764

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 August 2019, a new term loan of $3.0 million was added to the facility, in July 2021 a $5.0 million term loan was added and in January 2024 a term loan of $7.8 million was added. The facility was expanded in September 2019 to $4.5 million, and is currently extended through July 2025.

The $4.5 million revolving line of credit bears interest at the prime rate (8.5% as of March 31, 2024 and December 31, 2023), 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 $4.5 million as of March 31, 2024 and $4.0 million as of December 31, 2023. Total interest expense for the three months ended March 31, 2024 and 2023 was $92,761 and $36,659, respectively.

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 $nil as of March 31, 2024 and $7.8 million as of December 31, 2023. Total interest expense was $111,624 for the three months ended March 31, 2024, and $nil for the three months ended March 31, 2023.

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 $3,940 for the three months ended March 31, 2024 ($10,564 for the three months ended March 31, 2023), as follows:

Less than one year	$	252,831
One year		-
Two years		-
Greater than two years		-
Total	$	252,831

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 $20,996 for the three months ended March 31, 2024 ($29,073 for the three months ended March 31, 2023), as follows:

Less than one year	$	1,063,211
One year		1,029,550
Two years		335,685
Greater than two years		-
Total	$	2,428,446

(Unaudited and expressed in U.S. Dollars)

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 $107,767 for the three months ended March 31, 2024 ($133,809 for the three months ended March 31, 2023), as follows:

Less than one year	$	1,963,422
One year		1,853,111
Two years		1,742,800
Greater than two years		1,234,680
Total	$	6,794,013

The 2023 Term Note originated in January 2024 when the Company converted the credit advance on the acquisition line of credit utilized in October 2023 to partially finance the acquisition of Gynetics Medical Products and Gynetics Services with a new term note of $7.8 million (the “2023 Term Note”). 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, including an interest expense of $87,371 for the three months ended March 31, 2024 ($nil for the three months ended March 31, 2023), as follows:

Less than one year	$	2,193,914
One year		1,912,692
Two years		1,805,467
Greater than two years		3,031,842
Total	$	8,943,915

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 March 31, 2024 and December 31, 2023.

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 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 and no interest payments for the first twelve months. The loan was repaid in January 2024, and included interest expense of $nil for the three months ended March 31, 2024, and $3,669 for the three months ended March 31, 2023.

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 March 31, 2024 and December 31, 2023) and is renewable annually upon bank approval. Borrowings are subject to a standard equity ratio. The line of credit utilization was $255,212 as of March 31, 2024, and $298,191 as of December 31, 2023. Total interest expense was $5,105 for the three months ended March 31, 2024 and $nil for the three months ended March 31, 2023. The Company was in compliance with all covenants as March 31, 2024 and December 31, 2023.

8. Share Capital and Earnings Per Share

There are an unlimited number of common shares authorized. The issued and outstanding common shares are 153,067,489 as at March 31, 2024 and 152,124,765 as at December 31, 2023.

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 three months ended March 31, 2024, the Company issued 689,886 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $237,951 (see note 9). The Company also issued 252,838 shares due to vesting of Restricted Share Units under the expanded 2019 Equity Incentive Plan (see note 9).

For the three months ended March 31, 2023, the Company issued 553,620 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $239,794 (see note 9). The Company also issued 346,699 shares due to vesting of Restricted Share Units under the expanded 2019 Equity Incentive Plan (see note 9).

(Unaudited and expressed in U.S. Dollars)

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

		For the three months ended March 31, 2024		2023
Net income (loss) for the period	**$**	**(936,051)**	$	77,405
Weighted average number of shares outstanding		**152,928,421**		145,286,322
Potential dilutive securities - assumed exercise of options		**-**		3,279,302
Weighted average number of shares outstanding - diluted		**152,928,421**		148,565,624

For the three months ended March 31, 2024, 1,773,939 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 three months ended March 31, 2023).

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.

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. 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, 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	0.92
Granted	**306,440**	**1.32**
Exercised	**(689,886)**	**0.44**
Expired	**(11,125)**	**0.82**
Forfeited	**-**	**-**
Outstanding at March 31, 2024	**6,583,522**	**1.12**
Exercisable at December 31, 2023	5,505,124	0.87
Exercisable at March 31, 2024	**5,052,551**	**0.97**

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.

In January 2024, the Board granted a total of 306,440 options to the CEO at an exercise price of Cdn $1.32, all vesting over 48 months. Using the Black-Scholes model, the fair value weighted average of the grant was approximately $141,080 or $0.46 each. The fair value of options was determined using a weighted average volatility of 43.25%, risk-free interest rates of 3.22%, 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 three months ended March 31, 2024, 211,125 options expired and no options were forfeited. During the three months ended March 31, 2023, no options expired and 134,949 options were forfeited.

During the three months ended March 31, 2024, a total of 689,886 options were exercised by three employees for cash of $237,951. During the three months ended March 31, 2023, a total of 553,620 options were exercised by four employees for cash of $239,794.

The Company recorded share-based compensation expense of $519,805 and $554,551 during the three months ended March 31, 2024 and 2023, respectively, which is included proportionately in departmental expenses.

At March 31, 2024, 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
June, 2024	0.05	200,000	200,000	0.2
May, 2025	0.36	702,531	702,531	1.2
February, 2026	0.18	149,700	149,700	1.9
September, 2026	0.19	25,000	25,000	2.5
April, 2027	0.63	1,001,594	1,001,594	3.1
August, 2027	0.84	35,000	35,000	3.4
April, 2028	0.79	270,313	270,313	4.1
November, 2028	1.09	531,081	531,081	4.7
November, 2029	0.96	541,864	541,864	5.7
April, 2030	1.05	205,000	196,864	6.1
August, 2030	1.38	239,500	218,770	6.4
April, 2031	1.75	547,499	410,515	7.1
May, 2031	1.89	298,000	204,875	7.2
October, 2031	1.91	232,000	145,000	7.6
April, 2032	1.92	280,000	139,944	8.1
September, 2032	1.50	200,000	75,000	8.5
April, 2033	1.65	818,000	204,500	9.1
January, 2034	1.32	306,440	-	9.8
Total		6,583,522	5,052,551	5.5

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, 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	1.71
Granted	**766,100**	**1.32**
Settled	**(252,838)**	**1.75**
Expired	**-**	**-**
Forfeited	**(94,622)**	**1.89**
Outstanding at March 31, 2024	**3,110,785**	**1.54**

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.

In January 2024, the Board granted a total of 766,100 restricted share units (RSUs) to the CEO, at a fair value on the date of the grant of Cdn $1.32, vesting in three installments over three years, with the first vesting date of January 15, 2025, and then annually in January, 2026 and 2027. 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 $750,000.

At March 31, 2024, 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
June, 2024	1.89	10,036	10,036	0.2
March, 2025	1.92	469,805	469,805	1.0
September, 2025	1.50	19,265	19,265	1.5
November, 2025	1.39	274,201	274,201	1.7
April, 2026	1.65	1,106,040	1,106,040	2.1
November, 2026	1.37	465,338	465,338	2.7
January, 2027	1.32	766,100	766,100	2.8
Outstanding at March 31, 2024		**3,110,785**	**3,110,785**	**2.1**

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 condensed consolidated interim financial statements for sales, net income, depreciation and total assets also represent those of that segment. During the three months ended March 31, 2024, sales in the Americas comprised approximately 26% of total sales, with approximately 57% to the EMEA, and 17% to the Asia/Pacific region. During the three months ended March 31, 2023, sales in the Americas comprised approximately 23% of total sales, with approximately 63% to the EMEA, and 14% to the Asia/Pacific region.

Enterprise sales consist of:

	For the three months ended March 31,	
	2024	*2023*
Equipment sales	**$ 7,817,210**	$ 6,928,718
Services and consumables	**11,575,355**	9,761,386
Total	**$ 19,392,565**	$ 16,690,104

For the three months ended March 31, 2024 and 2023, the Company had no customer exceeding 10% of revenues.

11. Income Taxes

The Company has recognized income tax expense of $372,668 and $104,453 for the three months ended March 31, 2024 and 2023, respectively. In 2024, current tax expense is applicable to Germany, the UK, Australia, Spain and the Netherlands. The 2024 deferred tax recovery is related primarily to accounting amortization of intangible assets and setting up deferred tax assets for reserves and tax losses in foreign subsidiaries.

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.

(Unaudited and expressed in U.S. Dollars)

Right of use assets and lease liabilities consisted of the following at March 31, 2024 and December 31, 2023:

Right of use asset:		***Rental and operating facilities***
Cost		
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
Additions		122,093
Disposal		(78,215)
Effect of movements in exchange rates		(109,605)
Balance March 31, 2024	**$**	**8,933,479**
Accumulated amortization		
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
Amortization expense		311,451
Disposal		(78,215)
Effect of movements in exchange rates		(21,204)
Balance March 31, 2024	**$**	**3,105,690**
Net book value as at:		
December 31, 2023		6,105,548
March 31, 2024	**$**	**5,827,789**

Lease liabilities:		***Rental and operating facilities***
Balance 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
Additions		122,093
Effect of movements in exchange rates		(88,830)
Interest		95,603
Payments		(380,816)
Total lease liabilities at March 31, 2024	**$**	**6,107,598**
Less: current portion		1,164,528
Long-term lease liabilities at March 31, 2024	**$**	**4,943,070**

(Unaudited and expressed in U.S. Dollars)

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	$	1,323,228
One year		1,318,746
Two years		1,265,790
Greater than two years		3,253,870
Total	**$**	**7,161,634**

13. Expenses

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

		For the periods ended March 31,		
		2024		*2023*
Materials and other costs	**$**	**8,351,944**	$	7,156,032
Employee wages and benefits		**4,645,195**		4,494,866
Depreciation and amortization (note 5, 6 and 12)		**1,573,513**		1,128,895
Professional services		**853,014**		525,538
Acquisition related expense		**654,555**		507,859
Marketing, travel and Trade shows		**584,240**		516,618
Restructuring, Reorganization and Recruiting		**531,002**		100,754
Share-based payments expense (note 9)		**519,805**		554,551
Insurance		**351,876**		328,157
Freight-out and transportation expenses		**239,524**		193,906
Utilities and Maintenance		**193,819**		162,750
Regulatory expenses		**140,504**		109,704
Contract labor		**97,178**		110,037
Other		**698,876**		363,302
Total	**$**	**19,435,045**	$	16,252,969

The other expenses above include office supplies, repair and cleaning expenses, non-capitalized research and development costs, legal fees, service charges, and miscellaneous.

14. 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.

(Unaudited and expressed in U.S. Dollars)

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

		March 31, 2024		*December 31, 2023*
Trade receivables aging:				
0 to 30 days (Current)	**$**	**6,961,715**	$	6,106,708
31 to 60 days		**1,498,903**		1,604,192
61 to 90 days		**737,812**		209,306
Greater than 90 days		**650,899**		647,774
	$	**9,849,329**	$	8,567,980
Expected credit loss provision		**(269,837)**		(286,342)
Net trade receivables	**$**	**9,579,492**	$	8,281,638

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

		March 31, 2024		*December 31, 2023*
Expected credit loss provision, beginning of period	**$**	**286,342**	$	180,089
Net change in expected credit loss provision during the period		**(16,505)**		106,253
Expected credit loss provision, end of period	**$**	**269,837**	$	286,342

As at March 31, 2024 and December 31, 2023, 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 March 31, 2024										
Default Rates				0.52%		2.00%		10.00%		20.00%
Trade receivables	**$**	**9,849,329**	$	6,961,715	$	1,498,903	$	737,812	$	650,899
Expected credit loss provision	**$**	**269,837**	$	35,898	$	29,978	$	73,781	$	130,180
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