Hamilton Thorne Ltd.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Unaudited and expressed in U.S. Dollars)

(Unaudited and expressed in U.S. Dollars)

	June 30, 2023	*December 31, 2022*
Assets		
Current		
Cash and cash equivalents	**$ 16,352,919**	$ 16,673,401
Accounts receivable (note 14)	**7,770,719**	7,036,807
Inventories (note 4)	**13,194,587**	12,273,706
Prepaid expenses	**1,688,643**	1,362,484
Total current assets	**39,006,868**	37,346,398
Property and equipment (note 5)	**3,438,413**	2,560,365
Right of use assets (note 12)	**5,211,294**	3,282,693
Deposits	**546,429**	214,643
Deferred tax asset	**3,904,564**	3,735,329
Intangible assets (notes 3 and 6)	**19,712,564**	20,297,402
Goodwill (notes 3 and 6)	**19,294,453**	18,894,136
Other receivables	**112,507**	336,292
Total assets	**$ 91,227,092**	$ 86,667,258
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 9,644,173**	$ 8,723,901
Current portion of notes payable and long-term debt (note 7)	**3,282,782**	3,279,991
Current portion of lease liability (note 12)	**978,765**	821,304
Income tax payable	**650,893**	476,821
Contract liabilities	**273,305**	293,495
Total current liabilities	**14,829,918**	13,595,512
Notes payable and long-term debt (note 7)	**11,073,528**	11,129,975
Long-term lease liability (note 12)	**4,438,598**	2,637,905
Deferred tax liability	**2,421,770**	2,810,344
Other liabilities	**204,375**	271,360
Total liabilities	**32,968,189**	30,445,096
Shareholders' Equity		
Common shares (note 8)	**67,645,500**	66,556,334
Contributed surplus	**9,759,068**	9,409,968
Accumulated other comprehensive loss	**(2,084,127)**	(3,044,614)
Accumulated deficit	**(17,061,538)**	(16,699,526)
Total shareholders' equity	**58,258,903**	56,222,162
Total liabilities and shareholders' equity	**$ 91,227,092**	$ 86,667,258

Hamilton Thorne Ltd.

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited and expressed in U.S. Dollars)

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Sales	**$ 16,436,099**	$ 14,234,387	**$ 33,126,203**	$ 28,286,223
Cost of sales	**7,897,365**	7,151,297	**16,142,767**	14,353,041
Gross profit	**8,538,734**	7,083,090	**16,983,436**	13,933,182
Expenses				
Research and development	**1,011,710**	919,599	**2,069,842**	1,818,457
Sales and marketing	**3,960,019**	2,869,103	**7,361,849**	5,777,052
General and administrative	**3,909,184**	2,718,462	**7,456,789**	4,800,852
Total expenses	**8,880,913**	6,507,164	**16,888,480**	12,396,361
Income (loss) from operations	**(342,179)**	575,926	**94,956**	1,536,821
Other income (expense)				
Interest expense including accretion	**(358,323)**	(103,085)	**(613,674)**	(218,533)
Foreign exchange income (loss)	**(10,241)**	27,597	**(10,167)**	34,638
Income (loss) before taxes	**(710,743)**	500,438	**(528,885)**	1,352,926
Income tax (expense) (note 11)				
Current (expense)	**(185,487)**	(205,721)	**(412,597)**	(457,900)
Deferred tax (expense)	**456,813**	(20,180)	**579,470**	(64,200)
Total Income tax (expense)	**271,326**	(225,901)	**166,873**	(522,100)
Net income (loss)	**(439,417)**	274,537	**(362,012)**	830,826
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net income:				
Foreign currency translation gain (loss) net of tax	**141,660**	(2,098,624)	**960,487**	(3,848,329)
Other comprehensive income (loss)	**$ 141,660**	$ (2,098,624)	**$ 960,487**	$ (3,848,329)
Comprehensive income (loss)	**$ (297,757)**	$ (1,824,087)	**$ 598,475**	$ (3,017,503)
Earnings per share on net income (loss):				
Basic	**$ (0.00)**	$ 0.00	**$ (0.00)**	$ 0.01
Diluted	**$ (0.00)**	$ 0.00	**$ (0.00)**	$ 0.01
Weighted average number of common shares outstanding (note 8):				
Basic	**146,132,920**	143,598,838	**145,712,142**	143,149,962
Diluted	**149,296,351**	147,283,068	**148,875,814**	147,054,382

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 and six months ended June 30, 2023 and 2022

(Unaudited and expressed in U.S. Dollars)

	Common shares							Accumulated Other Comprehensive		Accumulated		
	Shares		Dollars		Contributed Surplus			Income (Loss)		Deficit		Total
December 31, 2022	**144,929,952**	**$**	**66,556,334**	**$**	**9,409,968**	**$**		**(3,044,614)**	**$**	**(16,699,526)**	**$**	**56,222,162**
Share-based payments expense (note 9)	-		-		1,162,890			-		-		1,162,890
Tax effect of share-based payment expense (note 9)	-		-		2,385			-		-		2,385
Issuance of common shares - exercise of options (note 8 and 9)	707,120		321,275		(48,284)			-		-		272,991
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	815,882		767,891		(767,891)			-		-		-
Net loss and Comprehensive income for the period	-		-		-			960,487		(362,012)		598,475
June 30, 2023	**146,452,954**	**$**	**67,645,500**	**$**	**9,759,068**	**$**		**(2,084,127)**	**$**	**(17,061,538)**	**$**	**58,258,903**
December 31, 2021	**142,545,860**	**$**	**65,317,530**	**$**	**8,241,322**	**$**		**1,008,228**	**$**	**(18,610,120)**	**$**	**55,956,960**
Share-based payments expense (note 9)	-		-		928,000			-		-		928,000
Tax effect of share-based payment expense (note 9)	-		-		(124,743)			-		-		(124,743)
Issuance of common shares - exercise of options (note 8 and 9)	1,094,545		309,874		(57,832)			-		-		252,042
Issuance of common shares - exercise of restricted stock units (note 8 and 9)	659,068		847,958		(847,958)			-		-		-
Net income and Comprehensive loss for the period	-		-		-			(3,848,329)		830,826		(3,017,503)
June 30, 2022	**144,299,473**	**$**	**66,475,362**	**$**	**8,138,789**	**$**		**(2,840,101)**	**$**	**(17,779,294)**	**$**	**53,994,756**

(Unaudited and expressed in U.S. Dollars)

	For the six months ended June 30	
	2023	*2022*
Cash flows from operating activities:		
Net income (loss) for the period	**$ (362,012)**	$ 830,826
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization (note 5, 6, 12 and 13)	**2,297,956**	1,826,581
Non-cash interest expense and accretion (note 12)	**127,595**	71,355
Share-based compensation expense (note 9)	**1,162,890**	928,000
Deferred tax (recovery) expense	**(579,470)**	64,200
Gain on disposal of property and equipment (note 5)	**(9,898)**	-
Unrealized foreign currency differences	**146,021**	(1,770,356)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**(733,912)**	(444,038)
Inventories	**(920,881)**	(517,537)
Prepaid expenses	**(326,159)**	(675,602)
Long-term deposits	**(331,786)**	-
Other receivables	**223,785**	-
Accounts payable and accrued liabilities	**920,272**	(696,254)
Income tax payable	**174,072**	(96,027)
Contract liabilities	**(20,190)**	41,206
Other liabilities	**(66,986)**	-
Net cash flows provided by (used in) operating activities	**1,701,297**	(437,646)
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment (note 5)	**(1,179,946)**	(425,409)
Disposition of property and equipment (note 5)	**23,081**	20,794
Additions to intangible assets (note 6)	**(479,298)**	(575,918)
Net cash flows used in investing activities	**(1,636,163)**	(980,533)
Cash flows provided by (used in) financing activities:		
Proceeds from line of credit	**1,565,000**	-
Payments on term note debt	**(1,628,032)**	(983,283)
Payments on lease obligations (note 12)	**(595,575)**	(432,222)
Proceeds from exercise of stock options (note 8 and 9)	**272,991**	252,042
Net cash flows used in financing activities	**(385,616)**	(1,163,463)
Net decrease in cash and cash equivalents	**(320,482)**	(2,581,642)
Cash and cash equivalents, beginning of period	**16,673,401**	17,927,391
Cash and cash equivalents, end of period	**$ 16,352,919**	$ 15,345,749
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest - net (note 7)	**$ 440,712**	$ 147,177
Taxes	**$ 235,414**	$ 422,967

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 and six months ended June 30, 2023 and 2022 were authorized for issuance by the Board of Directors and the Audit Committee on August 16, 2023.

2. Basis of Preparation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and 2022 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, 2022 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 and six months ended June 30, 2023 should be read together with the annual consolidated financial statements for the year ended December 31, 2022.

The preparation of 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, 2022.

(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 Planer Limited and Hamilton Thorne Holdings UK 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. 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 income (loss).

(d) COVID-19 and economic uncertainty

While the impact of COVID-19 on the Company has largely subsided, management continues to closely monitor all COVID-19 developments including its impact on the Company's customers, employees, suppliers, vendors, business partners, and distribution channels. In addition to COVID-19, the global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increases to inflation rates, rising interest rates, foreign currency volatility, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on the Company's operation cannot be predicted. Despite these uncertainties, the Company believes it is well equipped to handle the uncertainty and has taken several proactive steps in an attempt to better manage the challenges of the COVID-19 pandemic including potential future impact on the Company's assets, cash flows and liquidity, operations and financial reporting. The Company has received government incentives as disclosed in note 7.

(e) Significant 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, Planer Limited, Hamilton Thorne Holdings UK Limited, Tek-Event Pty Ltd., IVFTECH ApS, Hamilton Thorne Holdings DK ApS, Hamilton Thorne Spain, S.L.U. (effective December 1, 2022), and Microptic, S.L. (effective December 1, 2022). All inter-company balances and transactions have been eliminated on consolidation.

Use of Estimates and Critical Judgments

The preparation of 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 a) 12 month expected credit losses or b) 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 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 and six months ended June 30, 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 three and six months ended June 30, 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) 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.

(h) Incremental borrowing rates

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.

(i) 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 a share-based payment plan, which is described in note 9. The Company uses the fair value method estimated at grant date to account for stock options granted to employees, directors and consultants, determined utilizing the Black-Scholes option employee grants as well as for non-employees if the fair value of the services is not determinable. Options issued to employees, directors and consultants are recognized as an expense on a straight line basis over the vesting period (graded vesting), and employee grants as well as for non-employees if the fair value of the services are not determinable. Options issued to the offset is credited to contributed surplus. The historical forfeiture rate is also factored in to the calculations. Any consideration paid upon exercise of stock options would be credited to share capital and the related contributed surplus transferred to share capital.

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.

(Unaudited and expressed in U.S. Dollars)

3. Acquisitions

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 company includes 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 approximately EUR 9.9 million (approximately $10.4 million) in cash, and takes into account certain working capital and other adjustments, including approximately 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 approximately:

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.

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

(Unaudited and expressed in U.S. Dollars)

4. Inventories

Inventories consist of the following:

		June 30, 2023		*December 31, 2022*
Raw materials	**$**	**6,393,634**	$	5,722,783
Work in progress		**614,599**		331,051
Finished goods		**6,637,829**		6,677,032
Total inventory		**13,646,062**		12,730,866
Allowance for obsolete or slow-moving items		**(451,475)**		(457,160)
Total	**$**	**13,194,587**	$	12,273,706

Allowances are established for inventory that is determined to be excess or obsolete. During the three and six months ended June 30, 2023, the company identified specific inventory and wrote down excess and obsolete inventory of $137,109 and $169,682, respectively ($nil during the three and six months ended June 30, 2022). Included in cost of sales for the three and six months ended June 30, 2023 are inventory costs of $6,447,139 and $12,864,695, respectively ($5,883,151 and $11,863,996, respectively in 2022).

5. Property and Equipment

Property and equipment and activity consisted of the following at June 30, 2023 and December 31, 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
Additions		310,932		200,474		668,540		1,179,946
Disposals		(6,248)		(52,908)		-		(59,156)
Effect of movements in exchange rates		56,319		7,365		61,843		125,527
Balance June 30, 2023	**$**	**4,270,398**	**$**	**566,175**	**$**	**2,066,159**	**$**	**6,902,732**
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		197,002		127,117		63,249		387,368
Disposals		(6,235)		(39,782)		-		(46,017)
Effect of movements in exchange rates		21,234		4,200		1,484		26,918
Balance June 30, 2023	**$**	**2,882,149**	**$**	**372,540**	**$**	**209,630**	**$**	**3,464,319**
Net book value as at:								
December 31, 2022	$	1,239,247	$	130,239	$	1,190,879	$	2,560,365
June 30, 2023	**$**	**1,388,249**	**$**	**193,635**	**$**	**1,856,529**	**$**	**3,438,413**

(Unaudited and expressed in U.S. Dollars)

During the three and six months ended June 30, 2023, the Company recorded a loss of $971 and a gain of $9,898 on disposal of fixed assets, respectively (a loss of $1,807 and a gain of $22,054 during the three and six months ended June 30, 2022, respectively), included in general and administrative expenses in the condensed consolidated interim statements of operations and comprehensive income (loss).

6. Intangible Assets and Goodwill

Intangible assets consist of development costs and acquired product rights as at June 30, 2023 and December 31, 2022 as follows:

	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 3)	-	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
Additions	479,298	-	-	-	479,298
Disposals	(17,863)	-	-	-	(17,863)
Effect of movements in exchange rates	76,788	295,781	128,521	16,850	517,940
Balance June 30, 2023	**$ 8,537,775**	**$ 16,231,840**	**$ 5,735,527**	**$ 977,470**	**$ 31,482,612**
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	331,823	677,265	292,674	112,908	1,414,670
Disposals	(17,863)	-	-	-	(17,863)
Effect of movements in exchange rates	25,340	105,102	35,834	1,130	167,406
Balance June 30, 2023	**$ 3,318,875**	**$ 6,350,047**	**$ 1,987,088**	**$ 114,038**	**$ 11,770,048**
Net book value as at:					
December 31, 2022	$ 5,019,977	$ 10,368,379	$ 3,948,426	$ 960,620	$ 20,297,402
June 30, 2023	**$ 5,218,900**	**$ 9,881,793**	**$ 3,748,439**	**$ 863,432**	**$ 19,712,564**

Goodwill

Activity consisted of the following for the periods ended June 30, 2023 and December 31, 2022:

Balance at December 31, 2021	$ 14,773,128
Microptic acquisition (note 3)	4,787,600
Foreign exchange adjustment	(666,592)
Total at December 31, 2022	$ 18,894,136
Foreign exchange adjustment	400,317
Total at June 30, 2023	**$ 19,294,453**

(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:

		June 30, 2023		*December 31, 2022*
Notes payable under bank revolving line of credit	**$**	**3,165,000**	$	1,600,000
Notes payable under 2019 bank term note		**700,000**		1,000,000
Notes payable under 2021 bank term note		**3,083,333**		3,583,333
Notes payable under 2022 bank term note		**7,200,000**		8,000,000
Notes payable, government backed loans and other		**207,977**		226,633
Total notes payable and long-term debt		**14,356,310**		14,409,966
Current portion of notes payable and long-term debt		**3,282,782**		3,279,991
Total long-term debt	**$**	**11,073,528**	$	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 million was added to the facility, in August 2019 a $3 million term loan was added, in July 2021 a $5 million term loan was added, and in December 2022 a $8 million term loan was added. The facility was expanded in September 2019 from $2.5 million 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 (8.25% as of June 30, 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 $3.2 million as of June 30, 2023 and $1.6 million as of December 31, 2022. Total interest expense for the three and six months ended June 30, 2023 was $56,670 and $93,329, respectively ($12,963 and $17,963 for the three and six months ended June 30, 2022, respectively).

In May 2023, the Company renewed its $8 million acquisition line of credit with its commercial bank to support growth and future acquisitions. The line of credit advances up to $8 million with interest at prime rate, permits advances up to 55% of target acquisition purchase price, and automatically converts to five-year, fix rate term loans when balance exceeds $1 million. The line of credit utilization was $nil as of June 30, 2023 and 2022. Total interest expense was $nil for the three and six months ended June 30, 2023, and $nil for the three and six months ended June 30, 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 $9,077 and $19,641 for the three and six months ended June 30, 2023 ($15,891 and $33,121 for the three and six months ended June 30, 2022), as follows:

Less than one year	$	619,191
One year		100,561
Two years		-
Greater than two years		-
Total	$	719,752

The 2021 Term Note originated in July 2021 when the Company utilized its $8 million 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”). At the same time the Company Commercial Bank agreed to renew and increase the acquisition line of credit to $8 million. The 2021 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 $27,574 and $56,647 for the three and six months ended June 30, 2023 ($36,059 and $88,310 for the three and six months ended June 30, 2022), as follows:

Less than one year	$	1,088,610
One year		1,054,726
Two years		1,021,065
Greater than two years		83,564
Total	$	3,247,965

(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 $129,754 and $263,563 for the three and six months ended June 30, 2023 ($nil for the three and six months ended June 30, 2022), as follows:

Less than one year	$	2,047,087
One year		1,935,618
Two years		1,825,307
Greater than two years		2,531,139
Total	$	8,339,151

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 June 30, 2023, and December 31, 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%. Total interest expense for the three and six months ended June 30, 2023 was $3,863 and $7,532, respectively ($2,412 and $5,137 for the three and six months ended June 30, 2022).

In February 2023, the Company's wholly-owned subsidiary IVFtech ApS negotiated and closed a DKK 4 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% (6.5% as of June 30, 2023), and is renewable annually upon bank approval. Borrowings are subject to a standard equity ratio. The new line of credit utilization was $nil as of June 30, 2023. Total interest expense was $nil for the three and six months ended June 30, 2023.

8. Share Capital and Earnings Per Share

There are an unlimited number of common shares authorized. The issued and outstanding common shares are 146,452,954 as at June 30, 2023 and 144,929,952 as at December 31, 2022.

For the six months ended June 30, 2023, the Company issued 707,120 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $272,991 (see note 9). The Company also issued 815,882 shares due to vesting of Restricted Share Units under the expanded 2019 Equity Incentive Plan (see note 9).

For the six months ended June 30, 2022, the Company issued 1,094,545 shares due to exercise of options under the 2019 Equity Incentive Plan for total proceeds of $252,042 (see note 9). The Company also issued 659,068 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 period:

	For the three months ended June 30		*For the six months ended June 30*	
	2023	*2022*	***2023***	*2022*
Net income (loss) for the period	**$ (439,417)**	$ 274,537	**$ (362,012)**	$ 830,826
Weighted average number of shares outstanding	**146,132,920**	143,598,838	**145,712,142**	143,149,962
Potential dilutive securities - assumed exercise of options	**3,163,431**	3,684,230	**3,163,672**	3,904,420
Weighted average number of shares outstanding - diluted	**149,296,351**	147,283,068	**148,875,814**	147,054,382

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 June 30, 2023 there were 1,827,672 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	0.7473
Granted	646,000	1.7900
Exercised	(1,717,135)	0.2857
Expired	-	-
Forfeited	(527,894)	1.0644
Outstanding at December 31, 2022	7,732,931	0.9189
Granted	**854,000**	**1.6500**
Exercised	**(707,120)**	**0.5296**
Expired	**-**	**-**
Forfeited	**(230,572)**	**1.7572**
Outstanding at June 30, 2023	**7,649,239**	**0.7209**
Exercisable at December 31, 2022	5,999,088	0.6962
Exercisable at June 30, 2023	**5,761,314**	**0.7882**

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 $540,691 or $0.63 each. The fair value of options was determined using a weighted average volatility of 50.05%, 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 six months ended June 30, 2023, no options expired and 230,572 options were forfeited. During the six months ended June 30, 2022, no options expired and 8,000 options were forfeited.

During the six months ended June 30, 2023, a total of 707,120 options were exercised by seven employees for cash of $272,991. During the six months ended June 30, 2022, a total of 1,094,545 options were exercised by seven employees and two directors for cash of $252,042.

The Company recorded share-based compensation expense of $608,339 and $1,162,890 during the three and six months ended June 30, 2023, respectively ($539,500 and $928,000 during the three and six months ended June 30, 2022, respectively), which is included proportionately in departmental expenses.

At June 30, 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	0.0500	412,500	412,500	0.8
May, 2025	0.3600	1,002,531	1,002,531	1.9
February, 2026	0.1800	376,724	376,724	2.7
September, 2026	0.1900	25,000	25,000	3.3
April, 2027	0.6300	1,276,532	1,276,532	3.8
September, 2027	0.8400	110,000	110,000	4.3
April and May, 2028	0.7900	270,313	270,313	4.9
November, 2028	1.0900	696,081	696,081	5.4
November, 2029	0.9600	583,875	546,055	6.4
April, 2030	1.0500	205,000	158,423	6.8
August, 2030	1.3800	254,500	188,866	7.2
April, 2031	1.7500	558,750	316,013	7.8
May, 2031	1.8900	298,000	149,000	7.9
October, 2031	1.9100	236,375	105,875	8.3
April, 2032	1.9200	289,058	96,526	8.8
September, 2032	1.5000	200,000	-	9.3
April, 2033	1.6500	854,000	30,875	9.8
Total		7,649,239	5,761,314	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, 2021	1,585,265	1.5721
Granted	1,185,075	1.7258
Settled	(666,957)	1.4133
Expired	-	-
Forfeited	(20,001)	1.2400
Outstanding at December 31, 2022	2,083,382	1.7123
Granted	**1,106,040**	**1.6500**
Settled	**(815,882)**	**1.6200**
Expired	**-**	**-**
Forfeited	**-**	**-**
Outstanding at June 30, 2023	**2,373,540**	**1.6777**

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 $1,133,548.

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 $423,640.

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.

At June 30, 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	1.7500	267,154	267,154	0.8
June, 2024	1.8900	10,036	10,036	1.0
March, 2024	1.9100	67,615	67,615	0.8
April, 2025	1.9200	482,496	482,496	1.8
August, 2025	1.5000	28,897	28,897	2.2
November, 2025	1.3900	411,302	411,302	2.4
April, 2026	1.6500	1,106,040	1,106,040	2.8
Outstanding at June 30, 2023		**2,373,540**	**2,373,540**	**2.2**

10. Segmented Information and Major Customers

(Unaudited and expressed in U.S. Dollars)

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. During the six months ended June 30, 2023, sales in the Americas comprised approximately 26% of total sales, with approximately 58% to the EMEA, and 16% to the Asia/Pacific region. During the six months ended June 30, 2022, sales in the Americas comprised approximately 30% of total sales, with approximately 53% to the EMEA, and 17% to the Asia/Pacific region.

Enterprise sales consist of:

	For the three months ended June 30		*For the six months ended June 30*	
	2023	*2022*	***2023***	*2022*
Equipment sales	**$ 6,845,762**	$ 6,719,503	**$ 13,774,480**	$ 12,730,718
Services and consumables	**9,590,337**	7,514,884	**19,351,723**	15,555,505
Total	**$ 16,436,099**	$ 14,234,387	**$ 33,126,203**	$ 28,286,223

For the three and six months ended June 30, 2023 and 2022, the Company had no customer exceeding 10% of revenues.

11. Income Taxes

The Company has recognized income tax recovery of $271,326 and $166,873 for the three and six months ended June 30, 2023, respectively (expense of $225,901 and $522,100 for the three and six months ended June 30, 2022, respectively). In 2023, current tax expense is applicable to Germany, the UK, Australia and Spain. The 2023 deferred tax recovery is related primarily to accounting amortization of intangible assets, granting of restricted share units, setting up deferred tax assets for reserves and tax losses in foreign subsidiaries.

12. Leases and Other Commitments

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among others, customers, suppliers, and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

Right of use assets and lease liabilities consisted of the following at June 30, 2023 and December 31, 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	2,398,602
Effect of movements in exchange rates	58,827
Balance June 30, 2023	**$ 7,507,077**

(Unaudited and expressed in U.S. Dollars)

Right of use asset: *(continued)*		***Rental and operating facilities***
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		495,918
Effect of movements in exchange rates		32,910
Balance June 30, 2023	**$**	**2,295,783**

Net book value as at:		
December 31, 2022		3,282,693
June 30, 2023	**$**	**5,211,294**

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		2,398,602
Effect of movements in exchange rates		27,532
Interest		127,595
Payments		(595,575)
Total lease liabilities at June 30, 2023	**$**	**5,417,363**
Less: current portion		978,765
Long-term lease liabilities at June 30, 2023	**$**	**4,438,598**

The Company and its subsidiaries have entered into agreements to lease office premises and equipment until 2035. 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	$	1,351,518
One year		1,173,967
Two years		1,117,411
Greater than two years		3,336,738
Total	**$**	**6,979,634**

(Unaudited and expressed in U.S. Dollars)

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 three months ended June 30		*For the six months ended June 30*	
	2023	*2022*	***2023***	*2022*
Materials and other costs	**$ 6,807,517**	$ 6,471,227	**$ 13,963,549**	$ 12,713,167
Employee wages and benefits	**4,673,227**	3,434,921	**9,168,093**	7,102,510
Depreciation and amortization (note 5, 6 and 12)	**1,169,061**	898,293	**2,297,956**	1,826,581
Travel and trade shows	**926,336**	359,367	**1,335,478**	623,165
Acquisition related expenses	**706,703**	160,000	**1,214,562**	180,000
Share-based payments expense (note 9)	**608,339**	539,500	**1,162,890**	928,000
Insurance	**258,464**	39,231	**586,621**	337,993
Regulatory MDR Expenses	**254,187**	231,922	**363,891**	441,253
Rent expense	**126,853**	124,630	**245,323**	222,732
Other	**1,247,591**	1,399,370	**2,692,884**	2,374,001
Total	**$ 16,778,278**	$ 13,658,461	**$ 33,031,247**	$ 26,749,402

The other expenses above include utilities, repair and maintenance cost, marketing and public relations expenses, recruiting, contract labor, non-capitalized research and development costs, professional services, supplies, 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.

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

	June 30, 2023	*December 31, 2022*
Trade receivables aging:		
0 to 30 days (Current)	**$ 5,716,793**	$ 4,655,848
31 to 60 days	**844,893**	1,542,854
61 to 90 days	**529,145**	583,593
Greater than 90 days	**895,649**	434,601
	$ 7,986,480	$ 7,216,896
Expected credit loss provision	**(215,761)**	(180,089)
Net trade receivables	**$ 7,770,719**	$ 7,036,807

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

	June 30, 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	**35,672**	17,455
Expected credit loss provision,end of period	**$ 215,761**	$ 180,089

As at June 30, 2023, there was no customer with concentrated credit risk exceeding 10% of accounts receivable. As at December 31, 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.

(Unaudited and expressed in U.S. Dollars)

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 June 30, 2023					
Default Rates		0.00%	1.20%	5.00%	20.00%
Trade receivables	**$ 7,986,480**	$ 5,716,793	$ 844,893	$ 529,145	$ 895,649
Expected credit loss provision	**$ 215,761**	$ -	$ 10,174	$ 26,457	$ 179,130
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