

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-39825

Intelligent Bio Solutions Inc.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-1512711

(I.R.S. Employer
Identification No.)

Intelligent Bio Solutions Inc.,

142 West, 57th Street, 11th Floor, New York, NY

(Address of principal executive offices)

10019

(Zip Code)

Registrant's telephone number, including area code: **(646) 828-8258**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	INBS	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

As of November 3, 2023, there were 8,734,381 shares of the registrant's Common Stock issued and outstanding.

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PART I. FINANCIAL INFORMATION
Intelligent Bio Solutions Inc.
Condensed Consolidated Balance Sheets

	September 30, 2023 (Unaudited)	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 186,401	\$ 1,537,244
Accounts receivable, net	567,510	293,861
Inventories, net	965,091	979,907
Research and development tax incentive receivable	559,588	498,758
Other current assets	413,305	552,791
Total current assets	2,691,895	3,862,561
Property and equipment, net	664,922	690,175
Operating lease right-of-use assets	471,532	546,475
Intangible assets, net	4,872,141	5,255,401
TOTAL ASSETS	\$ 8,700,490	\$ 10,354,612
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,628,797	\$ 2,610,028
Current portion of operating lease liabilities	227,414	223,447
Current portion of deferred grant income	2,240,929	2,338,057
Current employee benefit liabilities	406,964	358,942
Current portion of notes payable	341,834	353,211
Total current liabilities	6,845,938	5,883,685
Employee benefit liabilities, less current portion	27,732	24,902
Operating lease liabilities, less current portion	284,028	356,165
Notes payable, less current portion	306,234	402,862
Total liabilities	7,463,932	6,667,614
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,330,399 shares issued and outstanding at September 30, 2023 and June 30, 2023, respectively	23,304	23,304
Treasury stock, at cost, 1,386 shares as of September 30, 2023 and June 30, 2023, respectively	(14)	(14)
Additional paid-in capital	46,158,763	46,158,763
Accumulated deficit	(44,232,777)	(41,807,573)
Accumulated other comprehensive loss	(593,512)	(575,496)
Total consolidated Intelligent Bio Solutions Inc. equity	1,355,764	3,798,984
Non-controlling interest	(119,206)	(111,986)
Total shareholders' equity	1,236,558	3,686,998
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,700,490	\$ 10,354,612

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

Intelligent Bio Solutions Inc.
Condensed Consolidated Statements of Operations and Other Comprehensive Loss*
(Unaudited)

	Three Months Ended September 30,	
	2023	2022
Revenue	\$ 796,094	\$ -
Cost of revenue (exclusive of amortization shown separately below)	(563,763)	-
Gross profit	<u>232,331</u>	<u>-</u>
Other income:		
Government support income	109,871	311,320
Operating expenses:		
Selling, general and administrative expenses	(2,457,060)	(1,450,418)
Development and regulatory approval expenses	(103,947)	(79,274)
Depreciation and amortization	(307,560)	-
Total operating expenses	<u>(2,868,567)</u>	<u>(1,529,692)</u>
Loss from operations	(2,526,365)	(1,218,372)
Other income (expense):		
Interest expense	(37,448)	(1,065)
Realized foreign exchange loss	-	(2,247)
Fair value gain on revaluation of financial instrument	131,250	-
Interest income	139	7,606
Total other income	<u>93,941</u>	<u>4,294</u>
Net loss	(2,432,424)	(1,214,078)
Net loss attributable to non-controlling interest	(7,220)	(5,785)
Net loss attributable to Intelligent Bio Solutions Inc.	<u>\$ (2,425,204)</u>	<u>\$ (1,208,293)</u>
Other comprehensive loss, net of tax:		
Foreign currency translation loss	\$ (18,016)	\$ (135,559)
Total other comprehensive loss	<u>(18,016)</u>	<u>(135,559)</u>
Comprehensive loss	(2,450,440)	(1,349,637)
Comprehensive loss attributable to non-controlling interest	(7,220)	(5,785)
Comprehensive loss attributable to Intelligent Bio Solutions Inc.	<u>\$ (2,443,220)</u>	<u>\$ (1,343,852)</u>
Net loss per share, basic and diluted*	\$ (1.04)	\$ (1.62)
Weighted average shares outstanding, basic and diluted*	2,330,399	744,495

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

*Common Stock and per share amount have been retroactively adjusted to reflect the decreased number of shares resulting from a 1 for 20 reverse stock split effected on February 9, 2023, throughout the condensed consolidated financial statement unless otherwise stated.

Intelligent Bio Solutions Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity*
(Unaudited)

	<u>Common stock</u>		<u>Treasury stock</u>		<u>Additional paid in capital</u>	<u>Accumulated deficit</u>	<u>Other comprehensive loss</u>	<u>Non-controlling interest</u>	<u>Total shareholders' equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance, June 30, 2023	2,330,399	\$ 23,304	(1,386)	\$ (14)	\$ 46,158,763	\$ (41,807,573)	\$ (575,496)	\$ (111,986)	\$ 3,686,998
Foreign currency translation loss	-	-	-	-	-	-	(18,016)	-	(18,016)
Net loss	-	-	-	-	-	(2,425,204)	-	(7,220)	(2,432,424)
Balance, September 30, 2023	<u>2,330,399</u>	<u>\$ 23,304</u>	<u>(1,386)</u>	<u>\$ (14)</u>	<u>\$ 46,158,763</u>	<u>\$ (44,232,777)</u>	<u>\$ (593,512)</u>	<u>\$ (119,206)</u>	<u>\$ 1,236,558</u>
Balance, June 30, 2022	744,495	\$ 7,445	-	\$ -	\$ 38,581,465	\$ (31,175,853)	\$ (788,135)	\$ (79,151)	\$ 6,545,771
Foreign currency translation loss	-	-	-	-	-	-	(135,559)	-	(135,559)
Net loss	-	-	-	-	-	(1,208,293)	-	(5,785)	(1,214,078)
Balance, September 30, 2022	<u>744,495</u>	<u>\$ 7,445</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 38,581,465</u>	<u>\$ (32,384,146)</u>	<u>\$ (923,694)</u>	<u>\$ (84,936)</u>	<u>\$ 5,196,134</u>

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

*Common Stock and per share amount have been retroactively adjusted to reflect the decreased number of shares resulting from a 1 for 20 reverse stock split effected on February 9, 2023, throughout the condensed consolidated financial statement unless otherwise stated.

Intelligent Bio Solutions Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (2,432,424)	\$ (1,214,078)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	247,598	-
Amortization of right-of-use assets	59,962	-
Non-cash loss on foreign currency translation, net	-	2,247
Provision for inventory obsolescence	67,851	-
Non-cash refund of R&D expenditure claims	(33,523)	(60,413)
Fair value gain on revaluation of holdback Series C preferred stock	(131,250)	-
Non-cash other operating activities	104,485	25,035
Changes in operating assets and liabilities:		
Accounts receivable	(273,649)	-
Inventories	(53,035)	-
Grant receivable / deferred grant income	(97,128)	(177,476)
Research and development tax incentive receivable	(60,830)	(218,812)
Other current assets	139,486	(207,104)
Accounts and other payables	1,215,964	(13,299)
Operating lease liabilities	(68,170)	-
Other long-term liabilities	2,830	(29,835)
Net cash used in operating activities	(1,311,833)	(1,893,735)
Cash flows from investing activities:		
Amount invested on construction in progress	-	(474,891)
Net cash used in investing activities	-	(474,891)
Effect of foreign exchange rates on cash and cash equivalents	(39,010)	(127,049)
Decrease in cash and cash equivalents	(1,350,843)	(2,495,675)
Cash and cash equivalents, beginning of period	1,537,244	8,238,301
Cash and cash equivalents, end of period	<u>\$ 186,401</u>	<u>\$ 5,742,626</u>

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

Intelligent Bio Solutions Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Business

Intelligent Bio Solutions Inc. (formerly known as GBS Inc.), and its wholly owned Delaware subsidiary, GBS Operations Inc. were each formed on December 5, 2016, under the laws of the state of Delaware. Our Australian subsidiary Intelligent Bio Solutions (APAC) Pty Ltd (formerly known as Glucose Biosensor Systems (Greater China) Pty Ltd) was formed on August 4, 2016, under the laws of New South Wales, Australia and was renamed to Intelligent Bio Solutions (APAC) Pty Ltd on January 6, 2023. On October 4, 2022, INBS acquired Intelligent Fingerprinting Limited (“IFP”), a company registered in England and Wales (the “IFP Acquisition”). INBS and its subsidiaries (collectively, “we,” “us,” “our,” “INBS” or the “Company,” unless context requires or indicates otherwise) were formed to provide a non-invasive, pain free innovative medical devices and screening devices. Our headquarters are in New York, New York.

We are a medical technology company focused on developing and delivering intelligent, rapid, non-invasive testing and screening solutions. We operate globally with the objective of providing innovative and accessible solutions that improve the quality of life.

Reverse Stock Split

On February 9, 2023, the Company filed a certificate of amendment (the “Certificate of Amendment”) to its amended and restated certificate of incorporation to effect, as of February 9, 2023, a 1-for-20 reverse split of the Company’s common stock (the “Reverse Stock Split”).

NOTE 2. LIQUIDITY AND GOING CONCERN

The Company incurred net losses of \$2,425,204 (after losses attributable to non-controlling interest) for the three months ended September 30, 2023 (net loss of \$1,208,293 for the three months ended September 30, 2022). As of September 30, 2023, the Company has shareholders' equity of \$1,236,558, a working capital deficit of \$4,154,043, and an accumulated deficit of \$44,232,777.

The Company anticipates operating losses for the foreseeable future. The Company does not expect to generate positive cash flows from operating activities and may continue to incur operating losses until it completes the development of its products and seek regulatory approvals to market such products.

The Company has evaluated whether there are conditions and events, considered in the aggregate, that raise a substantial doubt about its ability to continue as going concern within one year after the date of release of the unaudited condensed consolidated financial statements. The Company expects that its cash and cash equivalents as of September 30, 2023, of \$186,401, will be insufficient to allow the Company to fund its current operating plan through at least the next twelve months from the issuance of these unaudited condensed consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date these unaudited condensed consolidated financial statements are issued. Accordingly, the Company will be required to raise additional funds during the next 12 months. However, there can be no assurance that when the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its research programs and/or limit or cease its operations. In addition, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern unless it can successfully raise additional capital.

On October 4, 2023, subsequent to the quarter ended September 30, 2023, the Company raised approximately \$4.378 million prior to deducting underwriting discounts and commissions and offering expenses via a registered underwritten public offering of the Company's securities. Net proceeds to the Company, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$3.35 million. Refer to Note 15 for details.

The Company's unaudited condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Company be unable to continue as a going concern.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, our unaudited condensed consolidated financial statements do not include all the information and footnotes required by GAAP for complete financial statements. Normal and recurring adjustments considered necessary for a fair statement of the results for the interim periods, in the opinion of the Company's management, have been included. Operating results for the three months ended September 30, 2023, are not necessarily indicative of the results that may be expected for the year ending June 30, 2024. The accompanying unaudited condensed consolidated financial statements and related footnote disclosures should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended June 30, 2023, which was filed with the U.S. Securities and Exchange Commission (the "SEC") on August 23, 2023 (the "2023 Form 10-K").

The unaudited condensed consolidated financial statements and notes thereto give retrospective effect to the Reverse Stock Split for all periods presented. All common stock, options exercisable for common stock, restricted stock units, warrants and per share amounts contained in the unaudited condensed consolidated financial statements have been retrospectively adjusted to reflect the Reverse Stock Split for all periods presented.

Principles of consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company, all wholly owned and majority-owned subsidiaries in which the Company has a controlling voting interest and, when applicable, variable interest entities in which the Company has a controlling financial interest or is the primary beneficiary. Investments in affiliates where the Company does not exert a controlling financial interest are not consolidated.

All significant intercompany transactions and balances have been eliminated upon consolidation.

Equity offering costs

The Company complies with the requirements of Accounting Standards Codification (“ASC 340”), *Other Assets and Deferred Costs*, with regards to offering costs. Prior to the completion of an offering, offering costs are capitalized as deferred offering costs on the consolidated balance sheets. The deferred offering costs will be charged to shareholders’ equity upon the completion of an offering.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Business combinations

The results of businesses acquired in a business combination are included in the Company’s consolidated financial statements from the date of the acquisition. The Company uses the acquisition method of accounting and allocates the purchase price to the identifiable assets and liabilities of the relevant acquired business at their acquisition date fair values. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill. The allocation of the purchase price in a business combination requires the Company to perform valuations with significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations. Transaction costs associated with business combinations are expensed as incurred and are included in selling, general and administrative expense in the consolidated statements of operations.

Revenue recognition

Revenue is accounted for under ASC 606 *Revenue from Contracts with Customers* through the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to performance obligations in the contract; and
- Recognize revenue when or as the Company satisfies a performance obligation.

The Company recognized revenue from contracts with customers it satisfies its performance obligations by delivering the promised goods or service deliverables to the customers. A good or service deliverable is transferred to a customer when, or as, the customer obtains control of that good or service deliverable.

Financial information presented on a consolidated basis accompanied by disaggregated information about revenue and other income by product types for the purpose of allocating resources and evaluating financial performance. Currently, the Company has two products offerings. Accordingly, the Company has determined the following reporting segments (refer to Note 4, Segment Information):

- 1) Commercially available Intelligent Fingerprinting Products (IFPG)
- 2) Development Stage Saliva Glucose Biosensor Platform (SGBP)

Revenues are used to evaluate the performance of the Company's segments, the progress of major initiatives and the allocation of resources. All of the Company's revenues are attributable to the IFPG segment during the quarter ended September 30, 2023. There were no revenues during the three months ended September 30, 2022.

Revenue from the IFPG segment relates to the sale of readers, cartridges and accessories and is summarized as follows:

	Three Months Ended September 30,	
	2023	2022
Sales of goods - cartridges	\$ 380,059	\$ —
Sales of goods - readers	238,802	—
Other sales	177,233	—
Total revenue	<u>\$ 796,094</u>	<u>\$ —</u>

Other income

The other income is mainly comprised of grant income and research and development ("R&D") tax refund.

a) Grant income

On June 30, 2021, the Company executed a definitive grant agreement with the Australian Government to assist with building a manufacturing facility. The grant has a total value of up to \$4.7 million upon the achievement of certain milestones until March 28, 2024. Proceeds from the grant will be used primarily to reimburse the Company for costs incurred in the construction of the manufacturing facility.

Accounting for the grant does not fall under ASC 606, *Revenue from Contracts with Customers*, as the Australian Government will not benefit directly from our manufacturing facility. As there is no authoritative guidance under U.S. GAAP on accounting for grants to for-profit business entities, we applied International Accounting Standards 20 ("IAS 20"), *Accounting for Government Grants and Disclosure of Government Assistance* by analogy when accounting for the Australian Government grant to the Company. Furthermore, disclosures made below are in accordance with the disclosure requirements of Accounting Standards Update ("ASU") 2021-10 (see recently issued accounting pronouncements below for more information).

The Australian Government grant proceeds, which will be used to reimburse construction costs incurred, meet the definition of grants related to assets as the primary purpose for the payments is to fund the construction of a capital asset. Under IAS 20, government grants related to assets are presented in the statement of financial position either by setting up the grant as deferred income that is recognized in the statement of operation on a systematic basis over the useful life of the asset or by deducting the grant in arriving at the carrying amount of the asset. Either of these two methods of presentation of grants related to assets in financial statements are regarded as acceptable alternatives under IAS 20. The Company has elected to record the grants received initially as deferred income and deducting the grant proceeds received from the gross costs of the assets or construction in progress ("CIP") and the deferred grant income liability. A total of \$629,354 and \$646,116 was recognized as a reduction to the CIP asset on the consolidated balance sheets as of September 30, 2023 and June 30, 2023, respectively.

Under IAS 20, government grants are initially recognized when there is reasonable assurance the conditions of the grant will be met, and the grant will be received. As of June 30, 2021, management concluded that there was reasonable assurance the grant conditions will be met, and all milestone payment received. The total grant value of \$4.7 million was recognized as both a grant receivable and deferred grant income on the grant effective date. The project has been delayed due to global shortages of semiconductors that are used in manufacturing equipment and global supply chain disruption due to the coronavirus pandemic in the preceding year. The Company has only completed 4 of the 8 milestones in the grant agreement. As of September 30, 2023, there was uncertainty regarding the potential extension of the grant agreement past its original end of March 28, 2024. Therefore, management concluded that there was no reasonable assurance that the remaining grant receivable will be received.

After initial recognition, under IAS 20, government grants are recognized in earnings on a systematic basis in a manner that mirrors the manner in which the Company recognizes the underlying costs for which the grant is intended to compensate. Further, IAS 20 permits for recognition in earnings either separately under a general heading such as other income, or as a reduction of the cost of the asset. The Company has elected to recognize government grant income separately within other income for operating expenditures. Similarly, for capital expenditures, the carrying amount of assets purchased or constructed out of the grant funds are presented net by deducting the grant proceeds received from the gross costs of the assets or CIP and deferred grant income liability. A total of \$33,523 and \$60,413 deferred grant income was recognized within other income during the three months ended September 30, 2023 and 2022, respectively.

b) R&D tax refund

The Company measures the R&D grant income and receivable by considering the time spent by employees on eligible R&D activities and R&D costs incurred to external service providers. The R&D tax refund receivable is recognized as the Company believes that it is probable that the amount will be recovered in full through a future claim. A total of \$76,348 and \$250,907 of R&D tax refund income is recognized in other income during the three months ended September 30, 2023, and 2022, respectively.

Development and regulatory approval expenses

Expenditures relating to R&D are expensed as incurred and recorded in development and regulatory approval in the condensed consolidated statements of operations and Other Comprehensive Loss. R&D expenses include external expenses incurred under arrangements with third parties; salaries and personnel-related costs; license fees to acquire in-process technology and other expenses. The Company recognizes the benefit of refundable R&D tax refunds as a R&D tax refund income when there is reasonable assurance that the amount claimed will be recovered (refer to the R&D tax refund discussion above).

Intellectual property acquired for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) are expensed in research and development costs at the time the costs are incurred.

In certain circumstances, the Company may be required to make advance payments to vendors for goods or services that will be received in the future for use in R&D activities. In such circumstances, the non-refundable advance payments are deferred and capitalized, even when there is no alternative future use for the R&D, until the related goods or services are provided. In circumstances where amounts have been paid in excess of costs incurred, the Company records a prepaid expense.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated from local (functional) currency to reporting currency (U.S. dollar) at the spot rate on the consolidated balance sheets date; income and expenses are translated at the average rate of exchange prevailing during the year. The functional currency of INBS is the United States dollar. Foreign currency movements resulted in a loss of \$18,016 and \$135,559 for the three months ended September 30, 2023 and 2022, respectively.

Income taxes

In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) ASC 740, *Income Taxes*, tax positions initially need to be recognized in the consolidated financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of September 30, 2023, the Company had no uncertain tax positions that qualified for either recognition or disclosure in the unaudited condensed consolidated financial statements. Additionally, the Company had no interest and penalties related to income taxes.

The Company accounts for current and deferred income taxes and, when appropriate, deferred tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for financial reporting purposes and for income tax purposes. Where, based on the weight of all available evidence, it is more likely than not that some amount of the recorded deferred tax assets will not be realized, a valuation allowance is established for that amount that, in management’s judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

Cash and Cash equivalent

The Company considers all highly liquid investments with a maturity of 90 days or less at the time of purchase to be cash equivalents. The carrying values of cash and cash equivalents approximate their fair values due to the short-term nature of these instruments. As of September 30, 2023 and June 30, 2023, there were no cash equivalents. The Company maintains cash accounts with financial institutions. At times, balances in these accounts may exceed federally insured limits. The amounts over these insured limits as of September 30, 2023, and June 30, 2023, was \$0 and \$1,114,687, respectively. No losses have been incurred to date on any deposits.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. General market conditions, as well as the Company’s research activities, can cause certain of its products to become obsolete. The Company writes down excess and obsolete inventories based upon a regular analysis of inventory on hand compared to historical and projected demand. The determination of projected demand requires the use of estimates and assumptions related to projected sales for each product. These write downs can influence results from operations.

Account receivable, net and other receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due.

Property, Plant and Equipment (PPE) & Construction in Progress (CIP)

In accordance with the ASC 360, *Property, Plant, and Equipment*, the Company’s PPE is stated at cost net of accumulated depreciation and impairment losses, if any. Costs incurred to acquire, construct, or install PPE, before the assets are ready for use, are capitalized in CIP at historical cost. The carrying amount of assets purchased or constructed out of the grant funds are presented net by deducting the grant proceeds received from the gross costs of the assets or CIP. CIP is not depreciated until such time when the asset is substantially completed and ready for its intended use. Expenditures for maintenance and repairs are charged to operations in the period in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

- Other equipment – 3 years
- Production equipment – 2-4 years
- Leasehold improvements – shorter of asset’s estimated useful life and the remaining term of the lease

The assets' residual values, useful lives and methods of depreciation are reviewed periodically and adjusted prospectively, if appropriate. Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds, if any, and the carrying value of the asset) is included in gain or loss on sale of assets in the consolidated statements of operations in the period the asset is derecognized.

Impairment of Long-lived Assets and Goodwill

Long-lived assets consist of property and equipment, right-of-use assets and other intangible assets. We assess impairment of assets groups, including intangible assets at least annually or more frequently if there are any indicators for impairment.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in a business combination. We perform an annual impairment test on goodwill in the fourth quarter of each fiscal year or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit below its carrying value. We may first assess qualitative factors, such as general economic conditions, market capitalization, the Company's outlook, market performance and forecasted financial performance to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, an impairment test is not necessary. If an impairment test is necessary, we estimate the fair value of a related reporting unit. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is determined to be impaired, and we will record an impairment charge equal to the excess of the carrying value over the related fair value of the reporting unit. If we determine it is more likely than not that goodwill is not impaired, a quantitative test is not necessary.

During the fiscal year ended June 30, 2023, the Company's market capitalization significantly declined and recurring cash burn of the reporting unit and continuous cash support from the parent entity led management to reassess whether an impairment had occurred considering these qualitative factors. Management's evaluation indicated that the goodwill related to its IFPG reporting unit was potentially impaired. The Company then performed a quantitative impairment test by calculating the fair value of the reporting unit and comparing that amount to its carrying value. Significant assumptions inherent in the valuation methodologies include, but were not limited to prospective financial information, growth rates, terminal value and discount rate. The Company determined the fair value of the reporting unit utilizing the discounted cash flow model. The fair value of the reporting unit was determined to be less than its carrying value. During the fiscal year ended June 30, 2023, the Company recognized an impairment charge of \$4.2 million in the IFPG segment, which is related to the goodwill associated with the IFP Acquisition. Following the impairment charge the goodwill balance was zero.

Intangible assets

Intangible assets are considered long-lived assets and are recorded at cost, less accumulated amortization and impairment losses, if any. The definite lived intangible assets are amortized over their estimated useful lives, which do not exceed any contractual periods. Certain of our intangible assets have been assigned an indefinite life as we currently anticipate that these trade names and trademarks will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at least annually to determine whether the indefinite useful life is appropriate. Amortization is recorded on a straight-line basis over their estimated useful lives. Intangible assets acquired from a foreign operation are translated from the foreign entity's functional currency to the presentational currency based on the exchange rate at the reporting date.

Leases

The Company determines if an arrangement is a lease at its inception. Lease arrangements are comprised primarily of real estate for which the right-of-use ("ROU") assets and the corresponding lease liabilities are presented separately on the consolidated balance sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The lease term includes options to extend the lease when it is reasonably certain that the option will be exercised. Leases with a term of 12 months or less are not recorded on the unaudited condensed consolidated balance sheet.

The Company uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date, considering publicly available data for instruments with similar characteristics. The Company accounts for the lease and non-lease components as a single lease component.

Employee benefits

The costs of short-term employee benefits are recognized as a liability and an expense, unless those costs are required to be recognized as part of the cost of inventories or non-current assets. The cost of any unused holiday entitlement is recognized in the period in which the employee's services are received. Termination benefits are recognized immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Net loss per share attributable to common shareholders ("EPS")

The Company calculates earnings per share attributable to common shareholders in accordance with ASC 260, *Earning Per Share*. Basic net loss per share attributable to common shareholders is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is calculated by dividing net loss attributable to common shareholders by weighted average common shares outstanding during the period plus potentially dilutive common shares, such as share warrants.

Potentially dilutive common shares are calculated in accordance with the treasury share method, which assumes that proceeds from the exercise of all warrants are used to repurchase common share at market value. The number of shares remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities.

As the Company has incurred net losses in all periods, certain potentially dilutive securities, including convertible preferred stock, warrants to acquire common stock, and convertible notes payable have been excluded in the computation of diluted loss per share as the effects are antidilutive.

Recent Accounting Pronouncements

The company assessed the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board on the Company's financial statements as well as material updates to previous assessments, if any, from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023. There were no new material accounting standards issued in 2024 that impacted the Company.

Concentration of credit risk

The Company places its cash and cash equivalents, which may at times be in excess of the Australia Financial Claims Scheme or the United States' Federal Deposit Insurance Corporation insurance limits, with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution.

Fair value of financial instruments

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1-Quoted prices in active markets for identical assets or liabilities.

Level 2-Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3-Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

The carrying amounts of cash equivalents, prepaid and other assets, accounts payable and accrued liabilities are representative of their respective fair values because of the short-term nature of those instruments.

NOTE 4. SEGMENT INFORMATION

FASB ASC Topic 280, *Segment Reporting*, establishes standards for the manner in which companies report financial information about operating segments, products, services, geographic areas and major customers.

Our Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The Company’s CODM is its Chief Executive Officer.

Following the acquisition of IFP, we conduct our business through two operating segments:

- 1) Commercially available Intelligent Fingerprinting Products (“IFPG” or “IFPG segment”)
- 2) Development Stage Saliva Glucose Biosensor Platform (“SGBP” or “SGBP segment”)

The Company has determined it operates in two operating and reportable segments, as the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenue and other income by product types for the purpose of allocating resources and evaluating financial performance. Currently, the Company has two products offerings.

The IFPG segment accounted for 100% of the Company’s revenue during the three months ended September 30, 2023. No revenue was recognized during the three months ended September 30, 2022.

The following table sets forth the Company's revenue and other income by operating and reportable segment, disaggregated into geographic locations based on sales billed from the respective country, for the three months ended September 30, 2023. No revenue was recognized during the three months ended September 30, 2022.

A) Revenue:

	Three Months Ended September 30, 2023		
	IFPG	SGBP	Total
United Kingdom	\$ 755,150	\$ —	\$ 755,150
Australia	8,082	—	8,082
Other	32,862	—	32,862
Total Revenue	\$ 796,094	\$ —	\$ 796,094

B) Other

	Three Months Ended September 30, 2023		
	IFPG	SGBP	Total
Australia	\$ —	\$ 64,550	\$ 64,550
United Kingdom	45,321	—	45,321
Total Government Support Income	\$ 45,321	\$ 64,550	\$ 109,871

	Three Months Ended September 30, 2022		
	IFPG	SGBP	Total
Australia	\$ —	\$ 311,320	\$ 311,320
United Kingdom	—	—	—
Total Government Support Income	\$ —	\$ 311,320	\$ 311,320

The Company operates in various geographic locations. The Company does not discretely allocate assets to its operating segments, nor does management evaluate operating segments using discrete asset information. The Company's consolidated assets are not specifically ascribed to its individual reportable segments. Rather, assets used in operations are generally shared across the Company's operating and reportable segments.

Property and equipment, net and operating lease right-of-use assets, by geographic location, are summarized as follows:

	September 30, 2023	June 30, 2023 (Audited)
Australia	\$ 731,579	\$ 761,220
United Kingdom	404,875	475,430
Total	\$ 1,136,454	\$ 1,236,650

NOTE 5. INTELLIGENT FINGERPRINTING LIMITED ACQUISITION

On October 4, 2022, INBS acquired 100% of the outstanding shares of Intelligent Fingerprinting Limited (IFP), a company registered in England and Wales, pursuant to a Share Exchange Agreement, dated October 4, 2022 (the “Share Exchange Agreement”) by and among IFP, the holders of all of the issued shares in the capital of IFP (the “IFP Sellers”) and a representative of the IFP Sellers. IFP owns a portfolio of intellectual property for diagnostic tests and associated technologies, including drug testing through the analysis of fingerprint sweat. The acquisition of IFP has expanded the Company’s platform of rapid, non-invasive diagnostic testing technologies.

The table below summarizes the fair value of the consideration transferred in the acquisition (pre-Reverse Stock Split basis):

Purchase consideration	Amount
Cash	\$ 363,500
Note receivable settled for business acquisition	504,938
Common Stock - 2,963,091 shares @ \$0.5502 / share	1,630,293
Series C Preferred Stock (base) - 2,363,003 shares @ 3 x \$0.5502 / share	3,900,373
Series C Preferred Stock (holdback) - 500,000 shares @ 3 x \$0.5502 / share	825,300
Total purchase price	<u>\$ 7,224,404</u>

Pursuant to the Share Exchange Agreement, the Company acquired from the IFP Sellers all of the issued and outstanding shares in the capital stock of IFP, and as consideration therefor, the Company issued and sold to the IFP Sellers upon the closing of the IFP Acquisition (the “IFP Closing”) an aggregate number of 148,183 (as adjusted for reverse stock split) shares of the Company’s common stock, and (ii) 2,363,003 shares of the Company’s Series C Convertible Preferred Stock, par value \$0.01 per share (the “Series C Preferred Stock”).

Up to an additional 1,649,273 shares of Series C Preferred Stock have been reserved for potential future issuance by the Company, consisting of (i) 500,000 shares of Series C Preferred Stock, that are being held back from the IFP Sellers for one year after the IFP Closing to secure potential indemnification claims by the Company against the IFP Sellers and (ii) 1,149,273 shares of Series C Preferred Stock to certain lenders to IFP (the “IFP Lenders”). Each share of Series C Preferred Stock is convertible into 0.15 shares of Common Stock (subject to adjustment upon the occurrence of specified events), contingent upon approval by the Company’s stockholders.

Effective contemporaneously with the IFP Closing, the Company entered into an amendment to the bridge facility agreement between the Company and IFP, dated as of June 16, 2022, pursuant to which, among other things, the \$504,938 (including accrued interest) loan from the Company to IFP that will remain outstanding following the date of the IFP Closing until the second anniversary of the date of the IFP Closing (the “Company-IFP Loan Agreement”).

The loan receivable from IFP of \$504,938 as of October 4, 2022, was treated as a cash consideration in accordance with ASC 805, *Business Combinations* (“ASC 805”).

The Company entered into various loan agreements in the aggregate amount of \$1,425,307 (£1,254,270), including accrued interest, pursuant to which IFP is the borrower and the Company became a guarantor of IFP’s obligations thereunder (the “IFP Loan Agreements” and, together with the Company-IFP Loan Agreement, the “Loan Agreements”). Under the Loan Agreements, the loans thereunder remained outstanding following the IFP Closing and (x) the loans and certain accrued interest will convert into shares of IFP, which shares of IFP will be immediately transferred to the Company in exchange for shares of Series C Preferred Stock that are convertible into common stock (as set forth in the Share Exchange Agreement) following approval of the Company Stockholder Approval Matters (defined below) or (y) the loans and certain accrued interest will become repayable on the second anniversary of the date of the IFP Closing. The loans bear interest at 17% per annum on a compounded basis, increasing to 22% per annum on a compounded basis with effect from the date that falls 12 months following the date of the IFP Closing, if the Company Stockholder Approval Matters have not been approved by the Company’s stockholders by such date. The “Company Stockholder Approval Matters” means the approval by the Company’s stockholders of (i) the conversion of the Series C Preferred Stock into common stock and (ii) any amendments to, or adoption of, any option or warrant plans to give effect to the transactions contemplated under the Share Exchange Agreement.

Each share of Series C Preferred Stock (other than the IFP Lender Preferred Shares) would automatically convert into common stock upon approval of the Company's stockholders of the conversion of Series C Preferred Stock into common stock, and each IFP Lender Preferred Share would convert into common stock at the option of the applicable holder of such IFP Lender Preferred Shares following approval of the Company's stockholders of the conversion of Series C Preferred Stock into common stock. In the event Company stockholder approval is not received, the convertible notes and accrued interest would remain outstanding. The number of shares of common stock into which the Series C Preferred Stock is convertible is subject to adjustment in the case of any stock dividend, stock split, combinations, or other similar recapitalization with respect to the common stock.

The rights, preferences and privileges of the Series C Preferred Stock are set forth in the Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock that the Company filed with the Secretary of State of the State of Delaware on October 4, 2022, as further described below (the "Series C Certificate of Designation").

The Series C Preferred Stock does not have any voting rights (other than as required by law) and does not carry dividends or a liquidation preference. Each share of Series C Preferred Stock was initially convertible into 3 shares of common stock, subject to adjustment as noted above. Following the effectiveness of the 1-for-20 Reverse Stock Split effective on February 9, 2023, each share of Series C Preferred Stock is convertible into 0.15 shares of common stock. The loan receivable from IFP of \$504,938 as of October 4, 2022, was treated as a cash consideration in accordance with ASC 805. See Note 11 for further information and disclosures relating to the conversion of the Series C Preferred Stock.

The Company incurred \$806,397 of equity issuance costs in relation to issuing common and Series C Preferred Stock to acquire IFP. These costs were recognized as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

On May 8, 2023, at a special meeting of the Company's stockholders (the "Special Meeting"), the last of the remaining Company Stockholder Approval Matters were approved when the Company's stockholders approved the full conversion of all Series C Preferred Stock and an increase in the number of shares authorized for issuance under the 2019 Long Term Incentive Plan ("2019 Plan" or the "Plan"). Subsequently, effective as of May 10, 2023, all 3,512,277 shares of outstanding Series C Preferred Stock (which included the 1,149,273 Lender Preferred Shares, but not the 500,000 Closing Holdback Shares (which are not deemed outstanding)) were converted into an aggregate of 526,818 shares of common stock.

The 500,000 Closing Holdback Shares (consisting of Series C Preferred Stock) are being held back from issuance to the IFP Sellers for one year after the IFP Closing in order to secure potential indemnification claims by the Company against the IFP Sellers. These Closing Holdback Shares, which are not deemed outstanding, are currently convertible into approximately 75,000 shares of common stock (subject to rounding for fractional shares).

The final allocation of the purchase price of IFP to the assets acquired and liabilities assumed, based on their relative fair values, is as follows:

Allocation of purchase consideration	Amount
Assets:	
Cash and cash equivalents	\$ 174,481
Inventory	774,625
Other current assets	345,038
Property and Equipment	52,170
Intangible assets	5,463,000
Goodwill	3,803,293
Total assets acquired	<u>10,612,607</u>
Liabilities:	
Accounts payable and accrued expenses	(1,027,302)
Notes payable	(677,137)
Convertible notes payable	(1,683,764)
Total liabilities assumed	<u>(3,388,203)</u>
Net assets	<u>\$ 7,224,404</u>

Acquired intangible assets of \$5,463,000 include technology of \$5,119,000 (which is estimated to have a useful life of 7 years), customer relationships of \$252,000 (which are estimated to have a useful life of 3 years), and trade names and trademarks of \$92,000 (which are estimated to have an indefinite useful life). The value assigned to technology was determined using the multi-period excess earnings methodology under the income approach, the customer relationships was valued using the distributor method under the income approach, and the trade name and trademarks was valued using the relief from royalty method.

The acquisition produced \$3,803,293 of goodwill, which has been assigned to the IFPG reporting unit. The goodwill is attributable to a combination of IFP's assembled workforce and other product and operating synergies. Goodwill arising from the IFP Acquisition is not deductible for tax purposes. During the fiscal year ended June 30, 2023, the full amount of goodwill was impaired. Refer to Note 3, summary of significant accounting policies, and Note 7, intangible assets for further information.

Transaction costs, except for the equity issuance costs discussed above, were not material and are included in selling, general and administrative expenses on the Company's condensed consolidated statement of operations.

Intangible assets acquired from IFP were remeasured at September 30, 2023 and June 30, 2023 using the applicable spot rate.

Pro-Forma Results of Operations

Unaudited pro-forma consolidated results of operations for the three months ended September 30, 2023 are not required because the results of the acquired business are included in the Company's results. The following unaudited pro-forma consolidated results of operations for the three months ended September 30, 2022, has been prepared as if the acquisition of IFP had occurred on July 1, 2022 and includes adjustments for amortization related to the valuation of acquired intangibles:

	Three Months Ended September 30, 2022	
	As Reported	Pro Forma
Revenue	\$ —	\$ 347,486
Net loss	(1,214,078)	(2,455,633)
Net loss attributable to Intelligent Bio Solutions Inc.	(1,208,293)	(2,449,848)
Net loss per share, basic and diluted	(1.62)	(2.74)

NOTE 6. INVENTORIES

Inventories consist of the following:

	September 30, 2023	June 30, 2023 (Audited)
Raw material and work-in-progress	\$ —	\$ 419,889
Finished goods	1,221,689	757,518
Less: provision for inventory obsolescence	(256,598)	(197,500)
Inventory, net	<u>\$ 965,091</u>	<u>\$ 979,907</u>

NOTE 7. INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following as of September 30, 2023:

	Weighted average useful lives (years)	Acquisition cost	Effect of foreign currency	Accumulated amortization	Carrying value
Technology	7 years	\$ 5,119,000	\$ 407,724	\$ 935,292	\$ 4,591,432
Customer relationships	3 years	252,000	20,072	90,691	181,381
Trade names and trademarks	Indefinite	92,000	7,328	—	99,328
Total intangible assets		<u>\$ 5,463,000</u>	<u>\$ 435,124</u>	<u>\$ 1,025,983</u>	<u>\$ 4,872,141</u>

Intangible assets, net consist of the following as of June 30, 2023:

	Weighted average useful lives (years)	Acquisition cost	Effect of foreign currency	Accumulated amortization	Carrying value
Technology	7 years	\$ 5,119,000	\$ 603,422	\$ 780,500	\$ 4,941,922
Customer relationships	3 years	252,000	29,127	70,282	210,845
Trade names and trademarks	Indefinite	92,000	10,634	—	102,634
Total intangible assets		<u>\$ 5,463,000</u>	<u>\$ 643,183</u>	<u>\$ 850,782</u>	<u>\$ 5,255,401</u>

Intangibles assets recognized from the acquisition of IFP were allocated to the IFPG operating and reportable segment.

Expense related to the amortization of intangible assets for the three months ended September 30, 2023, was \$175,201. There was no amortization of intangible assets during the three months ended September 30, 2022. Refer to Note 3, summary of significant accounting policies for further information.

Amortization expense for the intangible assets is expected to be as follows over the next five years, and thereafter:

Remainder of 2024	\$	641,947
2025		855,929
2026		787,911
2027		765,239
2028		765,239
Thereafter		956,548
Total	<u>\$</u>	<u>4,772,813</u>

There were no impairment charges related to intangible assets incurred in the periods presented.

NOTE 8. NOTE PAYABLE

As a result of the acquisition of IFP, the Company assumed a note payable due to a distributor of IFP. The unpaid principal balance of the loan will accrue interest at a rate of 0.97% per annum. The balance is offset by:

- Payments of 10% of the Company's monthly worldwide gross revenue received in the preceding month;
- 50% of sales by the company to the distributor.

The classification of the notes payables is based on sales forecast prepared by the management.

NOTE 9. LEASES

In relation to the IFP Acquisition, the Company assumed a non-cancelable operating lease agreement. The Company entered into another non-cancelable operating lease that commenced in May 2023. The leases have original lease periods expiring from August 2025 to April 2026. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company did not have any lease during the three months ended September 30, 2022.

The components of lease expense are as follows:

	Three Months Ended September 30,	
	2023	2022
Amortization of operating lease right-of-use assets	\$ 59,962	\$ —
Interest on operating lease liabilities	21,171	—
Total lease costs	\$ 81,133	\$ —

As of September 30, 2023, the weighted average remaining lease-term and discount rate on the Company's leases were 2.1 years and 13.2%, respectively.

The reconciliation of the maturities of the operating leases to the operating lease liabilities recorded in the consolidated balance sheet as of September 30, 2023, is as follows:

Remainder of 2024	\$	215,434
2025		299,090
2026		81,091
Total lease payments		595,615
Less: present value discount		(84,173)
Lease liabilities	\$	511,442

NOTE 10. SHAREHOLDERS' EQUITY

As of September 30, 2023, there were warrants outstanding to purchase 426,521 shares of common stock, held by certain shareholders. Each warrant initially represented the right to purchase one share of the Company's common stock and was subject to adjustment upon the occurrence of specified events including reverse stock splits.

NOTE 11. FAIR VALUE MEASUREMENTS

The Company has held back 500,000 Series C Preferred Stock, from the IFP Sellers for one year after the IFP Closing to secure potential indemnification claims by the Company against the IFP Sellers. Therefore, the final number of shares to be issued after the one-year measurement period is contingent on any potential claims and can be variable. Each share of Series C Preferred Stock is convertible into 0.15 shares of Common Stock (subject to adjustment upon the occurrence of specified events), contingent upon approval by the Company's stockholders of the conversion of Series C Preferred Stock. These shares are reserved, not issued, or held in Escrow account. See Note 5 for further information and disclosures relating to the conversion of the Series C Preferred Stock.

The following table provides a reconciliation of the beginning and ending balance of the holdback Preferred Stock measured at fair value on a recurring basis during the period:

	Preferred stock carried at fair value (Level 2)
Balance at June 30, 2023	\$ 208,500
Fair value gain on revaluation of holdback Series C Preferred Stock	(131,250)
Balance at September 30, 2023	\$ 77,250

The Company did not have assets or liabilities carried at fair value using Level 1 inputs during the three months ended September 30, 2023 and 2022.

NOTE 12. RELATED PARTY TRANSACTIONS*LSBD*

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

As of September 30, 2023 and June 30, 2023, \$0 and \$8,714, respectively, remains payable to LSBD in relation to overhead reimbursements.

NOTE 13. COMMITMENTS AND CONTINGENCIES

During November 2022, the Company signed a deed of variation with the University of Newcastle for the research and development of the Saliva Glucose Biosensor. The Company agreed to pay the University of Newcastle \$847,021, of which \$847,021 remains payable as of September 30, 2023.

The Company has no material purchase commitments. For commitments under non-cancellable leases, refer to Note 9.

From time to time, the Company may become a party to various legal proceedings arising in the ordinary course of business. Based on information currently available, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations or liquidity. However, legal matters are inherently uncertain, and the Company cannot guarantee that the outcome of any potential legal matter will be favorable to the Company.

NOTE 14. LOSS PER SHARE

Basic loss per common share is computed by dividing net loss allocable to common shareholders by the weighted average number of shares of common stock or common stock equivalents outstanding. Diluted loss per common share is computed similar to basic loss per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

The following outstanding warrants, options and preferred shares were excluded from the computation of diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	September 30,	
	2023	2022
Warrants - Common stock (March 23 public raise)	3,270	-
Warrants - Series A	70,068	70,068
Warrants - Series B	2,620	2,620
Private placement warrants (Dec 2022)	26,478	-
Warrants issued to Winx Capital Pty Ltd	1,324	-
Warrants issued to underwriters (IPO)	3,177	3,177
Warrants issued to underwriters (March 23 public raise)	32,750	-
Pre IPO warrants	136,834	136,834
Warrants issued to licensor - LSB D	150,000	150,000

NOTE 15. SUBSEQUENT EVENTS

Subsequent to the quarter ended September 30, 2023, on October 4, 2023, the Company completed a capital raise consisting a total of 2,232,221 shares of common stock, 5,728,723 shares of the Company's Series E Convertible Preferred Stock ("Preferred Stock") that were issued in lieu of Common Stock, 7,960,944 warrants to purchase shares of Common Stock that will expire on the five-and-a-half-year anniversary of the original issuance date (the "Series E Warrants"), and 7,960,944 warrants to purchase shares of Common Stock that will expire on the one-and-a-half-year anniversary of the original issuance date (the "Series F Warrants", collectively with the Series E Warrants, the "Warrants"). Each Unit consists of one share of Common Stock (or one share of Preferred Stock), one Series E Warrant and one Series F Warrant. The Units were priced at a combined public offering price of \$0.55 per Unit for initial gross proceeds of approximately \$4.378 million. Net proceeds to the Company, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$3.35 million.

Subsequent to the quarter ended September 30, 2023, through to November 7, 2023, a total of 4,571,761 Series E Convertible Preferred Stock were converted to common stock.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited historical consolidated financial statements, which are included in the 2023 Form 10-K and our unaudited condensed consolidated financial statements for the fiscal quarter ended September 30, 2023, included elsewhere in this Quarterly Report on Form 10-Q. This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks, uncertainties, and other factors. Actual results could differ materially because of the factors discussed below or elsewhere in this Quarterly Report on Form 10-Q. See Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q and Part I, Item 1A. “Risk Factors” of the 2023 Form 10-K.

Forward-Looking Information

All statements other than statements of historical fact or relating to present facts or current conditions included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “should,” “can have,” “likely” and the negative of such words and other words and terms of similar meaning, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Item 1A — Risk Factors” of this Quarterly Report on Form 10-Q and in our 2023 Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by the federal securities laws, we are under no duty to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations.

Overview

Intelligent Bio Solutions Inc. (formerly known as GBS Inc.) and its wholly owned Delaware subsidiary, GBS Operations Inc. were each formed on December 5, 2016, under the laws of the state of Delaware. Our Australian subsidiary Intelligent Bio Solutions (APAC) Pty Ltd (formerly known as Glucose Biosensor Systems (Greater China) Pty Ltd) was formed on August 4, 2016, under the laws of New South Wales, Australia and was renamed to Intelligent Bio Solutions (APAC) Pty Ltd on January 6, 2023. On October 4, 2022, INBS acquired Intelligent Fingerprinting Limited (IFP), a company registered in England and Wales (the IFP Acquisition). Our headquarters are in New York, New York.

We are a medical technology company focused on developing and delivering intelligent, rapid, non-invasive testing and screening solutions. We operate globally with the objective of providing innovative and accessible solutions that improve the quality of life.

Our current product portfolio includes:

- **Intelligent Fingerprinting Platform** - Our proprietary portable platform analyzes fingerprint sweat using a one-time (recyclable) cartridge and portable handheld reader. Our flagship product from this platform, which is commercially available in certain countries outside of the United States, is the Intelligent Fingerprinting Drug Screening System (the “IFP System” or “IFP Products”), a two-part system that consists of non-invasive, sweat-based fingerprint diagnostic testing products designed to detect drugs of abuse including opioids, cocaine, methamphetamines, benzodiazepines, cannabis, methadone, and buprenorphine. The system comprises a small, tamper-evident drug screening cartridge onto which ten fingerprint sweat samples are collected in under a minute, before the portable analysis unit provides an on-screen result in under ten minutes. Samples collected with our confirmatory kits can also be sent to a third-party laboratory service provider to perform confirmation testing. Customers include safety-critical industries such as construction, transportation and logistics firms, manufacturing, engineering, drug treatment organizations in the rehabilitation sector, and judicial organizations.
- **The Biosensor Platform** – Our “Biosensor Platform” consists of a small, printable modified organic thin-film transistor strip that we license across the Asia Pacific Region from Life Science Biosensor Diagnostics Pty Ltd (“LSBD” or “Licensor”). The Biosensor Platform, which is designed to detect multiple biological analytes by substituting the Glucose Oxidase (“GOX”) enzyme with a suitable alternative for each analyte, is currently in the development stage. Our flagship product candidate based on the Biosensor Platform technology is the Saliva Glucose Biosensor (“SGB” and, together with a software app that interfaces the SGB with the Company’s digital information system, the Saliva Glucose Test or “SGT”), a Point of Care Test (POCT) expected to complement the invasive finger prick blood glucose monitoring test for diabetic patients. Our products based on the SGT are referred to herein as the “SGT products.”

These platform technologies have the potential to develop a range of POCT’s including the modalities of clinical chemistry, immunology, tumor markers, allergens, and endocrinology.

Highlights of Achievements

Our major achievements through the quarter ended September 30, 2023:

- On September 27, 2023, the Company announced that its Intelligent Fingerprinting Drug Screening business had obtained recertification for the latest ISO 13485: 2016 harmonized quality management system standard for the medical device industry. The recertification is effective October 14, 2023, and will be valid for three years. ISO 13485:2016 is the international standard for medical devices quality management system certification and is a requirement for medical device manufacturers operating across key regions, including the USA, Canada, Europe, Japan, Singapore, Malaysia and Saudi Arabia. Last year the US Food and Drug Administration published a proposed rule to harmonize its medical device quality management system, 21 CFR Part 820, to the ISO 13485 QMS standard.
- On September 21, 2023, the Company announced the successful debut of its Intelligent Fingerprinting Drug Screening System at Australia’s only workplace health and safety event – the Work Place Health and Safety Show in Sydney.
- On September 8, 2023, the Company announced the successful completion of a key development milestone in its plans to add ketamine and tramadol to its Intelligent Fingerprinting Drug Screening System. New assays for testing both drugs have passed the Company’s initial design phase and are ready for scale-up and transfer to manufacture in preparation for potential clinical trials. After completing these activities and successful clinical trials, the assays can be added to the panel of substances detected by the Company’s proprietary drug screening system.
- On August 1, 2023, the Company announced that it had secured 8 new customers across various locations throughout Australia, which collectively employ over 10,000 individuals, within just two months of launching its Intelligent Fingerprinting Drug Screening System in Australia.
- On July 6, 2023, the Company announced that it has signed a distribution agreement with Chile-based company TSCOM SPA for its Intelligent Fingerprinting Drug Screening System, increasing the product’s availability across South America. The Company further announced that it received its first order under this agreement, from a Chile-based electrical distribution company.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

	Three Months Ended September 30,	
	2023	2022
Revenue	\$ 796,094	\$ -
Cost of revenue (exclusive of amortization shown separately below)	(563,763)	-
Gross profit	<u>232,331</u>	<u>-</u>
Other income:		
Government support income	109,871	311,320
Operating expenses:		
Selling, general and administrative expenses	(2,457,060)	(1,450,418)
Development and regulatory approval expenses	(103,947)	(79,274)
Depreciation and amortization	(307,560)	-
Total operating expenses	<u>(2,868,567)</u>	<u>(1,529,692)</u>
Loss from operations	(2,526,365)	(1,218,372)
Other income (expense):		
Interest expense	(37,448)	(1,065)
Realized foreign exchange loss	-	(2,247)
Fair value gain on revaluation of financial instrument	131,250	-
Interest income	139	7,606
Total other income	<u>93,941-</u>	<u>4,294</u>
Net loss	(2,432,424)	(1,214,078)
Net loss attributable to non-controlling interest	(7,220)	(5,785)
Net loss attributable to Intelligent Bio Solutions Inc.	<u>\$ (2,425,204)</u>	<u>\$ (1,208,293)</u>
Other comprehensive loss, net of tax:		
Foreign currency translation loss	\$ (18,016)	\$ (135,559)
Total other comprehensive loss	<u>(18,016)</u>	<u>(135,559)</u>
Comprehensive loss	(2,450,440)	(1,349,637)
Comprehensive loss attributable to non-controlling interest	(7,220)	(5,785)
Comprehensive loss attributable to Intelligent Bio Solutions Inc.	<u>\$ (2,443,220)</u>	<u>\$ (1,343,852)</u>
Net loss per share, basic and diluted*	\$ (1.04)	\$ (1.62)
Weighted average shares outstanding, basic and diluted*	2,330,399	744,495

*Common Stock and per share amount have been retroactively adjusted to reflect the decreased number of shares resulting from a 1 for 20 reverse stock split effected on February 9, 2023, throughout the consolidated financial statement unless otherwise stated.

Revenue

Sales of goods

Revenue from sales of goods increased from \$0 to \$796,094 for the quarter ended September 30, 2023, compared to same period in 2022. This is due to acquisition of IFP in October 2022, whose results of operations are consolidated, as well as, the launch of fingerprint drug testing in APAC region via Intelligent Bio Solutions (APAC) Pty Ltd. The acquisition provided the Company with access to a commercially available Fingerprinting drug testing system which is currently being marketed in Europe and the Asia Pacific Region.

Revenue from the IFPG segment relates to the sale of readers, cartridges and accessories and is summarized as follows:

	Three Months Ended September 30,	
	2023	2022
Sales of goods - cartridges	\$ 380,059	\$ —
Sales of goods - readers	238,802	—
Other sales	177,233	—
Total revenue	<u>\$ 796,094</u>	<u>\$ —</u>

Cost of revenue

Cost of revenue increased by \$563,763 to \$563,763 from \$0 for the quarter ended September 30, 2023, compared to same period in 2022. Cost of revenue relates to the direct labor, direct material costs and direct overhead costs incurred in the production of the goods.

Gross profit

Gross profit is primarily attributable to the IFPG segment. Gross profit increased from \$0 to \$232,331 for the quarter ended September 30, 2023, compared to same period in 2022. This is due to the acquisition of IFP in October 2022.

Government support income

Government support income decreased by \$201,449 to \$109,871 from \$311,320 for the quarter ended September 30, 2023, compared to same period in 2022. This decrease was primarily attributable to the timing of amount spent on qualifying research and development expenditure.

The grant support income is primarily attributable to INBS's subsidiary companies recognizing an R&D tax refund as the Company believes that it is probable that the amount will be recovered in full through a future claim (see Note 3 to our consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for further information and disclosures relating R&D tax refund).

Operating expenses

Selling, general and administrative expenses

Selling, general and administrative expenses increased by \$1,006,642 to \$2,457,060 from \$1,450,418 for the quarter ended September 30, 2023, compared to the same period in 2022. This is largely due to the acquisition of IFP which added approximately 32 staff to our FTE headcount, and the results of operations of IFP which are consolidated in the current period from the date of acquisition.

As the Company's operating activities increase, we expect selling, general and administrative costs will include additional costs in overhead contribution, consultancy, as well as an increase in employee-related costs associated with a higher headcount.

Development and regulatory expenses

Development and regulatory expenses increased by \$24,673 to \$103,947 from \$79,274 for the quarter ended September 30, 2023, compared to the same period in 2022. This increase is primarily driven by the timing of invoicing and research and development activities carried out by University of New Castle.

As the Company's operating activities increase, we expect its development and regulatory expenses to increase in future periods.

Depreciation and amortization

Depreciation and amortization increased from \$0 to \$307,560 for the quarter ended September 30, 2023, compared to same period in 2022. This is due to the acquisition of IFP and primarily related to the amortization of acquired Intangibles and property and equipment acquired in October 2022.

Other income and expenses

Interest expense

Interest expense increased by \$36,383 to \$37,448 from \$1,065 for the quarter ended September 30, 2023, as compared to the same period in 2022. This increase was attributable to the interest expense recorded for leased assets and notes payable.

Realized foreign exchange loss

Realized foreign exchange loss decreased by \$2,247 to \$0 from a loss of \$2,247 for the quarter ended September 30, 2023, compared to the same period in fiscal 2022. This decrease was largely attributable to the favorable exchange rates while settling transactions in currencies other than its functional currencies.

Fair value gain on revaluation of financial instruments

The fair value gain on revaluation of financial instruments increased by \$131,250 to \$131,250 from \$0 for the three months ended September 30, 2023, as compared to the same period in 2022. This increase is due to the revaluation gains on the contingent consideration for holdback shares resulting from the acquisition of IFP.

Income tax (expense) benefit

There was no income tax expense for both the three months ended September 30, 2023, and 2022, respectively, as the Company has established a full valuation allowance for all its deferred tax assets.

Other comprehensive income

Foreign currency translation gain/(loss)

Unrealized foreign currency translation loss decreased by \$117,543 to a loss of \$18,016 from a loss of \$135,559 for the quarter ended September 30, 2023, compared to the same period in 2023. It is calculated based on the Company's unsettled transactions in currencies other than its functional currency and translation of assets and liabilities of foreign subsidiaries in reporting currency.

Net loss

Net loss attributable to the Company increased by \$1,216,911 to \$2,425,204 from \$1,208,293 for the quarter ended September 30, 2023, compared to the same period in 2022. This increase is primarily driven by combined results of operations after the acquisition of IFP offset by a recognition of fair value gain on revaluation of holdback Series C Preferred Stock during the current quarter of \$131,250.

Liquidity and Capital Resources

We use working capital and cash measures to evaluate the performance of our operations and our ability to meet our financial obligations. We define Working Capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under GAAP. This information is intended to provide investors with information about our liquidity. Other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Since our inception, our operations have primarily been financed through the issuance of our common stock, redeemable convertible preferred stock, and the incurrence of debt. As of September 30, 2023, we had \$186,401 in cash and cash equivalents and a working capital deficit of \$4,154,043.

The Company expects that its cash and cash equivalents as of September 30, 2023, will be insufficient to allow the Company to fund its current operating plan through at least the next twelve months from the issuance of these financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date these financial statements are issued. There can be no assurance that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to us, or at all.

On October 4, 2023, subsequent to the quarter ended September 30, 2023, the Company raised approximately \$4.378 million prior to deducting underwriting discounts and commissions and offering expenses via a registered underwritten public offering of the Company's securities. Net proceeds to the Company, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$3.35 million. Refer to Note 15 for details.

In the event we require additional capital, there can be no assurances that we will be able to raise such capital on acceptable terms, or at all. Failure to generate sufficient revenues or raise additional capital through debt or equity financings, or through collaboration agreements, strategic alliances or marketing and distribution arrangements, could have a material adverse effect on our ability to meet our long-term liquidity needs and achieve our intended long-term business plan. Our failure to obtain such funding when needed could create a negative impact on our stock price or could potentially lead to a reduction in our operations or the failure of our company. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern unless it can successfully raise additional capital.

Extended Transition Period for "Emerging Growth Companies"

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that impact the amounts reported in our consolidated financial statements and accompanying notes that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

A summary of our significant accounting policies is included in Note 3 “Summary of significant accounting policies” to the accompanying unaudited condensed consolidated financial statements. Certain of our accounting policies are considered critical, as these policies require significant, difficult or complex judgments by management, often requiring the use of estimates about the effects of matters that are inherently uncertain. Our critical policies are summarized in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year ended June 30, 2023.

Recently issued Accounting Pronouncements

For the impact of recently issued accounting pronouncements on the Company’s unaudited condensed consolidated financial statements, see Note 3 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and incorporated herein by reference.

Off-balance sheet arrangements

As of September 30, 2023, and June 30, 2023, we did not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were ineffective due to the material weakness in internal control over financial reporting discussed below.

Notwithstanding this conclusion, we believe that our consolidated financial statements and other information contained in this quarterly report on Form 10-Q present fairly, in all material respects, our business, financial condition and results of operations for the periods presented.

In its assessment of the effectiveness of internal control over financial reporting as of June 30, 2023, management identified material weaknesses in control environment, risk assessment, control activities, information and communication and monitoring. Specifically, the material weaknesses identified relate to the fact that the Company has not yet designed and maintained an effective control environment commensurate with its financial reporting requirements, including (a) has not yet completed the formally documented policies and procedures with respect to the review, supervision and monitoring of the Company’s accounting and reporting functions, (b) lack of evidence to support the performance of controls and the adequacy of review procedures, including the completeness and accuracy of information used in the performance of controls and (c) as an emerging growth company we currently have limited accounting personnel and other supervisory resources necessary to adequately execute the Company’s accounting processes and address its internal controls over financial reporting.

Remediation Plan

Management is committed to continuing with the steps necessary to remediate the control deficiencies that constituted the above material weaknesses. Since our initial public offering (“IPO”), which we completed in December 2020, we made the following enhancements to our control environment:

- We added accounting and finance personnel to provide additional individuals to allow for segregation of duties in the preparation and review of schedules, calculations, and journal entries that support financial reporting, to provide oversight, structure and reporting lines, and to provide additional review over our disclosures;
- We enhanced our controls to improve the preparation and review over complex accounting measurements, and the application of GAAP to significant accounts and transactions, and our financial statement disclosures; and,
- We engage independent experts when complex transactions are entered into;
- We plan to recruit additional financial reporting and accounting personnel with adequate knowledge of US GAAP and SEC rules; and
- We are in the process of engaging outside consultants to assist us in our evaluation of the design, implementation, and documentation of internal controls that address the relevant risks, and that provide for appropriate evidence of performance of our internal controls (including completeness and accuracy procedures).

Under the direction of the Audit Committee of our board of directors, management will continue to take measures to remediate the material weaknesses. As such, we will continue to enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility, and accountability to enable remediation of our material weakness.

As we continue to evaluate, and work to improve, our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation effort, described above, there have been no changes to the Company’s internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d 15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On October 4, 2022, the Company completed the acquisition of IFP. In accordance with the guidance issued by the SEC, recently acquired businesses may be excluded from management’s assessment of the effectiveness of the Company’s internal control over financial reporting for up to a year from the date of acquisition and from the annual management report on internal control over financial reporting for the year of acquisition. Accordingly, management excluded the IFP Acquisition from the management’s assessment of the effectiveness of the Company’s internal control over financial reporting from October 4, 2022 (the acquisition date), which excluded total assets and total net revenue representing approximately 82.64% and 99% respectively, of the Company’s related consolidated financial statement amounts as of and for quarter ended September 30, 2023.

Inherent Limitation on the Effectiveness of Internal Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business. We are not currently engaged in any material legal proceedings.

ITEM 1A. RISK FACTORS.

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC on August 23, 2023, except for risks described below. Any of those risk factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

We will need to raise additional capital to fund our operations in the future. If we are unsuccessful in attracting new capital, we may not be able to continue operations or may be forced to sell assets to do so. Alternatively, capital may not be available to us on favorable terms, or if at all. If available, financing terms may lead to significant dilution of our stockholders' equity.

We are not profitable and have had negative cash flow from operations since our inception. To fund our operations and develop and commercialize our products (including the SGT and planned applications of IFP Drug Screening System), we have relied primarily on equity and debt financings and government support income. The Company expects that its cash and cash equivalents as of September 30, 2023, of \$186,401, will be insufficient to allow the Company to fund its current operating plan through at least the next twelve months from the issuance of its unaudited condensed consolidated financial statements for the fiscal quarter ended September 30, 2023. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date these unaudited condensed consolidated financial statements were issued. Accordingly, the Company will be required to raise additional funds during the next 12 months. However, there can be no assurance that when the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its research programs and/or limit or cease its operations. In addition, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern unless it can successfully raise additional capital. On October 4, 2023, subsequent to the quarter ended September 30, 2023, the Company raised approximately \$4.378 million prior to deducting underwriting discounts and commissions and offering expenses via a registered underwritten public offering of the Company's securities. Net proceeds to the Company, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$3.35 million.

To obtain the capital necessary to fund our operations, we expect to finance our cash needs through public or private equity offerings, debt financing and/or other capital sources. Even if capital is available, it might be available only on unfavorable terms. Any additional equity or convertible debt financing into which we enter could be dilutive to our existing stockholders. Any future debt financing into which we enter may impose covenants upon us that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, repurchase our stock, make certain investments and engage in certain merger, consolidation or asset sale transactions. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, we may need to relinquish rights to our technologies or our products or grant licenses on terms that are not favorable to us. If access to sufficient capital is not available as and when needed, our business will be materially impaired, and we may be required to cease operations, curtail one or more product development or commercialization programs, scale back or eliminate the development of business opportunities, or significantly reduce expenses, sell assets, seek a merger or joint venture partner, file for protection from creditors or liquidate all of our assets. Any of these factors could harm our operating results.

We have identified material weaknesses in our internal control over financial reporting. If our remediation of the material weaknesses is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

In connection with the preparation of our financial statements for the fiscal year ended June 30, 2023, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

The material weaknesses related to the fact that the Company has not yet designed and maintained an effective control environment commensurate with its financial reporting requirements, including (a) that the Company had not yet completed the formally documented policies and procedures with respect to the review, supervision and monitoring of the Company's accounting and reporting functions, (b) the lack of evidence to support the performance of controls and the adequacy of review procedures, including the completeness and accuracy of information used in the performance of controls and (c) as an emerging growth company we currently have limited accounting personnel and other supervisory resources necessary to adequately execute the Company's accounting processes and address its internal controls over financial reporting.

We have implemented and are in the process of implementing measures designed to improve our internal control over financial reporting to remediate these material weaknesses, including the hiring of additional qualified accounting and finance personnel, enhancing our controls to improve the preparation and review over complex accounting measurements and the application of GAAP, and engaging independent experts and outside consultants.

We cannot assure you that the measures we have taken and that we intend to take will be sufficient to remediate the material weaknesses we have identified or avoid potential future material weaknesses. While we believe that our efforts will enhance our internal control, remediation of the material weaknesses will require further validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, and we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses.

The sale of a substantial number of shares of our common stock and other securities convertible into or exercisable for our common stock, such as those securities sold in the October 2023 Offering, could depress the market price of our shares of common stock and impair our ability to raise capital through the sale of additional equity securities.

The shares of common stock and Series E Convertible Preferred Stock (which is convertible into common stock) sold in the October 2023 Offering more than doubled the number of shares of our common stock in the public market from approximately 2,330,399 shares to 10,291,343 shares (including 5,728,723 shares Series E Preferred Stock convertible into common stock). If all the warrants sold in the October 2023 Offering are exercised, the number of shares of our common stock in the public markets will increase by an additional 15,921,888 shares, which will result in a total of 26,231,231 shares of our common stock in the public market. In addition, we agreed to issue warrants to the representative of the underwriters in the October 2023 Offering (the October Representative Warrants) to purchase up to 398,047 shares of common stock as a portion of the compensation payable to the representative in connection with the October 2023 Offering. The sales of these securities could depress the market price of our shares of common stock and/or increase the volatility of our trading.

The sale of a substantial number of shares of our common stock and other securities convertible into or exercisable for our common stock, such as those securities sold in the October 2023 Offering, could depress the market price of our shares of common stock and impair our ability to raise capital through the sale of additional equity securities. In addition to causing the market price of our common stock to decline, such sales could also greatly increase the volatility associated with the trading of our common stock. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our common stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. We cannot predict the number of these shares or warrants that might be sold nor the effect that future sales of our shares of our securities would have on the market price of our shares of common stock.

If we are unable to achieve certain agreed milestones for the government grant we received, we may become liable to refund the grant we received. The Company has only completed 4 of the 8 agreed milestones set forth in the Company's grant agreement with the Australian Government.

As of September 30, 2023, there is uncertainty regarding the potential extension of the grant agreement past its original end date of March 28, 2024. If we are not given an extension beyond the original end date, or if we are unable to achieve the agreed milestones on time, we may become liable to refund the grant we received.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Other than any sales previously reported in the Company's Current Reports on Form 8-K, the Company did not sell any unregistered securities during the period covered by this report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	<u>Certificate of Elimination of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2023).</u>
3.2	<u>Certificate of Elimination of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2023).</u>
3.3	<u>Certificate of Designation of Preferences, Rights and Limitations of the Series E Convertible Preferred Stock, filed with the Delaware Secretary of State on October 3, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023).</u>
4.1	<u>Form of Series E Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023).</u>
4.2	<u>Form of Series F Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023).</u>
4.3	<u>Form of Representative Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023).</u>
4.4	<u>Warrant Agency Agreement, dated as of October 4, 2023, between Intelligent Bio Solutions Inc. and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023).</u>
31.1#	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2#	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1#	<u>Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2#	<u>Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS#	Inline XBRL Instance Document.
101.SCH#	Inline XBRL Taxonomy Extension Schema Document.
101.CAL#	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF#	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB#	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE#	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104#	Cover Page Interactive Data File (formatted in XBRL and included in Exhibit 101).

Filed herewith.

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Intelligent Bio Solutions Inc.

Date: November 8, 2023

By: /s/ Harry Simeonidis

HARRY SIMEONIDIS
CHIEF EXECUTIVE OFFICER AND PRESIDENT
(Principal Executive Officer)

Date: November 8, 2023

By: /s/ Spiro Sakiris

SPIRO SAKIRIS
CHIEF FINANCIAL OFFICER
(Principal Financial Officer)

OFFICER'S CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, *Harry Simeonidis*, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intelligent Bio Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 8, 2023

/s/ Harry Simeonidis

Harry Simeonidis, Chief Executive Officer and President
(Principal Executive Officer)

OFFICER'S CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Spiro Sakiris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intelligent Bio Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 8, 2023

/s/ Spiro Sakiris

Spiro Sakiris, Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, of Intelligent Bio Solutions Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harry Simeonidis, the Chief Executive Officer and President of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C 78m or 78o(d)); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2023

/s/ Harry Simeonidis

Harry Simeonidis
Chief Executive Officer and President
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Intelligent Bio Solutions Inc. and will be retained by Intelligent Bio Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, of Intelligent Bio Solutions Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Spiro Sakiris, the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C 78m or 78o(d)); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2023

/s/ Spiro Sakiris

Spiro Sakiris

Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Intelligent Bio Solutions Inc. and will be retained by Intelligent Bio Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
