Risk Factors Comparison 2023-09-28 to 2022-09-15 Form: 10-K

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An investment in our securities involves a high degree of risk. This annual report will contain a discussion of the risks applicable to an investment in our securities. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the heading " Risk Factors " in this annual report. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. The occurrence of any of these known or unknown risks might cause you to lose all or part of your investment in the offered securities. Summary Risk Factors Our business is subject to a number of risks, including those described at length below. The following is a summary of some of the principal risks we face: ● Risks Related to Our Business and Industry ● Legal and Regulatory Risks ● Risks Related to Ownership of Our Common Stock ● General Risks We have incurred significant losses since inception and anticipate that we will incur continued losses for the foreseeable future. As of June 30, ~~2022~~ **2023**, we had an accumulated deficit of approximately $ ~~215~~ **225**. ~~7~~ **4** million and reported a net loss of $ ~~8~~ **9**. ~~3~~ **6** million for the fiscal year ~~2022~~ **2023**. We are unable to predict the extent of any future losses or when we will become profitable, if at all. If we are unable to achieve and then maintain profitability, the market value of our common stock will likely experience significant decline. Our business units are in **the** development stage. They have earned limited revenues and it is uncertain whether they will earn any revenues in the future or whether any of them will ultimately be profitable. Our business units are in an early stage with a limited operating history. Their future operations are subject to all of the risks inherent in the establishment of a new business including, but not limited to, risks related to capital requirements, failure to establish business relationships, and competitive disadvantages against larger and more established companies. These business units will require substantial amounts of funding to continue to commercialize their products. If such funding comes in the form of equity financing, such equity financing may involve substantial dilution to existing shareholders. Even with funding, our products may fail to be effective or attractive to the market or lack the necessary financial or other resources or relationships to be successful. These business units can be expected to experience continued operating losses until they can generate sufficient revenues to cover their operating costs. Furthermore, these business units may not be able to develop, manufacture, or market additional products in the future, and there can be no guarantee that future revenues will be significant, that any sales will be profitable, or that the business units will have sufficient funds available to complete their commercialization efforts. Any products and technologies developed and manufactured by our business units may require regulatory approvals prior to being made, marketed, sold, and used. Regulatory approval of any products may not be obtained. In particular, TSA approval is required to begin selling the TRACER 1000 in the United States and FDA clearance or approval is required to market the BreathTest- 1000 in the United States. Obtaining approval from both TSA and FDA is a complex and lengthy process, and approvals for the TRACER 1000 and BreathTest- 1000 may not be granted on a timely basis or at all, which would have a material adverse affect on our results of operations and financial condition. We may need to raise additional capital to fund the operations of our business units and commercialize our products. If our available cash resources and anticipated cash flows from operations are insufficient to satisfy our liquidity requirements, including because of lower demand for our products or the realization of other risks discussed in this Item1A. of this Form 10- K, we may be required to raise additional capital through issuances of equity or convertible debt securities, entrance into a credit facility or another form of third party funding or seek other debt financing. There is no assurance we will be able to obtain future financing on commercially reasonable terms, or at all. In any event, we may consider raising additional capital in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities or for other reasons, including to: ● increase our sales and marketing efforts to drive market adoption of our products and address competitive developments; ● fund development and marketing efforts of our existing products or any future products; ● expand our technologies into additional markets; ● acquire, license or invest in technologies and other intellectual property rights; ● acquire or invest in complementary businesses or assets; and ● finance capital expenditures and general and administrative expenses. Our present and future funding requirements will depend on many factors, including: ● our ability to achieve projected revenue growth; ● the cost of expanding our operations, including production capacity; ● our rate of progress in launching and commercializing new products, and the cost of the sales and marketing activities associated with increasing sales of our existing instruments and products; ● our rate of progress in, and cost of research and development activities associated with, products in research and development; ● the effect of competing technological and market developments; ● the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims; ● costs related to domestic and international expansion; and ● the potential cost of and delays in product development as a result of any regulatory oversight that may be applicable to our products. The various ways we could raise additional capital carry potential risks. If we raise funds by issuing equity securities, dilution to our stockholders could result. Any preferred equity securities issued also could provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by borrowing debt, such debt would have rights, preferences and privileges senior to those of holders of our common stock. The terms of such debt could impose significant restrictions on our operations. If we raise funds through collaborations or licensing arrangements, we might be required to relinquish significant rights to our platform technologies or products or grant licenses on terms that are not favorable to us or commit to future payment streams. Market volatility resulting from the COVID-19 pandemic or other factors may further adversely impact our ability to raise capital as and when needed. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and

could have a material adverse effect on our business, financial condition, results of operations and prospects. We may not be able to obtain patents, other intellectual property protection or licenses for the technologies contained in the products we develop. The commercial success of any of our business units will depend, in part, on obtaining patent and other intellectual property protection for the technologies contained in any products it developed. In addition, our business units may need to license intellectual property to commercialize future products or avoid infringement of the intellectual property rights of others. Licenses may not be available on acceptable terms and conditions, if at all. Our business units may suffer if any licenses terminate, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties, if the licensed patents or other rights are found to be invalid, or if our respective business unit is unable to enter into necessary licenses on acceptable terms. If such business unit, or any third- party, from whom it licenses intellectual property, fails to obtain adequate patent or other intellectual property protection for intellectual property covering its products, or if any protection is reduced or eliminated, others could use the intellectual property covering the products, resulting in harm to the competitive business position of this business unit. In addition, patent and other intellectual property protection may not provide our business units with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that this business unit owns or has rights to. Such competition could adversely affect the prices for any products or the market share of any of our business units and could have a material adverse effect on its results of operations and financial condition. We may not be able to successfully develop the BreathTest- 1000 or any other new products or services. Our business strategy outlines the use of the decades of experience we have accumulated to expand the services and products we offer to both U. S. government agencies and commercial industries. These services and products are in the development stage and involve new and untested technologies and business models. These technologies and business models may not be successful, which could result in the loss of any investment we make in developing them, including the development of the BreathTest- 1000. Furthermore, we are subject to risks including, but not limited to, the following with respect to the development of the BreathTest- 1000: ● the governmental approval process could be lengthy, time consuming and is inherently unpredictable, and we cannot guarantee that the required approvals for our products, including FDA approvals, will be granted on a timely basis or at all or that we will ever have a marketable product; ● customers must be persuaded that using our products are effective alternatives to other existing detection methods available for COVID- 19 and other infections in order for our products to be commercially successful; ● if we fail to comply with applicable FDA regulations, our premarket submissions could be adversely affected, and we could face substantial enforcement actions, including civil and criminal penalties and our business, operations and financial condition could be adversely affected. Medical- device development involves a high degree of risk and uncertainty, and our potential products may not be successfully developed, achieve their intended benefits, receive full market authorization, or be commercially successful. Moreover, as the COVID- 19 pandemic persists and further information continues to develop, we are learning of increased risks and uncertainties in developing and commercializing new products and services in these unprecedented and evolving circumstances. Our success depends significantly on the establishment and maintenance of successful relationships with our customers. Our customer base is limited; therefore, we continue to work on diversifying our customer base, while going to great lengths to satisfy the needs of our current customer base. Due to the limited number of customers, if any of our customers terminate their relationship with us, it could materially harm our business and results of operations. Third parties may claim we are infringing their intellectual property rights, and we could suffer significant litigation or licensing expenses or be prevented from selling products. As we introduce any new and potentially promising product or service or improve existing products or services with new features or components, companies possessing competing technologies, or other companies owning patents or other intellectual property rights, may be motivated to assert infringement claims in order to generate royalty revenues, delay or diminish potential sales, and challenge our right to market such products or services. Even if successful in defending against such claims, patent and other intellectual property related litigation is costly and time consuming. In addition, we may find it necessary to initiate litigation in order to protect our patent or other intellectual property rights, and even if the claims are well- founded and ultimately successful, such litigation is typically costly and time-consuming and may expose us to counterclaims, including claims for intellectual property infringement, antitrust, or other such claims. Third parties could also obtain patents or other intellectual property rights that may require us to either redesign products or, if possible, negotiate licenses from such third parties. Adverse determinations in any such litigation could result in significant liabilities to third parties or injunctions, or could require us to seek licenses from third parties, and if such licenses are not available on commercially reasonable terms, prevent us from manufacturing, importing, distributing, selling, or using certain products, any one of which could have a material adverse effect on us. In addition, some licenses may be non- exclusive, which could provide our competitors access to the same technologies. Under any of these circumstances, we may incur significant expenses. Our ongoing success is dependent upon the continued availability of certain key employees. We are dependent in our operations on the continued availability of the services of our employees, many of whom are individually key to our current and future success, and the availability of new employees to implement our growth plans. The market for skilled employees is highly competitive, especially for employees in technical fields. While our compensation programs are intended to attract and retain the employees required for us to be successful, ultimately, we may not be able to retain the services of all of our key employees or a sufficient number to execute on our plans. In addition, we may not be able to continue to attract new employees as required. Our operating results may be adversely affected by increased competition. We generally sell our products in industries that have increased competition through frequent new product and service introductions, rapid technological changes, and changing industry standards. Without the timely introduction of new products, services, and enhancements, our products and services will become technologically obsolete over time, in which case our revenue and operating results would suffer. The success of our new products and services will depend on several factors, including our ability to: • properly identify customer needs and predict future needs; • innovate and develop new technologies, services, and applications; • successfully commercialize new technologies in a timely manner; • manufacture and deliver our products in sufficient volumes and on time; • differentiate our

offering from our competitors' offerings; • price our products competitively; • anticipate our competitors' development of new products, services, or technological innovations; and • control product quantity in our manufacturing process. Our facilities located in Austin are susceptible to damage caused by hurricanes or other natural disasters. Our ATI facilities in Austin are susceptible to damage caused by hurricanes or other natural disasters. Although we insure our properties and maintain business interruption insurance, there can be no guarantee that the coverage would be sufficient or a claim will be fulfilled. A natural disaster could result in a temporary or permanent closure of some of our business operations, thus impacting our future financial performance. If we are unable to anticipate technological advances and customer requirements in the commercial and governmental markets, our business and financial condition may be adversely affected. Our business strategy employs our personnel' s decades of experience to expand the services and products we offer to our customers. We believe that our growth and future financial performance depend upon our ability to anticipate technological advances and customer requirements. We may not be able to achieve the necessary technological advances for us to remain competitive. Our failure to anticipate or respond adequately to changes in technological and market requirements, or delays in additional product development or introduction, could have a material adverse effect on our business and financial performance. Additionally, the cost of capital to fund these businesses will likely require dilution of shareholders. We incur substantial upfront, non- reimbursable costs in preparing proposals to bid on contracts or to receive research and development grants that we may not be awarded. Preparing a proposal to bid on a contract or to receive a research and development grant is labor- intensive and results in the incurrence of substantial costs that are generally not retrievable. Additionally, although we may be awarded a contract or grant, work performance does not commence for several months following completion of the bidding process. If funding problems by the party awarding the contract or grant or other matters further delay our commencement of work, these delays may lower the value of the contract or grant, or possibly render it unprofitable. A failure of a key information technology system, process, or site could have a material adverse impact on our ability to conduct business. We rely extensively on information technology systems to interact with our employees and our customers. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting materials to finished products, shipping product to customers, processing transactions, summarizing and reporting results of operations, transmitting data used by our service personnel and by and among our personnel and facilities, complying with regulatory, legal, and tax requirements, and other processes necessary to manage our business. If our systems are damaged or cease to function properly due to any number of causes, ranging from the failures of third- party service providers, to catastrophic events, to power outages, to security breaches, and our business continuity plans do not effectively compensate on a timely basis, we may suffer interruptions in our ability to manage operations which may adversely impact our results of operations and / or financial condition. Our manufacturing operations are dependent upon third party suppliers, including single source suppliers, making us vulnerable to external factors such as supply shortages and price fluctuations, which could harm our business. We are subject to the risks inherent in the manufacturing of our products, including industrial accidents, environmental events, strikes and other labor disputes, capacity constraints, as well as global shortages, disruptions in supply chain and loss or impairment of key suppliers, as well as natural disasters and other external factors over which we have no control. Our products contain several critical components, including certain electrical components such as specialized cables and specialized pumps. Some of the suppliers of critical components or materials are single source suppliers. Although we believe there are suitable alternative suppliers for these components, the replacement of existing suppliers or the identification and qualification of suitable second sources may require significant time, effort and expense, and could result in delays in production, which could negatively impact our business operations and revenue. We do not have supply agreements with certain suppliers of these critical components and materials beyond purchase orders and, although we maintain a safety stock inventory for certain critical components, forecasted amounts may be inaccurate and we may experience shortages as a result of serious supply problems with these suppliers. There can be no assurance that our supply of components will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. In addition, loss of any critical component provided by a single source supplier could require us to change the design of our manufacturing process based on the functions, limitations, features and specifications of the replacement components. In addition, several other non- critical components and materials that comprise our products are currently manufactured by a single supplier or a limited number of suppliers. In certain of these cases, we have not yet qualified alternate suppliers. A supply interruption or an increase in demand beyond our current suppliers' capabilities could harm our ability to manufacture our products unless and until new sources of supply are identified and qualified. Our reliance on these suppliers subjects us to a number of risks that could harm our business, including: ● interruption of supply resulting from modifications to or discontinuation of a supplier' s operations; ● trade disputes or other political conditions or economic conditions; ● delays in the manufacturing operations of our suppliers, or in the delivery of parts and components to support such manufacturing operations, due to the impact of public health issues, endemics or pandemics, such as COVID- 19; ● delays in product shipments resulting from uncorrected defects, reliability issues, or a supplier' s variation in a component; ● a lack of long- term supply arrangements for key components with our suppliers; ● inability to obtain adequate supply in a timely manner, or to obtain adequate supply on commercially reasonable terms; ● difficulty and cost associated with locating and qualifying alternative suppliers for our components in a timely manner; ● a modification or change in a manufacturing process or part that unknowingly or unintentionally negatively impacts the operation of our platform; ● production delays related to the evaluation and testing of products from alternative suppliers, and corresponding regulatory qualifications; ● delay in delivery due to our suppliers prioritizing other customer orders over ours; ● damage to our brand reputation caused by defective components produced by our suppliers; ● increased cost of our warranty program due to product repair or replacement based upon defects in components produced by our suppliers; and ● fluctuation in delivery by our suppliers due to changes in demand from us or their other customers. Any interruption in the supply of components or materials, or our inability to obtain substitute components or materials from alternate sources at acceptable prices in a timely manner, could result in increased costs and impair our ability to meet the demand of our customers, any of which

would have an adverse effect on our business, financial condition, results of operations and prospects. Changes in foreign currency exchange rates may negatively affect our financial condition and results of operations. As a result of the scope of our foreign sales and foreign operations, including in connection with the sale of the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, we face significant exposure to movements in exchange rates for foreign currencies, particularly the Euro. Moreover, certain of our products are sold internationally in U. S. dollars; if the U. S. dollar strengthens, the relative cost of these products and services to customers located in foreign countries would increase, which could adversely affect export sales. In addition, most of our financial obligations must be satisfied in U. S. dollars. Our ~~exposures~~ **exposure** to changes in foreign currency exchange rates may change over time as our business practices evolve and could result in increased costs or reduced revenue and could adversely affect our cash flow. Changes in the relative values of currencies occur regularly and may have a significant impact on our operating results. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can cost- effectively mitigate this exposure. Repair or replacement costs due to warranties we provide on our products could have a material adverse effect on our business, financial condition and results of operations. We provide our customers with warranties on the products we sell. These warranties typically provide for repairs and maintenance of the products if problems arise during a specified time period after original shipment. Existing and future warranties place us at the risk of incurring future repair and / or replacement costs. Concurrent with the sale of products, we record a provision for estimated warranty expenses with a corresponding increase in **the** cost of goods sold. We periodically adjust this provision based on historical experience and anticipated expenses. We charge actual expenses of repairs under warranty, including parts and labor, to this provision when incurred. We exercise judgment in estimating the expected product warranty costs, using data such as the actual and projected product failure rates, estimated repair costs, freight, material, labor and overhead costs. While we believe that historical experience provides a reliable basis for estimating such warranty cost, unforeseen quality issues or component failure rates as well as significantly higher sales and the introduction of new products could result in future costs in excess of such estimates, or alternatively, improved quality and reliability in our products could result in actual expenses that are below those currently estimated. As of June 30, **2023, and** 2022, we had accrued a balance of **$ 88 thousand and** $ 50 thousand relating to product warranty provision, representing a surplus of estimated warranty expenses over actual expenses for the fiscal ~~year~~ **years** ~~2022~~. Substantial amounts of warranty claims could have a material adverse effect on our business, financial condition and results of operations. Our products and operations are subject to extensive governmental regulation, and failure to comply with applicable requirements could cause our business to suffer. The medical technology industry is regulated extensively by governmental authorities, principally the FDA, and state regulatory agencies with oversight of various aspects of drug and device distribution, sale, and use. The regulations are very complex, have become more stringent over time, and are subject to rapid change and varying interpretations. Regulatory restrictions or changes could limit our ability to carry on or expand our operations or result in higher than anticipated costs or lower than anticipated sales. The FDA and other federal and state governmental agencies regulate numerous elements of our business, including: ● product design and development; ● pre - clinical and clinical testing and trials; ● product safety; ● establishment registration and product listing; ● labeling and storage; ● marketing, manufacturing, sales and distribution; ● pre - market clearance or approval; ● servicing and post - marketing surveillance, including reporting of deaths or serious injuries and malfunctions that, if they recurred, could lead to death or serious injury; ● advertising and promotion; ● post - market approval studies; ● product import and export; and ● recalls and field - safety corrective actions. Before we can market or sell a new medical device, such as the BreathTest- 1000, in the United States, we must obtain either clearance under Section 510 (k) of the FDCA, grant of a de novo classification request, or approval of a pre - market approval, or PMA, application from the FDA. In the 510 (k) clearance process, the FDA must determine that a proposed device is " substantially equivalent " to a legally marketed " predicate " device (in most cases Class II devices, with a few exceptions), with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Class III devices approved under the PMA process cannot serve as predicates. Clinical data are sometimes required to support substantial equivalence. In the de novo process, the FDA must determine that general and special controls are sufficient to provide reasonable assurance of the safety and effectiveness of a device, which is low to moderate risk and has no predicate (in other words, the applicant must justify the " down- classification " to Class I or II for a new product type that would otherwise automatically be placed into Class III, but is lower risk). The PMA process requires an applicant to demonstrate the safety and effectiveness of the device based on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life - sustaining, life - supporting or implantable devices. Products that are approved through a PMA application generally need FDA approval before they can be modified. Similarly, some modifications made to products cleared through a 510 (k) may require a new 510 (k). The 510 (k), de novo, and PMA processes can be expensive and lengthy and require the payment of significant fees, unless an exemption applies. The FDA' s 510 (k) clearance process usually takes from 3 to 12 months, but may take longer. The FDA' s stated goal is to review de novo classification requests within 150 days, 50 % of the time, but in reality the process for many applicants generally takes even longer, up to a year or more. The process of obtaining a PMA is much more costly, rigorous, and difficult than the 510 (k) clearance process and generally takes from one to three years, or longer, from the time the application is submitted to the FDA until an approval is obtained. The process of obtaining regulatory clearances, approvals, and emergency use authorization to market a medical device can be costly and time - consuming, and we may not be able to obtain these clearances, approvals, or authorizations on a timely basis, or at all for our proposed products. We expect that our BreathTest- 1000 product candidate will undergo FDA premarket review via the 510 (k) process. If the FDA requires us to go through a lengthier, more rigorous examination for marketing authorization of the BreathTest- 1000 or future modifications to the BreathTest- 1000, if cleared by the FDA, than we had expected, our commercialization plans could be delayed or canceled, which could cause our sales to decline or to not increase in line with our forecasts. In addition, the FDA may determine that future products, as applicable, will

require the more costly, lengthy and uncertain PMA process. Although we do not currently intend to develop or market any devices under a PMA, the FDA may demand that we obtain a PMA prior to marketing certain of our future product candidates, if applicable. Further, even where a PMA is not required, we cannot assure you that we will be able to obtain any 510 (k) clearances with respect to the BreathTest- 1000 or other future product candidates that we may develop, if any. The FDA can delay, limit or deny clearance, approval, or authorization of a device for many reasons, including: ● we may not be able to demonstrate to the FDA' s satisfaction that our products meet the definition of " substantial equivalence " or meet the standard for the FDA to grant a petition for de novo classification; ● we may not be able to demonstrate that our products are safe and effective for their intended uses; ● the data from our pre- clinical studies (bench and / or animal) and / or clinical trials may be insufficient to support clearance, approval, or authorization; and ● the manufacturing process or facilities we use may not meet applicable requirements. In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of our products under development. Any delay in, or failure to obtain or maintain, clearance or approval for our products under development could prevent us from generating revenue from these products and adversely affect our business operations and financial results. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could dissuade some customers from using our products and adversely affect our reputation and the perceived safety and efficacy of our product. Failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as fines, civil penalties, injunctions, warning letters, recalls of products, delays in the introduction of products into the market, refusal of the FDA or other regulators to grant future clearances or approvals, and the suspension or withdrawal of existing clearances or approvals by the FDA or other regulators. Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and negatively impact our reputation, business, financial condition and operating results. Furthermore, any operations or product applications outside of the United States will subject us to various additional regulatory and legal requirements under the applicable laws and regulations of the international markets we enter. These additional regulatory requirements may involve significant costs and expenditures and, if we are not able to comply with any such requirements, our international expansion and business could be significantly harmed. Failure to obtain clearance or authorization for the BreathTest- 1000, or other delays in the development of the BreathTest- 1000, would adversely affect our ability to grow our business. Commercialization of the BreathTest- 1000 may require an EUA, FDA clearance of a 510 (k) premarket notification submission, and / or authorization of a de novo submission. The process for submitting and obtaining FDA clearance of a 510 (k), authorization of a de novo submission, or EUA can be expensive and lengthy. The FDA' s review process can take several months or longer, and we may not be able to obtain FDA clearance, de novo authorization, or Emergency use Authorization for the BreathTest- 1000 on a timely basis, if at all. The FDA' s refusal of, or any significant delays in receiving 510 (k) clearance, de novo authorization, or Emergency use Authorization of the BreathTest- 1000, would have an adverse effect on our ability to expand our business. Thus far, we have not performed any clinical testing of the BreathTest- 1000, which will likely be required before the device can be marketed. Even if a clinical trial is completed, there can be no assurance that the data generated during a clinical trial will meet the safety and effectiveness endpoints or otherwise produce results that will lead the FDA to grant marketing clearance, approval, or authorization. In addition, any other delays in the development of the BreathTest- 1000, for example, unforeseen issues during product validation, would have an adverse effect on our ability to commercialize the BreathTest- 1000. FDA' s policy with respect to Emergency Use Authorizations is evolving and may limit the ability for medical products, including the BreathTest- 1000, to be eligible for commercialization under an Emergency Use Authorization. We intend to submit an application with the FDA for EUA for the BreathTest- 1000. The FDA has the authority to grant an Emergency Use Authorization to allow unapproved medical products to be used in an emergency to diagnose, treat or prevent serious or life- threatening diseases or conditions when there are no adequate, approved and available alternatives. If we are granted an Emergency Use Authorization for the BreathTest- 1000 for the diagnosis of COVID- 19, we would be able to temporarily commercialize the BreathTest- 1000 for the diagnosis of COVID- 19 prior to FDA clearance or authorization of a 510 (k) or de novo submission, respectively, provided that we do so in accordance with the specific conditions set forth in the EUA. However, the FDA does not have review deadlines with respect to such submissions and, therefore, the timing of any approval of an EUA submission is uncertain. We cannot guarantee that the FDA will review our data in a timely manner, or that the FDA will accept the data when reviewed. The FDA may decide that our data ~~are~~ **is** insufficient for an EUA and require additional pre- clinical, clinical or other studies and refuse to approve our application. In addition, the FDA may revoke an Emergency Use Authorization where it is determined that the underlying health emergency no longer exists or warrants such authorization, and we cannot predict how long, if ever, an Emergency Use Authorization would remain in place. Further, the FDA' s policy with respect to EUAs related to COVID- 19 is continuously evolving and may in the future limit the ability for medical products, including the BreathTest- 1000, to be eligible for an EUA. If we are unsuccessful in obtaining an EUA for the BreathTest- 1000 in a timely manner or at all, or if any granted EUA is revoked after a short period of time, it could have a material adverse effect on our future business, financial condition, operating results and cash flows. We and our suppliers may not meet regulatory quality standards applicable to our device- manufacturing processes, which could have an adverse effect on our business, financial condition, and results of operations. As a prospective medical device manufacturer, if BreathTest- 1000 or any other device (s) we may successfully develop in the future is approved or cleared for commercialization in the United States, we will need to register with the FDA and will be subject to periodic inspection by the FDA for compliance with the QSR, including requirements pertaining to design controls, product validation and verification, in- process testing, quality control and documentation procedures, labeling, among numerous others. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through routine and unannounced inspections by the FDA. Any product and component suppliers we may engage in connection with the manufacture and / or distribution of any medical device (s) for which we obtain FDA clearance or approval, if any, will also be

required to meet certain standards applicable to their manufacturing processes, and we may be held responsible for any failure to do so by any such suppliers or vendors. We cannot assure you that we or our current or future suppliers or vendors will comply with all regulatory requirements. The failure by us or one of our suppliers to achieve or maintain compliance with these requirements or quality standards may disrupt our ability to supply products sufficient to meet demand until compliance is achieved or, until a new supplier has been identified and evaluated. Our failure, or any product or component supplier' s failure, to comply with applicable regulations could result in a wide range of FDA enforcement actions against us, including warning letters, fines, recalls, injunctions, civil penalties, adverse action against marketing applications, product seizure or detention, operating restrictions, and criminal prosecution, any of which could harm our business. If the BreathTest- 1000 or any other device candidates are cleared for commercialization in the United States via the 510 (k) process, product modifications may require new 510 (k) clearances, de novo submissions, or pre - market approvals, or may require us to cease marketing or recall the modified products until clearances are obtained. Any modification to any 510 (k) - cleared device that we may market in the future, including the BreathTest- 1000 if we are able to complete development and obtain FDA clearance for any indication (s) for use, as applicable, could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510 (k) clearance or, possibly, a de novo or PMA. The FDA requires every manufacturer to make this determination in the first instance, and provides some guidance on decision making, but the FDA may review any manufacturer' s decision at any time. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. If the FDA disagrees with our determination and requires us to submit new 510 (k) notifications, de novo submissions or PMAs for modifications to our previously cleared or approved products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties. Once our BreathTest- 1000 or any other device candidate we may develop in the future, if any, is cleared or approved by FDA for marketing in the United States, if ever, we may be liable if the FDA or other U. S. enforcement agencies determine we have engaged in the off - label promotion of such products or have disseminated false or misleading labeling or promotional materials. If the BreathTest- 1000 or any other device candidate we may successfully develop and commercialize in the future, if any, is approved or cleared by FDA for marketing in the United States, the promotional materials, labeling, and related training methods must comply with applicable regulations prohibiting promotional communications that are inconsistent with the approved or cleared marketing submission (s) for the applicable product (s), or " off - label " promotion, as well as any false or misleading statements, among various other types of promotional claims, depending on the circumstances, content, audience, and other factors. For example, the FDA and / or FTC could conclude that a performance claim about a medical device is misleading if it determines that there is inadequate substantiation for the claim. If the FDA determines that future promotional materials or training promote an off - label use or make false or misleading claims about our commercial device (s), if any, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fines and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they determine that our promotional or training materials promote an unapproved use or make false or misleading claims, which could result in significant fines or penalties. Violations of the FDCA may also lead to investigations alleging violations of federal and state health care fraud and abuse laws, as well as state consumer protection laws, which may lead to costly penalties and may adversely impact our business. Recent court decisions have impacted FDA' s enforcement activity regarding off- label promotion in light of First Amendment Considerations; however, there are still significant risks in this area, in part due to the potential for False Claims Act exposure. In addition, the off - label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could result in substantial damage awards against us and harm our reputation. Similarly, until we have one or more commercially available, FDA- cleared or approved devices in the United States, if ever, we are prohibited from promoting or marketing the BreathTest- 1000 for any indication (s) for use or any other investigational devices. We could be subject to the same wide range of enforcement actions described above if we are found in violation of FDA' s prohibition on pre- approval promotion of an investigational device. Legislative or regulatory healthcare reforms may make it more difficult and costly for us to obtain reimbursement for our products or regulatory clearance or approval of our future products, if any, and to produce, market and distribute those products after clearance or approval is obtained. Recent political, economic and regulatory influences are subjecting the healthcare industry to fundamental changes. Both the federal and state governments in the United States and foreign governments continue to propose and pass new legislation and regulations designed to contain or reduce the cost of healthcare. Such legislation and regulations may result in decreased reimbursement for our product, which may further exacerbate industry - wide pressure to reduce the prices charged for our product. This could harm our ability to market our products and generate sales. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our current products and future products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our products. Delays in receipt of or failure to receive regulatory clearances or approvals for any future products would negatively impact our long - term business strategy. In the U. S., there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that restrict or regulate post - approval activities, which may affect our ability to profitably sell product candidates for which we obtain marketing approval, if any. Such government - adopted reform measures may adversely impact the pricing of healthcare products and services in the United States or internationally and the amount of reimbursement available from third - party payors. Our financial performance may be adversely affected by medical device tax provisions in healthcare reform laws. The Patient Protection and Affordable Care Act (the " PPACA ") imposed, among other things, an excise tax of 2. 3 % on any entity that manufactures or imports medical devices offered for sale in the United States. Under these provisions, the Congressional Research Service predicted that the total cost to the medical device industry may be up to $

20 billion over a decade. The Internal Revenue Service issued final regulations implementing the tax in December 2012, which required, among other things, bi- monthly payments and quarterly reporting. The Consolidated Appropriations Act, 2016 (Pub. L. 114- 113), signed into law in December 2015, included a two- year moratorium on the medical device excise tax. A second two- year moratorium on the medical device excise tax was signed into law in January 2018 as part of the Extension of Continuing Appropriations Act, 2018 (Pub. L. 115- 120), extending the moratorium through December 31, 2019. On December 20, 2019, as part of the Further Consolidated Appropriations Act, 2020 H. R. 1865 (Pub. L. 116- 94), President Trump signed into law a permanent repeal of the medical device tax under the PPACA such that sales of taxable medical devices after December 31, 2015 are not subject to the tax; however, there is no guarantee that Congress or the President will not reverse course in the future. If such an excise tax on sales of our products in the United States is enacted, it could have a material adverse effect on our business, results of operations and financial condition. **Our AgLAB business' growth is highly dependent on the U. S. hemp and cannabis market. New regulations causing licensing shortages and future regulations may create other limitations that decrease the demand for our products. General regulations at state and federal in the future may adversely impact our business. Although we do not grow, sell or distribute cannabis products, our products are closely tied to the hemp and cannabis industry and could subject us to regulatory, financial, operational and reputational risks and challenges.** The **base** ~~AgLAB line~~ of **cannabis growers in the U. S. has grown over the last few decades since the legalization of cannabis for medical uses in states such as California, Colorado and Washington. The U. S. cannabis market is still in its infancy and early adopter states such as California, Colorado and Washington represent a large portion of historical industry revenues. The U. S. cannabis cultivation market is expected to be one of the fastest growing industries in the U. S. over the coming years. If the U. S. cannabis cultivation market does not grow as expected, our** business **, financial condition and results of operations could be impacted. The California cannabis cultivation market** is ~~subject~~ **expected** to **be one of the fastest growing industries in California over the coming years. If the California** ~~heightened regulatory scrutiny and may experience additional uncertainty, difficulties, and risks due to its involvement with~~ cannabis ~~and / or~~ **cultivation market does not grow as expected,** ~~or~~ **our** ~~businesses~~ -- **business** ~~or activities relating to cannabis~~ , ~~particularly to the extent such businesses or activities are found to violate the~~ **financial condition and results of operations could be impacted. Marijuana remains illegal under U. S.** federal **law, as it is listed as a Schedule I substance under the United States** Controlled Substances Act **of 1970** (**the** " CSA "). **Notwithstanding laws** ~~The success of AgLAB' s business strategy depends,~~ in **various states permitting certain** ~~large part, on the constantly evolving legal and regulatory landscape of the~~ cannabis **activities, all** ~~industry. The political environment surrounding the~~ cannabis ~~industry in general can be volatile~~ **activities, including possession, distribution, processing** and ~~the regulatory framework~~ **manufacturing of cannabis in violation of federal law and investment in, and financial services or transactions involving proceeds of, or promoting such activities** ~~remains~~ - **remain** ~~in flux~~ **illegal under various U** . ~~To our knowledge~~ **S. federal criminal and civil laws and regulations** , **including** ~~there~~ -- **the** ~~are approximately 38~~ **CSA, as well as laws and regulations of several** states that have **not** legalized **some or any** cannabis **activities to date. Compliance with** ~~in some form, and additional states have pending legislation regarding the same; however, the risk remains that~~ applicable ~~federal and / or~~ state laws **regarding cannabis activities does not protect us from federal prosecution or other enforcement action, such as seizure or forfeiture remedies, nor does it provide any defense to such prosecution or action. Cannabis activities conducted in or related to conduct in multiple states may potentially face a higher level of scrutiny from federal authorities. Penalties for violating federal drug, conspiracy, aiding, abetting, bank fraud and / or money laundering laws may include prison, fines, and seizure / forfeiture of property used in connection with cannabis activities, including proceeds derived from such activities. Legislation and regulations pertaining to the use and cultivation of hemp and cannabis are enacted on both the state and federal government level within the United States. As a result, the laws** governing **the cultivation and use of hemp and** cannabis ~~- related activities~~ **may be subject to change. Any new laws** and **regulations limiting the use or cultivation of hemp and cannabis and any enforcement actions by state and federal governments could indirectly reduce demand for our** products **and** may **impact our current and planned future operations. There can be no assurance that changes in regulation of the industry and more rigorous enforcement by federal authorities will** have a ~~drastic~~ **detrimental effect on us.. Evolving federal and state laws and regulations pertaining to the use or cultivation of hemp and cannabis, as well active enforcement by federal or state authorities of the laws and regulations governing the use and cultivation of hemp and cannabis may indirectly affect our business, our revenues and our profits. The public' s perception of hemp and cannabis may significantly** impact ~~on~~ the ~~industry as a whole, adversely impacting our business, results of operations, financial condition or prospects. The~~ cannabis industry **' s success. Both** ~~may come under the scrutiny or further scrutiny by the FDA, SEC, DEA, DOJ, state attorneys general, and various other~~ -- **the** ~~federal~~ **medical** and **adult** ~~/ or state or non~~ - ~~governmental regulatory authorities or self- regulatory organizations that supervise or regulate the production, distribution, sale or~~ use of **hemp and** cannabis **are controversial topics** ~~for medical or non- medical purposes in the United States. It is impossible to determine the extent of the impact of any new laws~~ , **and** ~~regulations, or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the cannabis industry may adversely affect our business prospects. Further,~~ there is no guarantee that ~~state laws legalizing~~ **future scientific research, publicity, regulations, medical opinion,** and **public opinion** ~~regulating~~ -- **relating to** ~~the sale and use of~~ cannabis will ~~protect~~ **be favorable. The hemp and cannabis industry is an early- stage business that is constantly evolving with no guarantee of viability. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives** ~~our~~ -- **or** ~~relevant~~ **proposals to legalize cultivation and sale of cannabis or adopt new laws or regulations restricting or prohibiting the cultivation of hemp and cannabis where it is now legal, thereby limiting the potential customers who are engaged in the hemp and cannabis industry. Demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions**

develop. We cannot predict the nature of such developments or the effect, if any, that such developments could have on our business. As the possession and use of marijuana is illegal under the CSA, it is possible that our manufacture and sale of equipment that is used to cultivate marijuana or marijuana products may be deemed to be aiding and abetting illegal activities. Federal practices could change with respect to providers of equipment potentially usable by cultivators in the medical and recreational cannabis industry, which could adversely impact us. Cannabis growers use equipment that we offer for sale. While we are not aware of any threatened or current federal or state law enforcement actions against any supplier of equipment that might be used ~~or~~ for ~~future endeavors in the~~ cannabis ~~space~~ growing ~~, given~~ law enforcement authorities, in ~~the~~ their ~~complex interplay between~~ attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us, including but not limited to a claim of aiding and abetting, or being an accessory to, another' s criminal activities or that our products are considered " drug paraphernalia. " The federal aiding and abetting statute, U. S. Code Title 18 Section 2 (a), provides that anyone who " commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal. " Under U. S. Code Title 21 Section 863, the term " drug paraphernalia " means " any equipment, product or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance. " Any drug paraphernalia involved in any violation of Section 863 shall be subject to seizure and forfeiture upon the conviction of a person for such violation. While Section 863 (f) contains an exemption for any person authorized by local, state ~~and~~ or federal ~~laws~~ law to manufacture ~~in this space. Additionally~~, possess, or distribute such items, any such action may force us to cease operations and our investors could lose value associated with ~~there~~ their ~~can~~ investment. A risk exists that our activities could be ~~no assurances~~ deemed to be facilitating the selling or distribution of cannabis in violation of the CSA, or to constitute aiding or abetting, or being an accessory to, a violation of the CSA. There is also a risk that our products could be considered drug paraphernalia and could be subject to seizure. We believe, however, that such risks are relatively low. Federal authorities have not focused their resources on such tangential or secondary violations of the CSA, nor have they threatened to do so, with respect to the sale of equipment that might be used by cannabis cultivators, or with respect to any ~~laws~~ supplies marketed to participants in the medical and recreational cannabis industry. We are unaware of such a broad application of the CSA or the seizure of drug paraphernalia by federal authorities, and we believe that such an attempted application would ~~potentially protect cannabis-related operations will not~~ be uncustomary ~~repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions~~. If the federal government ~~begins~~ were to change its practices or were to expend its resources investigating and prosecuting providers of equipment that could be usable by participants in the medical or recreational cannabis industry, such action could have a materially adverse effect on our operations, our customers, or the sales of our products. As a result of such an action, we may be ~~enforce~~ forced to cease operations within the cannabis industry and our investors could lose value associated with their investment. We may become subject to FDA or ATF regulation with respect to our AgLab business. Marijuana remains a Schedule I controlled substance under U. S. federal ~~laws~~ law ~~relating~~. If the federal government reclassifies marijuana to a Schedule II, Schedule III, Schedule IV, or Schedule V controlled substance or declassifies it as a controlled substance, it is possible that the FDA would seek to regulate cannabis ~~in states where~~ under the FDCA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among ~~the~~ other ~~manufacture~~ products ~~, sale~~ through its enforcement authority pursuant to the FDCA. The FDA' s responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because marijuana is federally illegal to produce and sell, and because it has few federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has enforced the FDCA with regard to hemp-derived products, especially CBD derived from hemp. The FDA has consistently asserted its authority to regulate CBD derived from hemp and currently prohibits the introduction or delivery for introduction into interstate commerce of any ingestible product (intended for human consumption) containing CBD, though, notably, to- date, its enforcement efforts in this area have been limited to products making therapeutic claims to treat, prevent, and / or ~~use~~ mitigate one or more conditions or diseases. On January 26, 2023, the FDA reiterated its longstanding position (since the passage of ~~cannabis~~ the 2018 Farm Bill), announcing that, despite much speculation to the contrary, it would not seek to regulate CBD as a lawful dietary supplement. If FDA changes its current position in the future or if Congress enacts new legislation under which FDA is expressly authorized ~~currently legal, or if existing applicable state laws are repealed or curtailed, our business, results of operations, financial condition~~ and ~~prospects would~~ directed to do so, the FDA may issue rules and regulations, including good manufacturing practices related to the growth, cultivation, harvesting, processing, and production of hemp products. Clinical trials may be ~~materially adversely affected~~ needed to verify the efficacy and safety of such products. It is also possible ~~important to note~~ that the FDA would require facilities where medical- use ~~local and city ordinances may strictly limit and / or restrict disbursement of~~ cannabis ~~in a manner that will make it extremely difficult or impossible to transact business that~~ is ~~necessary~~ grown to register with the FDA and comply with certain federally prescribed regulations. If some ~~for~~ or all these regulations are imposed, the impact ~~the~~ they ~~continued operation of~~ would have on the hemp and cannabis industry is unknown, including the costs, requirements and possible prohibitions that may be enforced. If we are unable to comply with the potential regulations or registration requirements prescribed by the FDA, it may have a detrimental effect on our business, prospects, revenue, results of operation and financial condition. It is also possible that the ~~Federal~~ federal ~~actions against individuals or entities engaged in~~ government could seek to regulate cannabis under the U. S. Bureau of Alcohol, Tobacco, Firearms and Explosives (" ATF "). The ATF may issue rules and regulations related to the use, transport, sale and advertising of cannabis or cannabis products. The hemp and cannabis

industry ~~or~~ **could face strong opposition from other industries. We believe that established businesses in other industries may have** a ~~repeal~~ **strong economic interest in opposing the development** of ~~applicable~~ **the hemp and** cannabis **industry. Hemp and cannabis may be seen by companies in other industries as an attractive alternative to their products, including recreational marijuana as an alternative to alcohol, and medical marijuana as an alternative to various commercial pharmaceuticals. Many industries that could view the emerging hemp and cannabis industry as an economic threat are well established, with vast economic and United States federal and state lobbying resources. It is possible that companies within these industries could use their resources to attempt to slow or reverse legislation legalizing cannabis. Any inroads these companies make in halting or impeding legislative initiatives that would be beneficial to the hemp and cannabis industry could have a detrimental impact on our clients and, in turn on our operations. There may be difficulty enforcing certain of our commercial agreements and contracts. Courts will not enforce a contract deemed to involve a violation of law or public policy. Because marijuana remains illegal under U. S. federal law, parties to contracts involving the state legal cannabis industry have argued that the agreement was void as federally illegal or against public policy. Some courts have accepted this argument in certain cases, usually against the company trafficking in cannabis. While courts have enforced contracts** related ~~legislation~~ **to activities by state- legal cannabis companies, and the trend is generally to enforce contracts with state- legal cannabis companies and their vendors, there remains doubt and uncertainty that we will be able to enforce our commercial agreements with cannabis industry participants in court for this reason. We cannot be assured that we will have a remedy for breach of contract in such cases, which would have a detrimental impact on our business. A drop in the retail price of hemp and cannabis products may negatively impact our business. The fluctuations in economic and market conditions that impact the prices of commercially grown hemp and cannabis, such as increases in the supply of hemp and cannabis and decreases in demand for hemp and cannabis,** could ~~adversely affect us~~ **have a negative impact on our clients that are hemp** and **cannabis producers, and therefore could negatively impact** our business ~~prospects~~. **We** ~~Due to the nature of AgLAB' s business and the fact that related contracts may involve cannabis and activities that may not be legal or~~ may be subject to ~~substantial uncertainty regarding their legality~~ **constraints on and differences in marketing our products** under **varying state laws. There are and may continue to be restrictions on sales and marketing activities imposed by government regulatory bodies that could hinder the development of our business and operating results. Restrictions may include regulations that specify what, where and to whom product information and descriptions may appear and / or be advertised. Marketing, advertising, packaging, and labeling regulations also vary from state to state, potentially limiting the consistency and scale of consumer branding communication and product education efforts. The regulatory environment in the** U. S. ~~federal law and~~ **limits our ability to compete for market share** in ~~certain states and localities,~~ **a manner similar to other industries. If** we ~~may face difficulties in enforcing certain contracts in federal courts (as well as courts in states~~ **are unable to effectively market our products and compete for market share, or if the costs of compliance** with ~~comparatively stringent~~ **government legislation and regulation cannot be absorbed through increased selling prices** ~~or for restrictive cannabis laws). The inability to enforce one or~~ **our products** ~~more contracts~~, ~~as applicable,~~ **our sales and operating results** could **be** ~~have a material~~ **materially ,** ~~adverse~~ **adversely affected** ~~effect on our business prospects. Our ancillary participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against us or our investments. Litigation, complaints, and enforcement actions involving either us or our investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on our future cash flows, earnings, results of operations and financial condition~~. We are subject to differing tax rates in several jurisdictions in which we operate, which may adversely affect our business, financial condition, results of operations and prospects. We are subject to taxes in the United States and certain foreign jurisdictions. Due to economic and political conditions, tax rates in various jurisdictions, including the United States, may be subject to change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws or their interpretation. In addition, we may be subject to income tax audits by federal, state and local tax authorities in the United States and tax authorities outside the United States. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution by one or more taxing authorities could have a material impact on the results of our operations. Changes in U. S. trade policy, including changes to existing trade agreements and any resulting changes in international trade relations, may have a material adverse effect on us. The change in U. S. presidential administrations may alter the U. S.' s approach to international trade, which may impact existing bilateral or multi- lateral trade agreements and treaties with foreign countries. The U. S. has imposed tariffs on certain foreign goods and may increase tariffs or impose new ones, and certain foreign governments have retaliated and may continue to do so. We derive a significant portion of our revenues from international sales, which makes us especially vulnerable to increased tariffs. Changes in U. S. trade policy have created ongoing turmoil in international trade relations, and it is unclear what future actions the U. S. government or foreign governments will or will not take with respect to tariffs or other international trade agreements and policies. Current trade negotiations may fail, which may exacerbate these risks. Ongoing or new trade wars or other governmental action related to tariffs or international trade agreements or policies could reduce demand for our products and services, increase our costs, reduce our profitability, adversely impact our supply chain or otherwise have a material adverse effect on our business and results of operations. Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses. Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future. On ~~February 2~~ **August 25**, 2022, the intra- day sales price of our common stock fluctuated between a reported low sale price of $ ~~0~~ **13**. ~~62~~ **80** and a reported high sales price of $ ~~0~~ **16**. ~~72~~ **20**. Throughout the fiscal year ~~2022~~ **2023**, the closing sales price of our common stock has fluctuated between a reported low sales price of $ ~~0~~ **9**. ~~43~~ **28** and a reported high sales price of $ ~~1~~ **16**. ~~31~~ **20**. We may incur

rapid and substantial decreases in our stock price in the foreseeable future that are unrelated to our operating performance or prospects. The stock market in general and the market for companies such as ours in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following: ● investor reaction to our business strategy; ● the success of competitive products or technologies; ● our continued compliance with the Nasdaq listing standards; ● regulatory or legal developments in the United States and other countries, especially changes in laws or regulations applicable to our products; ● actions taken by regulatory agencies with respect to our products, manufacturing process or sales and marketing terms; ● the success of our efforts to acquire or in- license additional products or product candidates; ● developments concerning our collaborations or partners; ● developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products; ● our ability or inability to raise additional capital and the terms on which we raise it; ● declines in the market prices of stocks generally; ● trading volume of our common stock; ● sales of our common stock by us or our stockholders; ● general economic, industry and market conditions; and ● other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers or result in political or economic instability. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Further, recent increases are significantly inconsistent with any improvements in actual or expected operating performance, financial condition or other indicators of value, including our loss per share of $ ~~0~~ **5** . ~~17~~ **95** for our fiscal year ended June 30, ~~2022~~ **2023** . Since the stock price of our common stock has fluctuated in the past, has been recently volatile and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class- action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management' s attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current levels or that future sales of our common stock will not be at prices lower than those sold to investors. Additionally, securities of certain companies have recently experienced significant and extreme volatility in stock price due to short sellers of shares of common stock, known as a " short squeeze. " These short squeezes have caused extreme volatility in both the stock prices of those companies and in the market, and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment, as in many cases the price per share has declined steadily as interest in those stocks have abated. While we have no reason to believe our shares would be the target of a short squeeze, there can be no assurance that we won' t be in the future, and you may lose a significant portion or all of your investment if you purchase our shares at a rate that is significantly disconnected from our underlying value. We can sell additional shares of common stock without consulting shareholders and without offering shares to existing shareholders, which would result in dilution of shareholders' interests in the Company and could depress our stock price. Our Certificate of Incorporation authorizes 250, 000, 000 shares of common stock, of which ~~50~~ **1** , ~~567~~ **681** , ~~864~~ **729** were outstanding as of June 30, ~~2022~~ **2023** , and our Board is authorized to issue additional shares of our common stock. In addition, our Certificate of Incorporation authorizes 2, 500, 000 shares of " blank check preferred stock. " Shares of " blank check preferred stock " may be issued in such series and with such rights, privileges, and limitations as the Board may, in its sole discretion, determine. Our Board has designated 300, 000 shares as Series A Junior Preferred Stock, none of which are outstanding. The Board has also designated Series C and Series D Preferred Stock, of which no shares and 280, 898 shares are outstanding, respectively, as of June 30, ~~2022~~ **2023** . Although our Board intends to utilize its reasonable business judgment to fulfill its fiduciary obligations to our then existing shareholders in connection with any future issuance of our capital stock, the future issuance of additional shares of our capital stock would cause immediate, and potentially substantial, dilution to our existing shareholders, which could also have a material effect on the market value of the shares. Furthermore, our Board may authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock, and the right to the redemption of the shares, together with a premium, prior to the redemption of the common stock. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than the common stock or that is convertible into our common stock, which could decrease the relative voting power of the common stock or result in dilution to our existing shareholders. Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any disputes between us and our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors or officers. Our Certificate of Incorporation provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery for the State of Delaware is the sole and exclusive forum for claims brought by a stockholder, including claims in the right of the corporation, (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity or (ii) as to which the Delaware General Corporation Law (the " DGCL ") confers jurisdiction upon the Court of Chancery of the State of Delaware. The provision indicates that if the Court of Chancery does not have jurisdiction, then the Superior Court of the State of Delaware, or, if such other court does not have jurisdiction, the United States District Court for the District of Delaware, shall be the exclusive forum for such action. These provisions of the bylaws are not a waiver of, and do not relieve anyone of duties to comply with, federal securities laws including those specifying the exclusive jurisdiction of federal courts under the Exchange Act and concurrent jurisdiction of federal and state courts under the Securities Act. Section 22 of the Securities Act provides that federal and state courts have

concurrent jurisdiction over lawsuits brought pursuant to the Securities Act or the rules and regulations thereunder. To the extent the exclusive forum provision restricts the courts in which claims arising under the Securities Act may be brought, there is uncertainty as to whether a court would enforce such a provision. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to these provisions. These provisions may impose additional litigation costs on stockholders in pursuing any such claims, particularly if the stockholders do not reside in or near the State of Delaware, or limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if a court were to find our choice of forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. A sale of a substantial number of shares of the common stock may cause the price of our common stock to decline. If our shareholders sell, or the market perceives that our shareholders intend to sell for various reasons, substantial amounts of our common stock in the public market may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. We are a smaller reporting company and, as a result of the reduced disclosure and governance requirements applicable to such companies, our common stock may be less attractive to investors. We are a smaller reporting company, (i. e., a company with less than $ 250 million of public float) and we are eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies. We have elected to adopt these reduced disclosure requirements. We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile. Our failure to maintain compliance with Nasdaq' s continued listing requirements could result in the delisting of our Common Stock. Our common stock is currently listed for trading on the Nasdaq Capital Market. We must satisfy the Nasdaq Capital Market' s continued listing requirements ~~,~~ **or** risk delisting, which would have a material adverse effect on our business. A delisting of our common stock from the Nasdaq Capital Market could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities ~~. On December 21, 2021, we received a deficiency letter from Nasdaq indicating that, based upon the closing bid price of our common stock over the preceding 30 consecutive business days, we did not meet the minimum bid price of $ 1. 00 per share (the " Bid Price Requirement ") required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550 (a) (2). The letter indicated that we had a period of 180 calendar days, or until June 20, 2022 (the " First Compliance Period "), in which to regain compliance pursuant to Nasdaq Listing Rule 5810 (c) (3) (A) by having our common stock meet a closing bid price of at least $ 1. 00 for a minimum of ten consecutive business days during the First Compliance Period. We determined that we would not be in compliance with the minimum Bid Price Requirement by June 20, 2022. As a result, we notified Nasdaq and applied for an extension of the compliance period, as permitted under the original notification. In the application, we indicated that we met the continued listing requirement for market value of publicly- held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the minimum closing bid price requirement, and provided written notice of our intention to cure the deficiency during the second compliance period of an additional 180 days by effecting a reverse stock split, if necessary. On June 27, 2022, we received notification from Nasdaq that the date to achieve compliance has been extended an additional 180 days until December 19, 2022 (the " Second Compliance Period "). We plan to carefully assess potential actions to regain compliance during the Second Compliance Period. To regain compliance, the closing bid price of our common stock must be at least $ 1. 00 per share for a minimum of ten consecutive business days during the Second Compliance Period. If we fail to regain compliance on or prior to December 19, 2022, our stock will be delisted by Nasdaq, unless we timely appeal for a hearing before a Nasdaq Hearings Panel. The request for a hearing will stay any suspension or delisting action pending the issuance of the decision of the Nasdaq Hearings Panel following the hearing and the expiration of any additional extension granted by the Nasdaq Hearings Panel. There continues to be no immediate effect on the listing of our common stock, which continues to trade on the Nasdaq Capital Market under the symbol " ASTC. " However, there can be no assurance that we will be able to regain compliance with the Bid Price Requirement under Nasdaq Listing Rule 5550 (a) (2)~~ . If our common stock were delisted from Nasdaq, trading of our common stock would most likely take place on an over- the- counter market established for unlisted securities, such as the OTCQB or the Pink Market maintained by OTC Markets Group Inc. An investor would likely find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over- the-counter market, and many investors would likely not buy or sell our common stock due to difficulty in accessing over- the-counter markets, policies preventing them from trading in securities not listed on a national exchange or other reasons. In addition, as a delisted security, our common stock would be subject to SEC rules as a " penny stock, " which impose additional disclosure requirements on broker- dealers. The regulations relating to penny stocks, coupled with the typically higher cost per trade to the investor of penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher- priced stock, would further limit the ability of investors to trade in our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations, including our ability to attract and retain qualified employees and to raise capital. We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business, financial position, results of operations, and / or cash flows. We face various risks related to health epidemics,

pandemics, and similar outbreaks, including the global outbreak of COVID- 19 and its multiple variants. The COVID- 19 pandemic had numerous negative consequences for our business, including a reduction in demand for certain of our security screening products and services caused by a significant reduction in airline passenger traffic. To slow and limit the transmission of COVID- 19, governments across the world **have** imposed air travel restrictions and businesses and individuals canceled air travel plans. These restrictions and cancelations reduced demand for security screening products and related services at airport checkpoints globally as the number of airline passengers requiring screening fell. The pandemic also hampered our ability to meet with our customers and prospective customers and created supply chain challenges as certain components had longer lead times. The continued spread of COVID- 19 and COVID variants also led to disruption and volatility in the global capital markets, which increased the cost of capital and adversely impacted access to capital. While such negative impacts to our business have subsided to some degree, there is risk that new strains of COVID- 19 may become more prevalent and cause an extension of or additional negative consequences. In addition, if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, facility closures, or other restrictions in connection with the COVID- 19 pandemic, our operations will likely be impacted. We may be unable to perform fully on our contracts and our costs may increase as a result of the COVID- 19 outbreak. These costs may not be recoverable or adequately covered by insurance. It is possible that the continued spread of COVID- 19 and COVID variants could also further cause delay, or limit the ability of customers to perform, including in making timely payments to us; cause delay in regulatory certification testing of our instruments; and cause other unpredictable events. If any of our supply chain phases were interrupted or terminated, we could experience delays in our product development including the availability of products for clinical testing. The occurrence of one or more of these items could have a material adverse effect on our business, liquidity, financial condition, and / or results of operations. The effects of the COVID- 19 pandemic may negatively impact productivity, disrupt our business and delay our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results and financial condition. In addition, any future clinical trials may be affected by the COVID- 19 pandemic. Clinical site initiation and patient enrollment may be delayed due to prioritization of hospital resources toward the COVID- 19 pandemic. Also, some patients may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID- 19 and adversely impact our clinical trial operations **. The ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and results of operations. In February of 2022, Russian military forces invaded Ukraine, resulting in conflict and disruption in the region. The length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable. This conflict has led and may continue to lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, higher inflation, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage. As a result of the invasion and ongoing military conflict, governments in the European Union, the United States, the United Kingdom, Switzerland and other countries have implemented and may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions, and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, supply chain disruptions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations, and could also aggravate the other risk factors that we identify herein** . Increased cybersecurity requirements, vulnerabilities, threats, and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, services, and data. Increased global cybersecurity vulnerabilities, threats, and more sophisticated and targeted cyber- related attacks pose a risk to the security of our and our customers', suppliers', and third- party service providers' products, systems, and networks and the confidentiality, availability, and integrity of our and our customers' data. Although we have implemented policies, procedures, and controls to protect against, detect, and mitigate these threats, we remain potentially vulnerable to additional known or unknown threats. We also have access to sensitive, confidential, or personal data or information that is subject to privacy and security laws, regulations, and customer- imposed controls. Despite our efforts to protect sensitive, confidential, or personal data or information, we may be vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors, and / or malfeasance that could potentially lead to the compromising of sensitive, confidential, or personal data or information, improper use of our systems or networks, unauthorized access, use, disclosure, modification, or destruction of information, defective products, production downtimes, and operational disruptions. In addition, a cyber- related attack could result in other negative consequences, including damage to our reputation or competitiveness and remediation or increased protection costs, and could subject us to fines, damages, litigation, and enforcement actions. Increased costs associated with corporate governance compliance may significantly impact our results of operations. As a public company, we incur significant legal, accounting, and other expenses due to our compliance with regulations and disclosure obligations applicable to us, including compliance with the Sarbanes- Oxley Act of 2002, or the Sarbanes- Oxley Act, as well as rules implemented by the SEC, and Nasdaq. The SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance. In July 2010, the Dodd- Frank Wall Street Reform and Consumer Protection Act, or the Dodd- Frank Act, was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd- Frank Act that have required the SEC to adopt additional rules and regulations in these areas. Stockholder activism, the current political environment, and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact, in ways we cannot currently

anticipate, the manner in which we operate our business. Our management and other personnel devote a substantial amount of time to these compliance programs and monitoring of public company reporting obligations, and as a result of the new corporate governance and executive compensation related rules, regulations, and guidelines prompted by the Dodd- Frank Act, and further regulations and disclosure obligations expected in the future, we will likely need to devote additional time and costs to comply with such compliance programs and rules. These rules and regulations will cause us to incur significant legal and financial compliance costs and will make some activities more time- consuming and costly. The Sarbanes- Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. Our current controls and any new controls that we develop may become inadequate, and weaknesses in our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting, which we may be required to include in our periodic reports that we file with the SEC under Section 404 of the Sarbanes- Oxley Act, and could harm our operating results, cause us to fail to meet our reporting obligations, or result in a restatement of our prior period financial statements. If we are not able to demonstrate compliance with the Sarbanes- Oxley Act, that our internal control over financial reporting is perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results, and the price of our common stock could decline. We are required to comply with certain of the SEC rules that implement Section 404 of the Sarbanes- Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. This assessment needs to include the disclosure of any material weaknesses in our internal control over financial reporting identified by our management or our independent registered public accounting firm. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting or if we are unable to complete our evaluation, testing, and any required remediation in a timely fashion, we will be unable to assert that our internal control over financial reporting is effective. These developments could make it more difficult for us to retain qualified members of our Board of Directors, or qualified executive officers. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result. To the extent these costs are significant, our general and administrative expenses are likely to increase. Our insurance coverage may be inadequate to cover all significant risk exposures. We are exposed to liabilities that are unique to the products and services we provide. We maintain insurance for certain risks, and we believe our insurance coverage is consistent with general practices within our industry. However, the amount of our insurance coverage may not cover all claims or liabilities and we may be forced to bear substantial costs.