

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Positron Corporation

1777 Maryland Ave
Niagara Falls, NY 14305
(317) 576-0183
www.positron.com
investor@positron.com

3845 - Electromedical & Electrotherapeutic Apparatus

Quarterly Report

For the period ending September 30, 2023
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

24,930,008 as of September 30, 2023

23,430,008 as of December 31, 2022

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

N/A

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Texas

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

1777 Maryland Ave.
Niagara Falls, NY 14305

The address(es) of the issuer's principal place of business:

X Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Continental Stock Transfer
Phone: (212) 509-4000
Email: svacante@continentalstock.com
Address: 1 State Street, New York, NY 10004-1561

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	POSC	
Exact title and class of securities outstanding:	Common	
CUSIP:	737397604	
Par or stated value:	\$0.0001	
Total shares authorized:	6,000,000,000	as of date:09/30/23
Total shares outstanding:	24,930,008	as of date:09/30/23
Total number of shares in Public Float:	11,017,956	as of date:09/30/23
Total number of shareholders of record:	466	as of date:09/30/23

All additional class(es) of publicly quoted or traded securities (if any): None

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Preferred Series A	
CUSIP (if applicable):	737397PFD	
Par or stated value:	\$1.00	
Total shares authorized:	5,450,000	as of date: 09/30/23
Total shares outstanding (if applicable):	435,085	as of date: 09/30/23
Total number of shareholders of record:	29	as of date: 09/30/23

Exact title and class of the security:	Preferred Series B	
CUSIP (if applicable):	N/A	
Par or stated value:	\$1.00	
Total shares authorized:	9,000,000	as of date: 09/30/23
Total shares outstanding (if applicable):	192,000	as of date: 09/30/23
Total number of shareholders of record:	23	as of date: 09/30/23

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

Each Common share has one vote.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

Series A, Preferred Stock

Shares Authorized: 5,450,000. Shares Outstanding: 435,085. Par value: \$1.00 per share. Series A shares vote on an as converted to common stock. Series A is senior to Common Stock and Series B in liquidation. While Series A is outstanding or any accrued dividends remain unpaid, no common stock dividends may be declared by the Company. The Series A shares are convertible at the sole option of the Holder, into a number of shares of common stock equal to the number of shares being converted divided by the conversion price applicable to the current per share price of the Common Stock, initially \$1.33. The Series A shares may be redeemed at the sole option of the Company at \$1.46 per share plus any undeclared and/or unpaid dividends if the trading price of the Company's common stock has closed above \$2 per

share for twenty consecutive trading days. (If converted into common stock each share of Series A is convertible into 1 share of common stock and will be adjusted for a prior reverse stock split of 400:1, resulting in an additional 1,088 shares of common stock issued and outstanding on September 30, 2023, and December 31, 2022, respectively). There have been no conversions of Series A Preferred Stock.

Series B, Preferred Stock

Shares Authorized: 9,000,000. Shares Outstanding 192,000. Par value: \$1. Holders of Series B are entitled to 1 vote per share. Series B is senior to the Company's Common stock and junior to Series A in liquidation. Series B may be redeemed at the option of the Company at any time at a price of \$1.00 per share. (If converted into Common stock each share of Series B is convertible into 100 shares of common stock and will be adjusted as a result of the prior reverse stock split of 400, resulting in an additional 48,000 shares of common stock issued and outstanding on September 30, 2023, and December 31, 2022, respectively). There have been no conversions of Series B Preferred Stock.

3. **Describe any other material rights of common or preferred stockholders.**

None

4. **Describe any material modifications to the rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> 12/31/21 Common: 23,430,008 Preferred Series A: 435,085 Preferred Series B: 192,000									
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
2/22/21	New	300,000	Common	\$75,000	No	Skyline Corporate Communications Scott Powell	Corporate Communications	Restricted	NA
2/22/21	New	300,000	Common	\$75,000	No	William Gillis	Investor Relations	Restricted	NA
2/22/21	New	250,000	Common	\$62,500	No	John Boldis	Investor Relations	Restricted	NA
2/22/21	New	150,000	Common	\$37,500	No	Ivan Skoric	Investor Relations	Restricted	NA
5/12/21	New	100,000	Common	\$50,000	No	INCUB/Global LTD Jeremy King	Cash	Restricted	NA
5/21/21	New	4,000,000	Common	\$2,000,000	No	Lars Snijders	Cash	Restricted	NA
6/25/21	New	13,872	Common	\$10,000	No	Ewin Barnett	Conversion Preferred Series B Shares to Common	Restricted	NA
7/9/21	Returned to Treasury	(105,928)	Common	NA	No	Tradex Global Advisors, LLC Michael Beattie	Return/Cancellation of Shares	Restricted	NA
8/29/21	New	125,000	Common	\$3,750	No	Leon Wood	Cash Employee Remuneration	Restricted	NA
2/28/23	New	500,000	Common	\$375,000	No	Patagonia Medical Ventures Ronald Stewart	Cash	Restricted	NA
8/14/23	New	500,000	Common	\$500,000	No	Geroge Ortiz	Cash	Restricted	NA
9/06/23	New	500,000	Common	\$500,000	No	George Ortiz	Cash	Restricted	NA
Shares Outstanding on Date of This Report: <u>Ending Balance:</u> 09/30/23 Common: 24,930,008 Preferred Series A: 435,085 Preferred Series B: 192,000									

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021, through December 31, 2022, pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
12/2012	\$310,000	\$380,000	0	N/A	55% weighted average volume for three days preceding conversion.	Corey Conn	Advance
8/2022	\$1,336,439	\$1,200,000	\$136,439	3/24	NA	TISU Investments Tis Prager (Board of Director)	Note Payable Related Party
4/2023	\$519,397	\$500,000	\$19,397	3/24	NA	TISU Investments Tis Prager (Board of Director)	Note Payable Related Party

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
(Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Positron Corporation is a molecular imaging device company that offers a state-of-the-art PET imaging system and clinical services to nuclear medicine healthcare providers throughout North America. Positron specializes in the field of cardiac Positron Emission Tomography (PET) imaging, the gold standard in cardiac diagnostics. Positron's innovative PET technology, clinical services and imaging practice solutions enables healthcare providers to accurately diagnose coronary artery disease and improve patient outcomes through providing superior cost-effective medicine.

Positron's dedicated PET only device "the Attrius®" market position and approach in facilitating the adoption of cardiac PET are substantial advantages to the growth of the cardiac PET imaging market and Positron.

Positron is expanding its product line to include a PET-CT imaging device, named Affinity PET-CT 4D, Positron has sponsored a clinical study of its PET-CT with healthcare industry leader Ochsner Clinic of New Orleans. The objective of the clinical study is to validate the capabilities of Positron's PET-CT system and demonstrate its performance, efficacy, and utilization. Positron will submit an Investigational Device Exemption and a 510(k) with the FDA and upon receiving FDA Clearance Positron will launch its Affinity PET-CT 4D molecular imaging system.

Positron's Affinity PET-CT 4D imaging system will enable nuclear cardiologists to utilize the full capabilities available in molecular imaging and nuclear cardiology.

Positron's new Affinity PET-CT 4D system enables the Company to enter the oncology imaging arena and fully address and meet the needs and demands of the vast oncology diagnostics marketplace.

Positron, through an exclusive cooperation agreement with Shenyang Intelligent Nuclear Medical Technology Co. Ltd., a wholly owned subsidiary of Neusoft Medical Systems (Neusoft) has developed Positron's new PET-CT 4D system which

Positron will manufacture, sell, service and provide clinical services and full support over the lifetime of the system throughout North America.

Neusoft, through a joint venture with Positron produces Positron's Attrius PET system which is at the core of the technology for Positron new PET-CT 4D system. Over the past few years, both Neusoft and Positron have worked diligently towards this next phase of their business relationship in providing the best PET-CT system(s) available on the market. Positron's expansion to PET-CT was key to the Company's future on multiple imaging disciplines, likely setting Positron on a path for exponential growth upon the launch of the new PET-CT 4D system. Positron's PET-CT system enables the Company to meet the new demands of the nuclear cardiology community as well giving Positron the tools to enter and thrive in the oncology segment of the nuclear imaging market with what the Company's believes is the best product at the best price with the ability to service all healthcare providers.

B. List any subsidiaries, parent company, or affiliated companies.

None

C. Describe the issuers' principal products or services.

Currently, Positron offers nuclear cardiologists our cost-effective Attrius® PET nuclear imaging device, technical and clinical services, and can provide innovative financing solutions to meet the needs of hospitals and medical imaging practices. Positron's products and services empower healthcare providers to more accurately diagnose CAD and improve patient outcomes, while practicing cost effective medicine. We believe Positron's approach will bring substantial advantages in accelerating the adoption of cardiac PET and growth of the nuclear cardiology industry.

Positron will soon offer a state-of-the-art PET-CT 4D molecular imaging device that will enable nuclear cardiologists to utilize the full capabilities available in molecular imaging and nuclear medicine. Positron's PET-CT also allows the Company to expand and service the needs of the vast oncology diagnostics marketplace.

Positron's PET-CT system will provide superior nuclear imaging technology that is necessary for current and future imaging diagnostics in the fields of cardiology, oncology, and neurology. The addition of Positron's PET-CT 4D is the most significant advancement in the Company's expansion and believes it will have extraordinary demand in all disciplines of nuclear imaging. Positron's PET-CT 4D system provides superior value that simply delivers a better, faster, smaller footprint and less expensive imaging technology for nuclear cardiology and the broader oncology markets.

5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties, or facilities, clearly describe them as above and the terms of their leases.

Positron's Headquarters is in Niagara Falls, NY. This facility is the main hub for services & parts, purchasing, logistics and shipping functions. The Company continues to maintain select service parts at a repair facility in Houston, TX. On March 17, 2022, the Company executed a five (5) year lease extension for its office space that will cover the period June 1, 2022, through May 31, 2027. Payments for the 1st three (3) years will be \$1,600 per month, and for years four (4) and five (5) will be \$1,700 per month. The Company also has an option to renew the lease for an additional five (5) years through May 31, 2032. The Company seeks to expand its square footage in Niagara Falls within the same location when and if space becomes available.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling, or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Adel Abdullah	President/Chairman	793 Center Street Lewiston, NY 14092	0		0	
Aaron Hargrave	Vice President	540 Greenfield Rd Lewiston, NY 14092	0		0	
TISU Investments Tis Prager	Shareholder/Director	Peteracher 14 8126 Zumikon Switzerland	6,502,379	Common	26%	
Lars Snijders	Shareholder	Zandberglaan 17 Breda, 4818GH, The Netherlands	4,000,000	Common	16%	
PACNO Family Trust Julia Rzeppa (Trustee)	Shareholder	3801 Washington St Oak Brook, IL 60523	3,150,310	Common	12%	

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

NO

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

NO

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of

federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

NO

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

NO

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.**

NO

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Peter Campitiello
Firm: McCarter English
Address 1: Two Tower Center Boulevard
Address 2: East Brunswick, NJ 08816
Phone: 732 867-9741
Email: pcampitiello@mccarter.com

Accountant or Auditor

Name: Elliot Berman
Firm: Berman Audit & Advisory, PA
Address 1: Boca Raton, FL
Phone: 954 729-3025
Email: eberman@bermanauditadvisorycpa.com

Investor Relations

Name: NA
Firm:
Address 1:
Address 2:
Phone:

All other means of Investor Communication:

Twitter: @positronIR
Discord: NA
LinkedIn: Positron-Corporation
Facebook: NA

Other Service Providers

Provide the name of any other service provider(s) **that assisted, advised, prepared, or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

None

9) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☐ IFRS
- ☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)²:

Name:	Elliot Berman, CPA, Berman Audit & Advisory, P.A.
Title:	Managing Director
Relationship to Issuer:	Accountant
	The Company's accounting consultant is a CPA with over 25 years of experience performing accounting services for public companies and related filings.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Adel Abdullah certify that:

1. I have reviewed this Disclosure Statement for Positron Corporation.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

² The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/10/23

/s/ Adel Abdullah

Principal Financial Officer:

I, Adel Abdullah certify that:

1. I have reviewed this Disclosure Statement for Positron Corporation.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/10/23

/s/ Adel Abdullah

Positron Corporation

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Positron Corporation
Balance Sheets
(Unaudited)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 705,220	\$ 71,336
Accounts receivable	2,160	8,330
Inventory	2,006,947	2,006,947
Prepays and other	1,800	2,120
Total Current Assets	<u>2,716,127</u>	<u>2,088,733</u>
Property and equipment - net	62,600	81,924
Operating lease - right-of-use asset	59,141	71,240
Deposits	275,000	275,000
Total Assets	<u><u>\$ 3,112,868</u></u>	<u><u>\$ 2,516,897</u></u>
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 14,250	\$ 280,349
Accounts payable and accrued expenses - related party	155,836	46,685
Deferred revenue	-	16,330
Note payable - related party - net	1,636,649	1,161,728
Operating lease liability	14,419	13,856
Advances payable	310,000	310,000
Total Current Liabilities	<u>2,131,154</u>	<u>1,828,948</u>
Long Term Liabilities		
Operating lease liability	48,356	59,208
Total Long Term Liabilities	<u>48,356</u>	<u>59,208</u>
Total Liabilities	<u>2,179,510</u>	<u>1,888,156</u>
Commitments and Contingencies		
Stockholders' Equity		
Series A, preferred stock - \$1 par value; 8% cumulative, convertible, redeemable; 5,450,000 shares authorized; 435,085 and 435,085 shares issued and outstanding, respectively	435,085	435,085
Series B, preferred stock - \$1 par value; convertible, redeemable; 9,000,000 shares authorized; 192,000 and 192,000 shares issued and outstanding, respectively	192,000	192,000
Common stock - \$0.0001 par value, 6,000,000,000 shares authorized 24,930,008 and 23,430,008 shares issued and outstanding, respectively	2,493	2,343
Additional paid-in capital	130,815,044	129,313,495
Accumulated deficit	(130,510,889)	(129,313,807)
Less: treasury stock at cost - 750 and 750 shares, respectively	(375)	(375)
Total Stockholders' Equity	<u>933,358</u>	<u>628,741</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 3,112,868</u></u>	<u><u>\$ 2,516,897</u></u>

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

Positron Corporation
Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales	\$ 180,750	\$ 180,750	\$ 567,250	\$ 546,833
Cost of sales	293,132	331,195	830,688	824,647
Gross loss	(112,382)	(150,445)	(263,438)	(277,814)
General and administrative expenses	363,393	375,410	722,873	1,772,031
Loss from operations	(475,775)	(525,855)	(986,311)	(2,049,845)
Other income (expense)				
Interest expense	(40,329)	(16,438)	(109,151)	(16,438)
Amortization of debt discount	(31,674)	(45,562)	(101,620)	(45,562)
Total other income (expense) - net	(72,003)	(62,000)	(210,771)	(62,000)
Net loss	<u>\$ (547,778)</u>	<u>\$ (587,855)</u>	<u>\$ (1,197,082)</u>	<u>\$ (2,111,845)</u>
Loss per share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Weighted average number of shares - basic and diluted	<u>24,185,443</u>	<u>23,430,008</u>	<u>23,908,030</u>	<u>23,430,008</u>

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

Positron Corporation
Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2023
(Unaudited)

	Preferred Stock				Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Series A Shares	Amount	Series B Shares	Amount	Shares	Amount			Shares	Amount	
December 31, 2022	435,085	\$ 435,085	192,000	\$ 192,000	23,430,008	\$ 2,343	\$ 129,313,495	\$ (129,313,807)	750	\$ (375)	\$ 628,741
Stock issued for cash (\$0.75/share)	-	-	-	-	500,000	50	374,950	-	-	-	375,000
Net loss	-	-	-	-	-	-	-	(299,456)	-	-	(299,456)
March 31, 2023	435,085	435,085	192,000	192,000	23,930,008	2,393	129,688,445	(129,613,263)	750	(375)	704,285
Warrants issued as debt issue costs - related party	-	-	-	-	-	-	126,699	-	-	-	126,699
Net loss	-	-	-	-	-	-	-	(349,848)	-	-	(349,848)
June 30, 2023	435,085	435,085	192,000	192,000	23,930,008	2,393	129,815,144	(129,963,111)	750	(375)	481,136
Stock issued for cash (\$1/share)	-	-	-	-	1,000,000	100	999,900	-	-	-	1,000,000
Net loss	-	-	-	-	-	-	-	(547,778)	-	-	(547,778)
September 30, 2023	435,085	\$ 435,085	192,000	\$ 192,000	24,930,008	\$ 2,493	\$ 130,815,044	\$ (130,510,889)	750	\$ (375)	\$ 933,358

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

Positron Corporation
Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2022
(Unaudited)

	Preferred Stock				Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Series A		Series B						Shares	Amount	
	Shares	Amount	Shares	Amount	Shares	Amount					
December 31, 2021	435,085	\$ 435,085	192,000	\$ 192,000	23,430,008	\$ 2,343	\$ 127,996,457	\$ (127,003,800)	750	\$ (375)	\$ 1,621,710
Warrants issued for services rendered	-	-	-	-	-	-	1,149,370	-	-	-	1,149,370
Net loss	-	-	-	-	-	-	-	(1,351,562)	-	-	(1,351,562)
March 31, 2022	435,085	435,085	192,000	192,000	23,430,008	2,343	129,145,827	(128,355,362)	750	(375)	1,419,518
Net loss	-	-	-	-	-	-	-	(172,428)	-	-	(172,428)
June 30, 2022	435,085	435,085	192,000	192,000	23,430,008	2,343	129,145,827	(128,527,790)	750	(375)	1,247,090
Warrants issued as debt discount	-	-	-	-	-	-	167,668	-	-	-	167,668
Net loss	-	-	-	-	-	-	-	(587,855)	-	-	(587,855)
September 30, 2022	435,085	\$ 435,085	192,000	\$ 192,000	23,430,008	\$ 2,343	\$ 129,313,495	\$ (129,115,645)	750	\$ (375)	\$ 826,903

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

Positron Corporation
Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss	\$ (1,197,082)	\$ (2,111,845)
Adjustments to reconcile net loss to net cash used in operations		
Amortization of operating lease - right-of-use asset	12,099	12,204
Amortization of debt discount	101,620	45,562
Depreciation expense	19,324	19,325
Warrants issued for services rendered	-	1,149,370
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts Receivable	6,170	(1,584)
Inventory	-	(322,860)
Prepays	320	-
Deposits	-	(1,275,000)
Increase (decrease) in		
Accounts payable and accrued expenses	(266,099)	12,937
Accounts payable and accrued expenses - related party	109,151	16,438
Deferred revenue	(16,330)	-
Operating lease liability	(10,289)	(12,134)
Net cash used in operating activities	(1,241,116)	(2,467,587)
Financing activities		
Proceeds from stock issued for cash	1,375,000	1,200,000
Proceeds from issuance of note payable - related party	500,000	-
Net cash provided by financing activities	1,875,000	1,200,000
Net increase (decrease) in cash	633,884	(1,267,587)
Cash - beginning of period	71,336	1,414,057
Cash - end of period	\$ 705,220	\$ 146,470
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Warrants issued as debt issue costs - related party	\$ 126,699	\$ 167,668
Deposits used to acquired inventory	\$ -	\$ 211,000
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ 80,650

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

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(UNAUDITED)

Note 1 - Organization and Nature of Operations

Organization and Nature of Operations

Positron Corporation (collectively, “we,” “us,” “our” or the “Company”), a Texas Corporation (incorporated December 20, 1983).

Positron Corporation is a molecular imaging device company that offers a state-of-the-art PET imaging system and clinical services to nuclear medicine healthcare providers throughout North America.

Positron specializes in the field of cardiac Positron Emission Tomography (PET) imaging, the gold standard in cardiac diagnostics. Positron’s innovative PET technology, clinical services and practice solutions enables healthcare providers to accurately diagnose coronary artery disease and improve patient outcomes while practicing cost effective medicine.

Positron's dedicated PET system, Attrius® PET, and unique market position are substantial advantages in facilitating the adoption of cardiac PET and the growth of the nuclear imaging market.

Positron is expanding its product line to include a PET-CT imaging device, named Affinity PET-CT 4D, Positron has sponsored a clinical study of its PET-CT with healthcare industry leader Ochsner Clinic of New Orleans. The objective of the clinical study is to validate the capabilities of Positron’s PET-CT system and demonstrate its performance, efficacy, and utilization. Positron will submit an Investigational Device Exemption and a 510(k) with the FDA and upon receiving FDA Clearance Positron will launch its Affinity PET-CT 4D molecular imaging system.

Positron’s Affinity PET-CT 4D imaging system will enable nuclear cardiologists to utilize the full capabilities available in molecular imaging and nuclear cardiology.

Positron’s new Affinity PET-CT 4D system enables the Company to enter the oncology imaging arena and fully address and meet the needs and demands of the vast oncology diagnostics marketplace.

Positron, through an exclusive cooperation agreement with Shenyang Intelligent Nuclear Medical Technology Co. Ltd., a wholly owned subsidiary of Neusoft Medical Systems (Neusoft) has developed Positron’s new PET-CT 4D system which Positron will manufacture, sell, service and provide clinical services and full support over the lifetime of the system throughout North America.

POSITRON CORPORATION
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Positron will soon offer its state-of-the-art PET-CT molecular imaging device that will enable nuclear cardiologists to utilize the full capabilities of molecular imaging and nuclear medicine. Positron's PET-CT also allows the Company to fully service and meet the demands of the vast oncology diagnostics marketplace.

Positron will continue to advance and manufacture PET and PET-CT technology through its supply, development, and R&D partnership with Shenyang Intelligent Nuclear Medical Technology Co, LTD, a subsidiary of Neusoft Medical Systems.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Liquidity, Going Concern and Management's Plans

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

As reflected in the accompanying unaudited financial statements, for the nine months ended September 30, 2023, the Company had:

- Net loss of \$1,197,082; and
- Net cash used in operations was \$1,241,116

Additionally, at September 30, 2023, the Company had:

- Accumulated deficit of \$130,510,889
- Stockholders' equity of \$933,358; and
- Working capital deficit of \$584,973

The Company has cash on hand of \$705,220 at September 30, 2023. The Company expects to generate sufficient revenues and positive cash flows from operations sufficiently to meet its current obligations. However, the Company may seek to raise debt or equity-based capital at favorable terms, though such terms are not certain.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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These factors create substantial doubt about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that these financial statements are issued. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Management's strategic plans include the following:

- Execute business operations more fully during the year ended December 31, 2023,
- Expand its reach within nuclear cardiology with the launch of our PET-CT system which provides greater features and functions now available to nuclear cardiologists and their diagnostic capabilities,
- Enter the vast oncology market with its new PET-CT system with a faster, smaller, more economical solution for practices, hospitals, and patients,
- Explore and execute of prospective strategic and partnership opportunities,
- Pursue to "Up-List" to a more prominent publicly reporting exchange with OTC Markets; and,
- Complete audited financial statements for all required periods needed to pursue an uplist within OTC Markets or file a registration statement with the U.S. Securities and Exchange Commission ("SEC").

Note 2 - Summary of Significant Accounting Policies

Business Segments

The Company uses the "management approach" to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. The Company has identified one single reportable operating segment. The Company manages its business on the basis of one operating and reportable segment and derives revenues from selling its product and related services. The Company's long-lived assets are located in the United States.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Use of Estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates, and those estimates may be material.

Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and other assumptions, which include both quantitative and qualitative assessments that it believes to be reasonable under the circumstances.

Significant estimates during the nine months ended September 30, 2023 and 2022 include valuation of stock-based compensation, estimated useful lives of property and equipment, uncertain tax positions, and the valuation allowance on deferred tax assets.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1 - Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 - Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

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The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, are carried at historical cost. At September 30, 2023 and December 31, 2022, respectively, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

ASC 825-10 "*Financial Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value ("fair value option"). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding financial instruments.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

At September 30, 2023 and December 31, 2022, respectively, the Company did not have any cash equivalents.

The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is \$250,000. At September 30, 2023 and December 31, 2022, the Company did not have any cash in excess of the insured FDIC limit.

POSITRON CORPORATION
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Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances of annual services contracts. Credit is extended to customers based on an evaluation of their financial condition and other factors. Interest is not accrued on overdue accounts receivable. The Company does not require collateral.

Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. Accounts determined to be uncollectible are charged to operations when that determination is made.

Allowance for doubtful accounts was \$0 and \$0 at September 30, 2023 and December 31, 2022, respectively.

For the three and nine months ended September 30, 2023 and 2022 , the Company recorded bad debt expense of \$0 and \$0, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method of inventory valuation. Management assesses the recoverability and establishes reserves of the various inventory components on a quarterly basis and is based on the estimated net realizable values of respective finished inventory.

During 2022, the Company acquired \$1,211,000 of inventory in connection with deposits previously paid.

Inventory consists of finished goods. At September 30, 2023 and December 31, 2022, inventory was \$2,006,947 and \$2,006,947, respectively.

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Deposits

The Company has deposits on hand with a third-party manufacturer towards the purchase of equipment. At September 30, 2023 and December 31, 2022, deposits were as follows, respectively.

Balance - December 31, 2021	\$ 211,000
Deposits	1,614,000
Purchase of inventory	<u>(1,550,000)</u>
Balance - December 31, 2022	275,000
No activity in 2023	<u>-</u>
Balance - September 30, 2023	<u><u>\$ 275,000</u></u>

In connection with the payment of \$1,000,000 in deposits made in August 2022 with the manufacturer, the Company was required to pay a research and development and technology transfer fee (NRE Fee) of \$700,000, of which \$210,000 was paid in August 2022. Once the equipment has been received into inventory (subject to FDA clearance), the final balance of \$490,000 is due. The Company expects FDA clearance of its PET-CT by the end of 2023.

In the event that the equipment is not validated and approved, the Company has the right to return the equipment for the \$1,000,000 paid less any shipping and handling costs incurred.

The manufacturer will provide a warranty on the equipment and related software for a period of one-year (1) following the closing of the equipment purchase.

Impairment of Long-lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 *"Impairment or Disposal of Long-Lived Assets."* Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

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If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Property and Equipment

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations.

Management reviews the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

There were no impairment losses for the three and nine months ended September 30, 2023 and 2022, respectively.

Derivative Liabilities

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic No. 480, ("ASC 480"), *"Distinguishing Liabilities from Equity"* and FASB ASC Topic No. 815, ("ASC 815") *"Derivatives and Hedging"*. Derivative liabilities are adjusted to reflect fair value at each reporting period, with any increase or decrease in the fair value recorded in the results of operations (other income/expense) as change in fair value of derivative liabilities. The Company uses a binomial pricing model to determine fair value of these instruments.

Upon conversion or repayment of a debt instrument in exchange for shares of common stock, where the embedded conversion option has been bifurcated and accounted for as a derivative liability (generally convertible debt and warrants), the Company records the shares of common stock at fair value, relieves all related debt, derivatives, and debt discounts, and recognizes a net gain or loss on debt extinguishment.

Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

At September 30, 2023 and December 31, 2022, the Company had no derivative liabilities.

POSITRON CORPORATION
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Debt Discount

For certain notes issued, the Company may provide the debt holder with an original issue discount. The original issue discount is recorded as a debt discount, reducing the face amount of the note, and is amortized to interest expense over the life of the debt, in the Statements of Operations.

Debt Issue Cost

Debt issuance cost paid to lenders, or third parties are recorded as debt discounts and amortized to interest expense over the life of the underlying debt instrument, in the Statements of Operations.

Warranty Obligations

The Company offers an assurance type warranty for its products against defects in design, materials, and workmanship for a period of one year from customer acceptance. For these assurance type warranties, a provision for estimated future costs related to warranty expense is recorded when they are probable and reasonably estimable, which is typically when products are delivered. This provision is based on historical information on the nature, frequency, and average cost of claims for each product line. These estimates are re-evaluated on an ongoing basis using best-available information and revisions to estimates are made, as necessary.

The Company has had an insignificant amount associated with providing related warranty services. At September 30, 2023 and December 31, 2022, respectively, the Company has not recorded any liability associated for warranties.

In addition to the Company warranty, the components supplier also provides a warranty for replacement and service on parts.

At September 30, 2023 and December 31, 2022, respectively, The Company is not aware of any claims made in connection with the warranty.

POSITRON CORPORATION
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Treasury Stock

We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Shares are generally issued from treasury stock at the time of grant of restricted stock awards, upon the exercise of stock options, and upon the vesting of performance shares and performance restricted stock units. On the subsequent issuance of treasury shares, we record proceeds in excess of cost as an increase in additional paid in capital. A deficiency of such proceeds relative to costs would be applied to reduce paid-in-capital associated with prior issuances to the extent available, with the remainder recorded as a charge to retained earnings.

Revenue Recognition

The Company recognizes revenue according to ASC 606, *Revenue from Contracts with Customers*. When the customer obtains control over the promised goods or services, the Company records revenue in the amount of consideration that can be expected to be received in exchange for those goods and services.

During the nine months ended September 30, 2023 and 2022, respectively, the Company primarily recognized revenues from its maintenance contracts.

The Company determines revenue recognition based upon the following five (5) criteria:

- | | |
|--------|--|
| Step 1 | Identification of the contract with the customer |
| Step 2 | Identification of promised goods and services and evaluation of whether the promised goods and services are distinct performance obligations |
| Step 3 | Determination of the transaction price |
| Step 4 | Allocation of the transaction price to distinct performance obligations |
| Step 5 | Attribution of revenue for each distinct performance obligation |

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Nature of Products and Services

The Company's revenues are derived as follows:

- Clinical, technical and maintenance contracts; and
- Medical imaging equipment and related product sales

Maintenance Contracts

Revenue is derived from clinical, technical and maintenance service contracts under which we provide customers with product support, which include the following:

- Priority Response,
- 24/7 clinical and service support,
- Parts, services, preventative maintenance, and software upgrades
- Uptime guarantees,
- Remote access diagnostic/maintenance capabilities,
- Daily quality assurance inspection; and
- Continued physician and technician applications training

Clinical, technical and maintenance service contracts are automatically renewable, generally on an annual basis, unless either party terminates within sixty (60) days after the first year.

These service revenues are billed and earned on a monthly basis, and generally no amounts are paid in advance of the maintenance period.

All performance obligations have been satisfied at the end of each month as services have been rendered to our customers.

Medical Equipment and Related Product Sales

The Company recognizes revenues from the sale of medical equipment and services when earned. The Company obtains a signed customer acceptance after installation is complete for the sale of its Attrius® PET systems.

At the time of customer acceptance all performance obligations have been satisfied.

POSITRON CORPORATION
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Significant Judgments

Certain of our contracts may include multiple performance obligations. Our products and services generally do not require a significant amount of integration or interdependency; therefore, our products and services are generally not combined. We allocate the transaction price for each contract to each distinct performance obligation based on the relative standalone selling price ("SSP") for each performance obligation within each contract.

We use judgment in determining the SSP for products and services. For substantially all performance obligations we are able to establish SSP based on the observable prices of products or services sold separately in comparable circumstances to similar customers. We typically establish an SSP range for our products and services which is reassessed on a periodic basis or when facts and circumstances change.

Contract Liabilities (Deferred Revenue)

The Company recognizes a contract liability when consideration is received, or if the Company has the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is the Company's obligation to transfer goods to a customer for which the Company has received consideration, or an amount of consideration due from the customer.

Timing of invoicing to customers may differ from timing of revenue recognition and these timing differences may result in unbilled accounts receivables or contract liabilities (deferred revenue) on the Company's balance sheets. Fees for our maintenance contracts are typically billed in advance on a monthly basis, with payment due within 30 days of billing.

We have an established history of collecting under the terms of our maintenance agreements without providing refunds or concessions to our customers. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with predictable ways to purchase our maintenance services, not to provide or receive financing. Additionally, we are applying the practical expedient to exclude any financing component from consideration for any contracts with payment terms of one year or less since we rarely offer terms extending beyond one year. The consideration in our customer contracts is fixed.

We have an unconditional right to consideration for all goods and services transferred to our customers. That unconditional right to consideration is reflected in billed and unbilled accounts receivable in the accompanying balance sheets in accordance with ASC Topic 606.

At September 30, 2023 and December 31, 2022, deferred revenues were \$0 and \$16,330, respectively.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Remaining Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

Remaining performance obligations represent the transaction price of orders for which products have not been delivered or services have not been performed. As of September 30, 2023 and 2022, respectively, the Company had no remaining performance obligations.

The following represents the Company's disaggregation of revenues by type for the nine months ended September 30, 2023 and 2022, respectively:

	<u>Nine Months Ended September 30,</u>			
	<u>2023</u>		<u>2022</u>	
<u>Sales</u>	<u>Revenue</u>	<u>% of Revenues</u>	<u>Revenue</u>	<u>% of Revenues</u>
Service Income	\$ 567,250	100%	\$ 546,833	100%

Cost of Sales

Cost of sales predominantly represents salaries, travel, consulting expense, rent expense and job-related materials and supplies.

Income Taxes

The Company accounts for income tax using the asset and liability method prescribed by ASC 740, "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

POSITRON CORPORATION
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The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of September 30, 2023 and December 31, 2022, respectively, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Company recognizes interest and penalties related to uncertain income tax positions in other expense. No interest and penalties related to uncertain income tax positions were recorded during the nine months ended September 30, 2023 and 2022, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of general and administrative expense in the statements of operations.

The Company recognized \$29,357 and \$11,889 in marketing and advertising costs during the three months ended September 30, 2023 and 2022, respectively.

The Company recognized \$42,086 and \$32,387 in marketing and advertising costs during the nine months ended September 30, 2023 and 2022, respectively.

Stock-Based Compensation

The Company accounts for our stock-based compensation under ASC 718 "*Compensation – Stock Compensation*" using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges it equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company uses the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options.

The fair value of stock-based compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

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When determining fair value, the Company considers the following assumptions in the Black-Scholes model:

- Exercise price,
- Expected dividends,
- Expected volatility,
- Risk-free interest rate; and
- Expected life of option

Stock Warrants

In connection with certain financing, consulting and collaboration arrangements, the Company may issue warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as expense over the requisite service period or at the date of issuance if there is not a service period.

Basic and Diluted Earnings (Loss) per Share

Pursuant to ASC 260-10-45, basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the periods presented. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period. Potentially dilutive common shares may consist of common stock issuable for stock options and warrants (using the treasury stock method), convertible notes and common stock issuable. These common stock equivalents may be dilutive in the future.

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At September 30, 2023 and 2022, respectively, the Company had the following common stock equivalents outstanding, which are potentially dilutive equity securities:

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Series A, preferred stock	1,088	1,088
Series B, preferred stock	48,000	48,000
Warrants (exercise price \$0.10/share)	1,350,000	1,000,000
Total common stock equivalents	<u>1,399,088</u>	<u>1,049,088</u>

Preferred Stock (Temporary Equity)

We apply the guidance enumerated in ASC 480 “Distinguishing Liabilities from Equity” when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. We classify conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control, as temporary equity.

At all other times, we classified our preferred shares in stockholders’ equity. Our Series A and B, preferred shares contain conditional redemption rights, however, these rights are at the option of the Company, therefore, since it’s within the control of the Company, classification as part of stockholder’s deficit is appropriate. Accordingly, unless otherwise noted, all issuances of preferred stock are presented as a component of stockholders’ equity.

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

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Recent Accounting Standards

Changes to accounting principles are established by the FASB in the form of Accounting Standards Updates ("ASU's") to the FASB's Codification. We consider the applicability and impact of all ASU's on our financial position, results of operations, stockholders' deficit, cash flows, or presentation thereof. Management has evaluated all recent accounting pronouncements as issued by the FASB in the form of Accounting Standards Updates ("ASU") through the date these financial statements were available to be issued and found no recent accounting pronouncements issued, but not yet effective accounting pronouncements, when adopted, will have a material impact on the financial statements of the Company.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the results of operations, stockholders' equity, or cash flows.

Note 3 – Property and Equipment

Property and equipment consisted of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>Estimated Useful Lives (Years)</u>
Equipment	\$ 128,830	\$ 128,830	5
Accumulated depreciation	<u>(66,230)</u>	<u>(46,906)</u>	
Total property and equipment - net	<u>\$ 62,600</u>	<u>\$ 81,924</u>	

Depreciation expense for the three months ended September 30, 2023 and 2022 was \$6,442 and \$6,443, respectively.

Depreciation expense for the nine months ended September 30, 2023 and 2022 was \$19,324 and \$19,325, respectively.

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Note 4 – Advances Payable

The Company's advances payable are as follows:

<u>Terms</u>	<u>Advances Payable</u>
Issuance date of advances	Prior to 2018
Maturity date	Due on Demand
Interest rate	0%
Collateral	Unsecured
Balance - December 31, 2021	310,000
No activity in 2022	-
Balance - December 31, 2022	310,000
No activity in 2023	-
Balance - September 30, 2023	<u>\$ 310,000</u>

Note 5 – Note Payable – Related Party

Nine Months Ended September 30, 2023

Note Payable – Related Party and Warrants Issued as Debt Discount

In April 2023, the Company executed a one (1) year note with a board director for \$500,000. The note bears interest at 8% with a default interest rate of 20%. The note is secured by the net proceeds from the Company's PET imaging devices and service contracts.

The note principal is due 50% at September 30, 2023 and the remaining 50% plus any accrued unpaid interest at March 31, 2024.

The Company also issued 100,000 warrants to the lender, which had a fair value of \$126,699, and has been recorded as a debt discount, to be amortized over the life of the note. These warrants vested immediately on the grant date and expire on December 31, 2025. The warrants are exercisable at \$0.10/share.

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Fair value of the warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	2.74
Expected volatility	216%
Expected dividends	0%
Risk free interest rate	3.59%

See Note 7 regarding issuance of warrants.

Year Ended December 31, 2022

In August 2022, the Company executed a six-month (6) note payable with a board director for \$1,200,000 (see maturity date extension below). The funds from this loan were used towards the purchase of a PET-CT scanner and the scanner serves as collateral on this note.

The Company also issued 250,000 warrants to the lender, which had a fair value of \$167,668, and has been recorded as a debt discount, to be amortized over the life of the note. These warrants vested immediately on the grant date and expire on December 31, 2025. The warrants are exercisable at \$0.10/share.

Fair value of the warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	3.39
Expected volatility	343%
Expected dividends	0%
Risk free interest rate	3.08%

In February 2023, the Company and the lender agreed to extend the due date of the \$1,200,000 note for an additional six-months (6) to August 2023. In August 2023, the Company and the lender agreed to extend the due date of the \$1,200,000 note for an additional six-months (6) to March 2024.

As a result of these extensions of the note maturity date, and in accordance with ASC 470, a modification or an exchange of debt instruments that adds or eliminates a conversion option that was substantive at the date of the modification or exchange is considered a substantive change and is measured and accounted for as extinguishment of the original instrument along with the recognition of a gain or loss.

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Additionally, under ASC 470, a substantive modification of a debt instrument is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. A substantive modification is accounted for as an extinguishment of the original instrument along with the recognition of a gain or loss.

The Company has determined that the change in terms did not result in a debt extinguishment. Accordingly, no gain or loss is recorded.

See Note 7 regarding issuance of warrants.

The following is a summary of the notes payable – related party:

<u>Terms</u>	<u>Note Payable #1 Related Party</u>	<u>Note Payable #2 Related Party</u>	
Issuance dates of notes	August 2022	April 2023	
Maturity date	March 2024	March 2024	
Interest rate	10%	8%	
Default interest rate	20%	20%	
Collateral	PET-CT Imaging Device	PET-CT Imaging Device	
			<u>Total</u>
Balance - December 31, 2021	\$ -	\$ -	\$ -
Proceeds from issuance of note	1,200,000	-	1,200,000 *
Debt discount (250,000 warrants)	(167,668)	-	(167,668)
Amortization of debt discount	129,396	-	129,396
Balance - December 31, 2022	1,161,728	-	1,161,728
Proceeds from issuance of note	-	500,000	500,000 *
Debt discount (100,000 warrants)		(126,699)	(126,699)
Amortization of debt discount	38,272	63,348	101,620
Balance - September 30, 2023	<u>\$ 1,200,000</u>	<u>\$ 436,649</u>	<u>\$1,636,649</u>

* See Note 7 regarding issuance of warrants

Total unamortized debt discount at September 30, 2023 and December 31, 2022 were \$63,351 and \$38,272, respectively.

In October 2023, the Company repaid \$250,000 related to outstanding note payable #2.

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Note 6 – Commitments

Operating Lease

We have entered into an operating lease agreement for our corporate headquarters. We account for leases in accordance with ASC Topic 842: *Leases* ("842"), which requires a lessee to utilize the right-of-use model and to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. In addition, a lessor is required to classify leases as either sales-type, financing or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risk and rewards or control, the lease is treated as operating. We determine if an arrangement is a lease, or contains a lease, at inception and record the lease in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term. Lease right-of-use assets and liabilities at commencement are initially measured at the present value of lease payments over the lease term. We generally use our incremental borrowing rate based on the information available at commencement to determine the present value of lease payments except when an implicit interest rate is readily determinable. We determine our incremental borrowing rate based on market sources including relevant industry data.

We have a lease agreement with lease and non-lease components and have elected to utilize the practical expedient to account for lease and non-lease components together as a single combined lease component, from both a lessee and lessor perspective with the exception of direct sales-type leases and production equipment classes embedded in supply agreements. From a lessor perspective, the timing and pattern of transfer are the same for the non-lease components and associated lease component and, the lease component, if accounted for separately, would be classified as an operating lease.

We have elected not to present short-term leases on the balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that we are reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of our leases do not provide an implicit rate of return, we used our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

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Our lease, where we are the lessee, does not include an option to extend the lease term. Our lease also includes an option to terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease term would include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, included as a component of general and administrative expenses, in the accompanying statements of operations. Certain operating leases provide for annual increases to lease payments based on an index or rate, our lease has no stated increase, payments were fixed at lease inception. We calculate the present value of future lease payments based on the index or rate at the lease commencement date. Differences between the calculated lease payment and actual payment are expensed as incurred.

On March 17, 2022, the Company executed a five (5) year lease extension for its office space that will cover the period June 1, 2022 through May 31, 2027. Payments for the 1st three (3) years will be \$1,600 per month, and for years four (4) and five (5) will be \$1,700 per month. The Company also has an option to renew the lease for an additional five (5) years through May 31, 2032. At lease inception, based on historical operations, the Company does not believe the renewal options will be executed.

As of September 30, 2023 and December 31, 2022, respectively, the Company has no financing leases as defined in ASC 842, "*Leases*."

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The tables below present information regarding the Company's operating lease asset and liability at September 30, 2023 and December 31, 2022, respectively:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Assets		
Operating lease - right-of-use asset - non-current	<u>\$ 59,143</u>	<u>\$ 71,240</u>
Liabilities		
Operating lease liability	<u>\$ 62,775</u>	<u>\$ 73,064</u>
Weighted-average remaining lease term (years)	<u>3.67</u>	<u>4.42</u>
Weighted-average discount rate	<u>8%</u>	<u>8%</u>

The components of lease expense were as follows:

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Operating lease costs		
Amortization of right-of-use operating lease asset	\$ 12,098	\$ 8,064
Lease liability expense in connection with obligation repayment	<u>4,113</u>	<u>\$ 2,810</u>
Total operating lease costs	<u>\$ 16,211</u>	<u>\$ 10,874</u>

Supplemental cash flow information related to operating leases was as follows:

Operating cash outflows from operating lease (obligation payment)	<u>\$ 14,400</u>	<u>\$ 4,800</u>
Right-of-use asset obtained in exchange for new operating lease liability	<u>\$ -</u>	<u>\$ -</u>

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Future minimum lease payments required under leases that have initial or remaining non-cancelable lease terms in excess of one year at September 30, 2023:

2023 (3 months)	\$ 4,800
2024	19,200
2025	19,900
2026	20,400
2027	8,500
Total undiscounted cash flows	72,800
Less: amount representing interest	(10,025)
Present value of operating lease liability	62,775
Less: current portion of operating lease liability	14,419
Long-term operating lease liability	\$ 48,356

Note 7 – Stockholders’ Equity

The Company has three (3) classes of stock:

Common Stock

- 6,000,000,000 shares authorized
- \$0.0001 par value
- Voting at 1 vote per share

Preferred Stock

The Company’s Certificate of Formation, as amended, authorizes the issuance of 20,000,000 shares of preferred stock from time to time in one or more series. The Board of Directors is authorized to determine, prior to issuing any such series of preferred stock and without any vote or action by the shareholders, the rights, preferences, privileges and restrictions of the shares of such series, including dividend rights, voting rights, terms of redemption, the provisions of any purchase, retirement or sinking fund to be provided for the shares of any series, conversion and exchange rights, the preferences upon any distribution of the assets of the Company, including in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the preferences and relative rights among each series of preferred stock. The Board of Directors has designated the following series of preferred stock.

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Series A, Preferred Stock

- 5,450,000 shares authorized
- \$1 par value
- Voting only on an as converted basis at 1 vote per share
- Dividends at 8% are accrued only upon declaration of the board of directors, also, while Series A, preferred stock is outstanding or if there are any accrued unpaid dividends outstanding, no common stock dividends may be declared by the board
- Senior to common stock and Series B, preferred stock in liquidation
- Redemption rights - \$1.46/share plus any undeclared and/or unpaid dividends through date of redemption. Redemption requires at least 30 days advance notice and notice may only be given if the Company's common stock has closed above \$2 per share for the twenty consecutive trading days prior to the notice. The redemption right is solely at the option of the Company.
- Conversion feature - each share of Series A, preferred stock is convertible into 1/400th of a share of common stock (1,088 shares at September 30, 2023 and December 31, 2022, respectively).

Series B, Preferred Stock

- 9,000,000 shares authorized
- \$1 par value
- Voting only on an as converted basis at 100 votes per share
- Dividends - accrued only upon declaration of the board of directors
- Senior to common stock, but junior to Series A, preferred stock in liquidation
- Redemption rights - \$1/share plus any undeclared and/or unpaid dividends through date of redemption. The redemption right is solely at the option of the Company.
- Conversion feature - each share of Series B, preferred stock is convertible into 1/4 of a share of common stock (48,000 shares at September 30, 2023 and December 31, 2022, respectively).

Equity Transactions for the Nine Months Ended September 30, 2023

Cash

The Company issued 1,500,000 shares of common stock for \$1,375,000 (\$0.75-\$1.00/share).

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Warrants Issued as Debt Discount

In April 2023, the Company granted 100,000 warrants in connection with the issuance of a note payable for \$500,000. The fair value of these warrants was \$126,699. See Notes 5 and 9.

Equity Transactions for the Year Ended December 31, 2022

Warrants Issued as Debt Discount

In August 2022, the Company granted 250,000 warrants in connection with the issuance of a note payable for \$1,200,000. The fair value of these warrants was \$167,668. See Notes 5 and 9.

Warrants Issued for Services

In February 2022, the Company granted 1,000,000 warrants for services rendered having a fair value of \$1,149,370. See Note 9.

These warrants vested immediately on the grant date and expire on December 31, 2024. The warrants are exercisable at \$0.10/share.

Fair value of the warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	2.92
Expected volatility	363%
Expected dividends	0%
Risk free interest rate	1.39%

Note 8 - Stock Option Plan

In May 2021, the Company adopted an equity incentive plan (the "Plan"). Under the Plan, the Company may grant up to 10,000,000 stock options to eligible participants. All terms for stock options granted under the Plan will be set by the Board of Directors.

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Note 9 – Warrants

Warrant activity for the Nine Months Ended September 30, 2023 and the year ended December 31, 2022 is summarized as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding - December 31, 2021	-	\$ -	-	\$ -
Exercisable - December 31, 2021	-	\$ -	-	\$ -
Granted	1,250,000	\$ 0.10		
Exercised	-	\$ -		
Cancelled/Forfeited	-	\$ -		
Outstanding - December 31, 2022	1,250,000	\$ 0.10	2.20	\$ 982,500
Exercisable - December 31, 2022	1,250,000	\$ 0.10	2.20	\$ 982,500
Granted	100,000	\$ 0.10	2.51	
Exercised	-	\$ -		
Cancelled/Forfeited	-	\$ -		
Outstanding - September 30, 2023	1,350,000	\$ 0.10	1.51	\$ 1,458,000
Exercisable - September 30, 2023	1,350,000	\$ 0.10	1.51	\$ 1,458,000
Unvested - September 30, 2023	-	\$ -	-	\$ -