

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

ANNUAL Report

For the period ending December 31, 2024
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

27,305,008 as of December 31, 2024

24,930,008 as of December 31, 2023

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 Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

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

Current State and Date of Incorporation or Registration: Texas; December 20, 1983

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

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

N/A

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

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:

☒ 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:12/31/24 |
| Total shares outstanding: | 27,305,008 | as of date:12/31/24 |
| Total number of shares in Public Float: | 11,829,417 | as of date:12/31/24 |
| Total number of shareholders of record: | 481 | as of date:12/31/24 |

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

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: 12/31/24 |
| Total shares outstanding (if applicable): | 435,085 as of date: 12/31/24 |
| Total number of shareholders of record: | 29 as of date: 12/31/24 |

| | |
|---|--------------------------------|
| 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: 12/31/24 |
| Total shares outstanding (if applicable): | 192,000 as of date: 12/31/24 |
| Total number of shareholders of record: | 23 as of date: 12/31/24 |

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

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 share of Common Stock is entitled to one vote per share.

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 December 31, 2024, and December 31, 2023, 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 December 31, 2024, and December 31, 2023, 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 for the two most recently completed fiscal and any subsequent period.

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: 12/31/23 | | | | | | | | | |
|---|--|--|---------------------|---|--|---|---|---|-----------------------------------|
| Opening Balance Common: 24,930,008 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 | Restrict ed or Unrestr icted as of this filing. | Exempt ion or Registr ation Type. |

| | | | | | | | | | |
|--|---|-----------|--------|-----------------------------|----|--|-----------------|----------------|-----|
| 2/28/23 | New | 500,000 | Common | \$375,000 | No | Patagonia Medical Ventures; Control Person: Ronald Stewart | Cash | Restrict ed | NA |
| 8/14/23 | New | 500,000 | Common | \$500,000 | No | George Ortiz | Cash | Restrict ed | NA |
| 9/06/23 | New | 500,000 | Common | \$500,000 | No | George Ortiz | Cash | Restrict ed | NA |
| 2/09/24 | New | 1,000,000 | Common | \$1,000,000 | No | George Ortiz | Cash | Restrict ed | N/A |
| 10/16/24 | New | 500,000 | Common | \$400,000 (\$0.80/share) | No | George Ortiz | Cash | Restrict ed | N/A |
| 11/15/25 | New | 500,000 | Common | \$525,000 (\$1.05/share) | No | George Ortiz | Services | Restrict ed | N/A |
| 11/27/24 | New | 375,000 | Common | \$300,000 (\$0.80/share) | No | George Ortiz | Debt conversion | Restrict ed | N/A |
| Shares Outstanding on Date of This Report: | | | | | | | | | |
| 12/31/24 | Ending Balance: Common: 27,305,008 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, 2022, through December 31, 2023, pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

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. *You must disclose the control person(s) for any entities listed. | Reason for Issuance (e.g. Loan, Services, etc.) |
|-----------------------|--------------------------|-----------------------------------|-----------------------|---------------|--|--|---|
| 12/2012 | \$310,000 | \$380,000 | 0 | Due on Demand | N/A. | Corey Conn (former CFO) | Advance |
| 8/2022 | \$1,487,016 | \$1,200,000 | \$287,016 | March 2025 | NA | TISU Investments Tis Prager (Board of Director) | Note Payable Related Party |
| 4/2023 | \$189,014 | \$500,000 | \$39,014 | March 2025 | NA | TISU Investments Tis Prager (Board of Director) | Note Payable Related Party |

| | | | | | | | |
|--------|-----------|-----------|---------|------------|----|---|-------------------------------|
| 8/2024 | \$102,783 | \$100,000 | \$2,783 | March 2025 | NA | TISU Investments Tis Prager (Board of Director) | Note Payable Related Party |
|--------|-----------|-----------|---------|------------|----|---|-------------------------------|

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

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. 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 leading medical technology company committed to advancing the PET imaging modality through the development, manufacturing, and commercialization of state-of-the-art PET and PET-CT (Positron Emission Tomography/Computed Tomography) imaging systems. With a strong focus on cardiac PET—the gold standard in nuclear cardiology—Positron provides cutting-edge solutions that enhance diagnostic accuracy, improve patient outcomes, and drive cost-effective care for healthcare providers across North America.

Positron's imaging portfolio includes the Attrius® PET and the recently launched NeuSight PET-CT 3D 64-Slice systems, both designed to expand access to advanced molecular imaging. Additionally, Positron is preparing to introduce the Affinity PET-CT 4D 64-Slice scanner, further strengthening its role in the evolution of nuclear cardiology while positioning the company for entry into the oncology imaging market. These innovations, supported by Positron's comprehensive clinical and technical services, enable nuclear cardiologists and imaging specialists to fully leverage PET technology for superior diagnostic capabilities.

Through a strategic partnership with Shenyang Intelligent Nuclear Medical Technology Co. Ltd., a subsidiary of Neusoft Medical Systems, Positron holds exclusive North American distribution rights and FDA 510(k) clearance for the NeuSight PET-CT (3D) system. Additionally, Positron and Neusoft have co-developed the Affinity PET-CT (4D), which Positron will manufacture, distribute, and service. The company plans to amend its existing 510(k) clearance to include the Affinity PET-CT, ensuring regulatory compliance and market readiness upon FDA approval.

Positron's collaboration with Neusoft Medical Systems extends to the production of its Attrius PET system, a foundational technology for its PET-CT advancements. This joint effort has been instrumental in expanding Positron's PET-CT offerings, setting the stage for rapid growth across multiple imaging disciplines. With an emphasis on accessibility, affordability, and technological excellence, Positron is well-positioned to meet the rising demand for PET-CT imaging in nuclear cardiology and oncology, delivering best-in-class solutions that optimize patient care and streamline practice efficiencies.

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

None

- C. Describe the issuers' principal products or services.

Positron Corporation provides nuclear cardiologists and healthcare providers with state-of-the-art molecular imaging technology, offering Attrius® PET and NeuSight PET-CT 64-Slice systems, along with comprehensive clinical and technical support services. To enhance accessibility, Positron also offers innovative financing options tailored to the unique needs of hospitals and healthcare practices.

Positron's imaging systems empower healthcare providers to accurately diagnose coronary artery disease (CAD) and improve patient outcomes while maintaining cost-effective operations. By driving the adoption of cardiac PET imaging, Positron is at the forefront of growth in the nuclear cardiology sector.

With the addition of NeuSight PET-CT and the upcoming Affinity PET-CT 4D, Positron is expanding its capabilities beyond cardiology into oncology and neurology, addressing increasing demand for high-performance PET-CT imaging across multiple disciplines. Positron's systems are designed for efficiency, offering faster scan times, compact designs, and cost-effective solutions, making advanced imaging more accessible for healthcare providers in both nuclear cardiology and 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. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

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 first 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) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

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.

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 | 6,573,373 | Common | 24% | |
| Lars Snijders | Shareholder | Zandberglaan 17 Breda, 4818GH, The Netherlands | 4,000,000 | Common | 15% | |
| George Ortiz | Shareholder | 28 Boulevard de Belgique Monaco MC 98000 | 3,375,000 | Common | 12% | |
| PACNO Family Trust Julia Rzeppa (Trustee) | Shareholder | 3801 Washington St Oak Brook, IL 60523 | 3,000,310 | Common | 11% | |

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

NO

2. Been the subject of 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, financial- or investment-related, insurance or banking activities;

NO

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding, or judgment has not been reversed, suspended, or vacated;

NO

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

NO

5. Been the subject 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

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

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.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Peter Campitiello
Firm: Lucosky Brookman, LLP
Address 1: 101 Wood Avenue South
Address 2: Woodbridge, NJ 08830
Phone: 732 395-4400
Email: pcampitiello@mccarter.lucbro.com

Accountant or Auditor

Name: Elliot Berman
Firm: Berman Audit & Advisory, PA
Address 1: 551 NW 77th Street, Suite 201
Address 2: Boca Raton, FL33487
Phone: 954 729-3025
Email: eberman@bermanauditadvisorycpa.com

Investor Relations

Name: Scott Powell
Firm: Skyline Corporate Communication Group
Address 1: 1177 Avenue of the Americas,
Address 2: New York, NY. 10036
Phone: 646 893-5835

All other means of Investor Communication:

X (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) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual)

Name: Adel Abdullah
Title: President
Relationship to Issuer: President

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

- ☐ IFRS
☒ U.S. GAAP

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

Name: Elliot Berman, CPA, Berman Audit & Advisory, P.A.
Title: Managing Director
Relationship to Issuer: Accountant

Describe the qualifications of the person or persons who prepared the financial statements:

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 qualifying financial statements:

- 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

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

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
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.

03/31/25

/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.

3/31/25

/s/ Adel Abdullah

Positron Corporation

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Positron Corporation
Balance Sheets
(Unaudited)

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--|--------------------------|--------------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash | \$ 69,791 | \$ 100,653 |
| Accounts receivable | 16,667 | 22,067 |
| Inventory | 1,256,862 | 1,256,862 |
| Prepays and other | 9,131 | 1,800 |
| Total Current Assets | <u>1,352,451</u> | <u>1,381,382</u> |
| Property and equipment - net | 34,103 | 56,158 |
| Operating lease - right-of-use asset | 38,976 | 55,111 |
| Deposits | 375,000 | 275,000 |
| Total Assets | <u>\$ 1,800,530</u> | <u>\$ 1,767,651</u> |
| <u>Liabilities and Stockholders' Deficit</u> | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 16,692 | \$ 21,459 |
| Accounts payable and accrued expenses - related party | 326,030 | 191,343 |
| Deferred revenue | 66,330 | 24,664 |
| Note payable - related party - net | 1,450,000 | 1,418,325 |
| Operating lease liability | 19,900 | 15,006 |
| Advances payable | 310,000 | 310,000 |
| Total Current Liabilities | <u>2,188,952</u> | <u>1,980,797</u> |
| Long Term Liabilities | | |
| Operating lease liability | 24,302 | 44,202 |
| Total Long Term Liabilities | <u>24,302</u> | <u>44,202</u> |
| Total Liabilities | <u>2,213,254</u> | <u>2,024,999</u> |
| Commitments and Contingencies | | |
| Stockholders' Deficit | | |
| 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 27,305,008 and 24,930,008 shares issued and outstanding, respectively | 2,731 | 2,493 |
| Additional paid-in capital | 133,047,521 | 130,815,044 |
| Accumulated deficit | (134,089,686) | (131,701,595) |
| Less: treasury stock at cost - 750 and 750 shares, respectively | (375) | (375) |
| Total Stockholders' Deficit | <u>(412,724)</u> | <u>(257,348)</u> |
| Total Liabilities and Stockholders' Deficit | <u>\$ 1,800,530</u> | <u>\$ 1,767,651</u> |

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

Positron Corporation
Statements of Operations
(Unaudited)

| | For the Years Ended December 31, | |
|--|---|----------------|
| | 2024 | 2023 |
| Sales | \$ 587,500 | \$ 734,666 |
| Cost of sales | 929,484 | 1,088,131 |
| Gross loss | (341,984) | (353,465) |
| General and administrative expenses | 1,872,028 | 1,006,286 |
| Loss from operations | (2,214,012) | (1,359,751) |
| Other expense | | |
| Interest expense | (142,402) | (144,656) |
| Amortization of debt discount | (31,677) | (133,296) |
| Total other expense | (174,079) | (277,952) |
| Net loss | \$ (2,388,091) | \$ (1,637,703) |
| Loss per share - basic and diluted | \$ (0.09) | \$ (0.07) |
| Weighted average number of shares - basic and diluted | 25,982,262 | 24,039,597 |

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

Positron Corporation
Statements of Changes in Stockholders' Deficit
For the Year Ended December 31, 2024
(Unaudited)

| | Series A | | Series B | | Common Stock | | Common Stock Issuable | | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock | | Non-Controlling Interest | Total Stockholders' Deficit |
|---|----------------|-------------------|----------------|-------------------|-------------------|-----------------|-----------------------|-------------|----------------------------------|-------------------------|----------------|-----------------|-----------------------------|-----------------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | Shares | Amount | | |
| December 31, 2023 | 435,085 | \$ 435,085 | 192,000 | \$ 192,000 | 24,930,008 | \$ 2,493 | - | \$ - | \$ 130,815,044 | \$ (131,701,595) | 750 | \$ (375) | \$ - | \$ (257,348) |
| Stock issued for cash (\$0.80 - \$1/share) | - | - | - | - | 1,500,000 | 150 | - | - | 1,399,850 | - | - | - | - | 1,400,000 |
| Stock issued for services rendered (\$1.05/share) | - | - | - | - | 500,000 | 50 | - | - | 524,950 | - | - | - | - | 525,000 |
| Conversion of debt to common stock | - | - | - | - | 375,000 | 38 | - | - | 299,962 | - | - | - | - | 300,000 |
| Imputed interest expense on debt | - | - | - | - | - | - | - | - | 4,932 | - | - | - | - | 4,932 |
| Imputed interest expense on debt - related party | - | - | - | - | - | - | - | - | 2,783 | - | - | - | - | 2,783 |
| Net loss | - | - | - | - | - | - | - | - | - | (2,388,091) | - | - | - | (2,388,091) |
| December 31, 2024 | <u>435,085</u> | <u>\$ 435,085</u> | <u>192,000</u> | <u>\$ 192,000</u> | <u>27,305,008</u> | <u>\$ 2,731</u> | <u>-</u> | <u>\$ -</u> | <u>\$ 133,047,521</u> | <u>\$ (134,089,686)</u> | <u>750</u> | <u>\$ (375)</u> | <u>\$ -</u> | <u>\$ (412,724)</u> |

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

Positron Corporation
Statements of Changes in Stockholders' Deficit
For the Year Ended December 31, 2023
(Unaudited)

| | Preferred Stock | | | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock | | Total Stockholders' Deficit |
|---|--------------------|-------------------|--------------------|-------------------|-------------------|-----------------|----------------------------------|-------------------------|----------------|-----------------|-----------------------------------|
| | 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 | \$ (130,063,892) | 750 | \$ (375) | \$ (121,344) |
| Stock issued for cash (\$0.75 - \$1/share) | - | - | - | - | 1,500,000 | 150 | 1,374,850 | - | - | - | 1,375,000 |
| Warrants issued as debt issue costs - related party | - | - | - | - | - | - | 126,699 | - | - | - | 126,699 |
| Net loss | - | - | - | - | - | - | - | (1,637,703) | - | - | (1,637,703) |
| December 31, 2023 | <u>435,085</u> | <u>\$ 435,085</u> | <u>192,000</u> | <u>\$ 192,000</u> | <u>24,930,008</u> | <u>\$ 2,493</u> | <u>\$ 130,815,044</u> | <u>\$ (131,701,595)</u> | <u>750</u> | <u>\$ (375)</u> | <u>\$ (257,348)</u> |

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

Positron Corporation
Statements of Cash Flows
(Unaudited)

| | For the Years Ended December 31, | |
|---|---|--------------------|
| | 2024 | 2023 |
| Operating activities | | |
| Net loss | \$ (2,388,091) | \$ (1,637,703) |
| Adjustments to reconcile net loss to net cash used in operations | | |
| Amortization of operating lease - right-of-use asset | 16,130 | 16,130 |
| Amortization of debt discount | 31,675 | 133,296 |
| Depreciation expense | 22,055 | 25,766 |
| Stock issued for services | 525,000 | - |
| Imputed interest expense on debt | 4,932 | - |
| Imputed interest expense on debt - related party | 2,783 | - |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts Receivable | 5,400 | (13,737) |
| Prepays | (7,331) | 320 |
| Deposits | (100,000) | - |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (4,762) | (258,891) |
| Accounts payable and accrued expenses - related party | 134,687 | 144,658 |
| Deferred revenue | 41,666 | 8,334 |
| Operating lease liability | (15,006) | (13,856) |
| Net cash used in operating activities | (1,730,862) | (1,595,683) |
| Financing activities | | |
| Proceeds from stock issued for cash | 1,400,000 | 1,375,000 |
| Proceeds from note payable | 300,000 | - |
| Proceeds from issuance of note payable - related party | 100,000 | - |
| Proceeds (repayments) on notes payable - related party | (100,000) | 250,000 |
| Net cash provided by financing activities | 1,700,000 | 1,625,000 |
| Net increase (decrease) in cash | (30,862) | 29,317 |
| Cash - beginning of year | 100,653 | 71,336 |
| Cash - end of year | \$ 69,791 | \$ 100,653 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for income tax | \$ - | \$ - |
| Supplemental disclosure of non-cash investing and financing activities | | |
| Conversion of debt to common stock | \$ 300,000 | \$ - |
| Warrants issued as debt issue costs - related party | \$ - | \$ 126,699 |

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

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(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
NOTES TO FINANCIAL STATEMENTS
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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 year ended December 31, 2024, the Company had:

- Net loss of \$2,388,091; and
- Net cash used in operations was \$1,730,862

Additionally, at December 31, 2024, the Company had:

- Accumulated deficit of \$134,089,686
- Stockholders' deficit of \$412,724; and
- Working capital deficit of \$836,501

The Company has cash on hand of \$69,791 at December 31, 2024. The Company does not expect 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, 2025,
- 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 and Expense Disclosure

The Company follows ASC 280, Segment Reporting, which requires public entities to report financial and descriptive information about their reportable operating segments.

ASC 280-10-50-1 states that an operating segment is a component of a public entity that:

- Engages in business activities from which it may earn revenues and incur expenses;
- Has operating results that are regularly reviewed by the Chief Operating Decision Maker (CODM), who is the Company's Chief Executive Officer, to make decisions about resource allocation and performance assessment; and
- Has discrete financial information available.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Under ASC 280-10-50-5, a public entity is required to report separately only those operating segments that meet certain quantitative thresholds. However, as specified in ASC 280-10-50-11, if a company's business activities are managed as a single operating segment and reviewed on a basis, the company may report as a single segment. The Company has determined that it operates as one reportable segment, as its CODM reviews the business as a whole rather than by distinct business components.

Application of ASU 2023-07 – Segment Expense Disclosure Requirements

In October 2023, the FASB issued ASU 2023-07, which enhances segment reporting by requiring public entities to disclose significant segment expenses that are regularly reviewed by the CODM. However, under ASC 280-10-50-31, these requirements apply only to entities with multiple reportable segments. Since the Company operates as a single reportable segment, it is not required to disclose segment expenses separately.

Although ASC 280-10-50-32 allows entities to voluntarily disclose additional segment-related information, including a breakdown of expenses, the Company is not required to present individual expense categories, and has not done so, because its operations are reviewed and managed as a single segment.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the recognition of revenues and expenses during the reporting period. Actual results may differ from these estimates, and such differences could be material.

In accordance with ASC 250-10-50-4, changes in estimates are recorded in the period in which they become known and are accounted for prospectively. The Company bases its estimates on historical experience, industry trends, and other relevant factors, incorporating both quantitative and qualitative assessments that it believes are reasonable under the circumstances.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
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Significant estimates for the years ended December 31, 2024 and 2023 include:

- Allowance for doubtful accounts and other receivables
- Inventory reserves and classifications
- Valuation of loss contingencies
- Valuation of stock-based compensation
- Estimated useful lives of property and equipment
- Impairment of intangible assets
- Implicit interest rate in right-of-use operating leases
- Uncertain tax positions
- Valuation allowance on deferred tax assets

Risks and Uncertainties

The Company operates in a highly competitive industry that is subject to intense market dynamics, shifting consumer demand, and economic fluctuations. The Company's operations are exposed to significant financial, operational, and strategic risks, including potential business disruptions, supply chain constraints, and liquidity challenges.

In accordance with ASC 275, "Risks and Uncertainties," the Company evaluates and discloses risks that could materially affect its financial condition, results of operations, and business outlook. Key factors contributing to variability in sales and earnings include:

1. Industry Cyclicity (ASC 275-10-50-6) – The Company's financial performance is affected by industry trends, seasonality, and shifts in market demand.
2. Macroeconomic Conditions (ASC 275-10-50-8) – Economic downturns, inflationary pressures, interest rate changes, and geopolitical risks may impact consumer purchasing behavior and the Company's revenue streams.
3. Pricing Volatility (ASC 275-10-50-4) – The cost and availability of raw materials, supply chain disruptions, and competitive pricing pressures can lead to fluctuations in gross margins and profitability.

Given these uncertainties, the Company faces challenges in accurately forecasting financial performance and may experience material risks affecting liquidity, business continuity, and long-term strategic growth. The Company continuously assesses these risks and implements measures to mitigate their potential impact.

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NOTES TO FINANCIAL STATEMENTS
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(UNAUDITED)

Fair Value of Financial Instruments

The Company accounts for financial instruments in accordance with Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurements, which establishes a framework for measuring fair value and requires related disclosures. 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. The fair value measurement is based on the Company's principal market or, if none exists, the most advantageous market for the asset or liability.

Fair Value Hierarchy

ASC 820 requires the use of observable inputs whenever available and establishes a three-tier hierarchy for measuring fair value:

- Level 1 – Quoted market prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices in active markets, such as quoted prices for similar assets and liabilities or inputs that are directly or indirectly observable.
- Level 3 – Unobservable inputs that require significant judgment, including management assumptions and estimates based on available market data.

The classification of an asset or liability within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Level 3 valuations generally require more judgment and complexity, often involving a combination of cost, market, or income approaches, as well as assumptions about market conditions, pricing, and other factors.

Fair Value Determination and Use of External Advisors

The Company assesses the fair value of its financial instruments and, where appropriate, may engage external valuation specialists to assist in determining fair value. While management believes that recorded fair values are reasonable, they may not necessarily reflect net realizable values or future fair values.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(UNAUDITED)

Financial Instruments Carried at Historical Cost

The Company's financial instruments—including cash, accounts receivable, accounts payable, and accrued expenses (including related party balances)—are recorded at historical cost. As of December 31, 2024 and 2023, respectively, the carrying amounts of these instruments approximated their fair values due to their short-term maturities.

Fair Value Option Under ASC 825

ASC 825-10, Financial Instruments, permits entities to elect the fair value option for certain financial assets and liabilities. This election is made on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If elected, unrealized gains and losses are recognized in earnings at each reporting date. The Company has not elected the fair value option for any of its 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 December 31, 2024 and 2023, 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 December 31, 2024 and 2023, the Company had cash in excess of the insured FDIC limit of \$0, respectively.

Accounts Receivable

The Company accounts for accounts receivable in accordance with FASB ASC 310, Receivables. Receivables are recorded at their net realizable value, which represents the amount management expects to collect from outstanding customer balances (ASC 310-10-35-7).

The Company extends credit to customers based on an evaluation of their financial condition and other factors. The Company does not require collateral, and interest is not accrued on overdue accounts receivable (ASC 310-10-45-4).

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Allowance for Doubtful Accounts

Management periodically assesses the collectability of accounts receivable and establishes an allowance for doubtful accounts as needed. The allowance is determined based on:

- A review of outstanding accounts,
- Historical collection experience, and
- Current economic conditions (ASC 310-10-35-9).

Accounts deemed uncollectible are written off against the allowance when determined to be uncollectible (ASC 310-10-35-10).

Allowance for doubtful accounts was \$0 at December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the Company recorded bad debt expense of \$0, respectively.

Applicability of ASC 326 (“CECL”)

The Company has assessed the applicability of ASC 326, Financial Instruments—Credit Losses (CECL), which requires an expected credit loss model for financial assets measured at amortized cost. However, ASC 326 primarily applies to financial institutions and entities with long-term financing receivables.

Since the Company’s accounts receivable are short-term trade receivables that do not meet the scope requirements of ASC 326-20-15-2, it continues to apply the incurred loss model under ASC 310 for estimating credit losses.

Inventory

The Company accounts for inventory in accordance with FASB ASC 330, Inventory. Inventory consists solely of one scanning machine, and is stated at the lower of cost or net realizable value (“LCNRV”) using the first-in, first-out (FIFO) method, as required by ASC 330-10-35-1.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Inventory Valuation and Reserve Assessment

Management assesses the recoverability of inventory each reporting period and establishes reserves for potential inventory write-downs when necessary. The Company evaluates factors such as:

- Market conditions,
- Net realizable value based on estimated selling price, and
- Inventory turnover trends (ASC 330-10-35-2).

For the years ended December 31, 2024 and 2023, respectively, the Company did not record any provisions for inventory obsolescence or impairment.

At December 31, 2024 and 2023, the Company had inventory of \$1,256,862, respectively. See below regarding payment (\$1,000,000 deposit) made prior to the year ended December 31, 2023.

Deposits

The Company has deposits on hand with a third-party manufacturer related to the purchase of equipment. As of December 31, 2024, and 2023, deposits were as follows:

| | |
|-----------------------------|-------------------|
| Balance - December 31, 2022 | \$ 275,000 |
| No activity in 2023 | - |
| Balance - December 31, 2023 | 275,000 |
| Advances | 100,000 |
| Balance - December 31, 2024 | <u>\$ 375,000</u> |

In 2022, the Company made an initial deposit of \$1,000,000, which was subsequently used to purchase inventory during the same year. As part of this transaction, the Company was required to pay a Non-Recurring Engineering (NRE) Fee of \$700,000 to the manufacturer for research, development, and technology transfer services. Of this amount, \$210,000 was paid in 2022, with the remaining \$490,000 due upon receipt of the equipment into inventory, which is contingent upon FDA clearance.

The Company expects to receive FDA clearance for its PET-CT system by the end of 2025, at which time the final payment of \$490,000 will become due.

If the equipment fails validation or FDA approval, the Company has the contractual right to return the equipment and receive a refund of the \$1,000,000 deposit, less any applicable shipping and handling costs.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Additionally, the manufacturer has agreed to provide a one-year warranty on the equipment and related software, commencing upon the closing of the equipment purchase.

Concentrations

The Company evaluates and discloses significant concentrations of risk in accordance with FASB ASC 275-10, Risks and Uncertainties. These risks may arise from customer concentrations, vendor reliance, geographic dependence, or other economic factors that could materially impact the Company's financial position, results of operations, and cash flows.

A concentration exists when a single customer, supplier, or market accounts for a significant portion (typically greater than 10%) of the Company's total revenues, accounts receivable, or vendor purchases (ASC 275-10-50-16).

At December 31, 2024 and 2023, respectively, the Company has no such concentrations.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation, in accordance with ASC 360, "Property, Plant, and Equipment." Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Repairs and maintenance expenditures that do not materially extend the useful life of an asset are expensed as incurred. Significant improvements or upgrades that increase the asset's productivity, efficiency, or useful life are capitalized.

Upon disposal or sale of property and equipment, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of operations, in accordance with ASC 360-10-40-5.

The Company evaluates the carrying value of property and equipment whenever events or changes in circumstances indicate that the asset may be impaired. If impairment indicators exist, the Company assesses recoverability based on the undiscounted future cash flows expected from the use and disposition of the asset. If the carrying amount exceeds the estimated recoverable amount, an impairment loss is recognized in accordance with ASC 360-10-35-17.

Impairment of Long-lived Assets

The Company evaluates the recoverability of long-lived assets, including identifiable intangible assets and internal-use capitalized software costs, in accordance with FASB ASC 360-10-35-15, Impairment or Disposal of Long-Lived Assets.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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An impairment review is triggered when events or circumstances indicate that the carrying value of an asset group may not be recoverable. Factors considered include, but are not limited to:

- Significant changes in expected performance compared to prior forecasts,
- Changes in asset utilization, including discontinued or modified use,
- Negative industry or economic trends that impact asset value, and
- Strategic shifts in the Company's business operations (ASC 360-10-35-21).

Impairment Assessment Process

When impairment indicators exist, the Company performs a recoverability test by comparing the undiscounted future cash flows expected to be generated from the use and ultimate disposition of the asset group to its carrying amount (ASC 360-10-35-17).

- If the undiscounted cash flows exceed the carrying amount, no impairment is recognized.
- If the undiscounted cash flows are less than the carrying amount, an impairment loss is recognized, measured as the excess of the carrying amount over the fair value of the asset (ASC 360-10-35-18).

There were no impairment losses during the years ended December 31, 2024 and 2023, respectively.

Derivative Liabilities

The Company evaluates financial instruments containing characteristics of both liabilities and equity in accordance with FASB ASC 480, Distinguishing Liabilities from Equity, and FASB ASC 815, Derivatives and Hedging.

Accounting for Derivative Liabilities

Derivative liabilities are revalued at fair value at each reporting period, with changes in fair value recognized in the results of operations as a gain or loss on derivative remeasurement (ASC 815-40-35-4). The Company uses a binomial pricing model to determine the fair value of these instruments.

POSITRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(UNAUDITED)

Conversion and Extinguishment of Derivative Liabilities

When a debt instrument with an embedded conversion option (e.g., convertible debt or warrants) is converted into shares of common stock or repaid, the Company:

- Records the newly issued shares at fair value;
- Derecognizes all related debt, derivative liabilities, and unamortized debt discounts; and
- Recognizes a gain or loss on debt extinguishment, if applicable (ASC 470-50-40-2).

For equity-based derivative liabilities (e.g., warrants) that are extinguished, any remaining liability balance is reclassified to additional paid-in capital (ASC 815-40-35-9).

Reclassification of Equity Instruments to Liabilities

Equity instruments initially classified as equity may be reclassified as liabilities if they no longer meet equity classification criteria under ASC 815-40-25. In such cases, they are remeasured at fair value on the date of reclassification, with changes recognized in earnings (ASC 815-40-35-8).

Derivative Liability Balances

As of December 31, 2024, and 2023, the Company had no derivative liabilities outstanding.

Original Issue Discounts and Other Debt Discounts

The Company accounts for original issue discounts (OID) and other debt discounts in accordance with FASB ASC 835-30, Interest—Imputation of Interest. These discounts are recorded as a reduction of the carrying amount of the related debt and are amortized to interest expense over the term of the debt using the effective interest method, unless the straight-line method is materially similar (ASC 835-30-35-2).

Original Issue Discounts (OID)

For certain notes issued, the Company may provide the debt holder with an original issue discount (OID), which is recorded as a debt discount, reducing the face value of the note. The discount is amortized to interest expense over the term of the debt in the Statements of Operations.

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Stock and Other Equity Issued with Debt

The Company may issue common stock or other equity instruments in connection with debt issuance. When stock is issued, it is recorded at fair value and treated as a debt discount, reducing the carrying amount of the note. These discounts are amortized to interest expense over the life of the debt (ASC 470-20-25-2).

The combined debt discounts, including OID and stock-related discounts, cannot exceed the face amount of the debt (ASU 2020-06).

Debt Issuance Costs

Debt issuance costs, including fees paid to lenders or third parties, are capitalized as a debt discount and amortized to interest expense over the life of the debt in accordance with ASC 835-30-45-1. These costs are presented as a direct deduction from the carrying amount of the debt liability rather than as a separate asset (ASC 835-30-45-3).

Warranty Obligations

The Company provides an assurance-type warranty on its products, covering defects in design, materials, and workmanship for a period of one year from customer acceptance. Under ASC 460-10-25-5 and ASC 450-20, the Company recognizes a liability for estimated warranty costs when the obligation is probable and reasonably estimable, which typically occurs at the time of product delivery.

The warranty provision is based on historical trends related to the nature, frequency, and average cost of claims for each product line. These estimates are continuously reassessed using the best available information, and adjustments are made as necessary.

Historically, the Company has incurred insignificant warranty-related costs, and at December 31, 2024 and 2023, no warranty liability was recorded, as the estimated obligation was deemed immaterial.

Additionally, certain components used in the Company's products are covered under supplier-provided limited warranties, which include replacement and service coverage for parts. The Company does not have direct responsibility for these supplier warranties.

As of December 31, 2024 and 2023, the Company is not aware of any pending or asserted claims related to warranty obligations.

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Treasury Stock

The Company accounts for treasury stock transactions under the cost method in accordance with ASC 505-30, Treasury Stock. Under this method, when the Company repurchases its own shares, the full acquisition cost is recorded as a reduction to stockholders' equity under the treasury stock account. These shares remain issued but are not considered outstanding and do not participate in dividends or earnings per share calculations.

Treasury stock is reissued for various equity-based compensation plans and other corporate purposes, including:

- Restricted stock awards (RSAs) – issued at the time of grant.
- Stock option exercises – issued upon exercise.
- Performance shares and performance-based restricted stock units (PSUs and PRSUs) – issued upon vesting, subject to performance conditions.
- Other transactions – including share-based payments or settlement of obligations.

Accounting Treatment for Reissuance of Treasury Stock

When treasury stock is reissued, the financial impact is recognized as follows:

1. If the reissuance price exceeds the original cost of the treasury shares, the excess amount is recorded as an increase to Additional Paid-In Capital (APIC).
2. If the reissuance price is lower than the original cost, the difference is:
 - First offset against APIC from previous treasury stock transactions, to the extent available.
 - If no APIC remains, any remaining deficiency is charged to Retained Earnings, reducing stockholders' equity.

The Company does not recognize gains or losses on the purchase, sale, or reissuance of treasury stock, as these transactions are considered equity transactions under GAAP guidance.

Treasury Stock Activity and Disclosure

At each reporting period, the Company evaluates treasury stock activity and provides disclosures regarding:

- The number of treasury shares held,
- The total cost of treasury stock,
- Reissuance details, including proceeds received and the impact on APIC or Retained Earnings,
- Any restrictions or limitations on the reissuance or use of treasury stock.

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As of December 31, 2024, and 2023, respectively, the Company had 750 shares of treasury stock recorded at an aggregate cost of \$375.

Right of Use Assets and Lease Obligations

The Company accounts for right-of-use (ROU) assets and lease liabilities in accordance with FASB ASC 842, Leases. These amounts reflect the present value of the Company's estimated future minimum lease payments over the lease term, including any reasonably certain renewal options, discounted using a collateralized incremental borrowing rate (ASC 842-20-30-1).

The Company classifies its leases as either operating or finance leases based on the criteria outlined in ASC 842-10-25-2. The Company's leases primarily consist of operating leases, which are included as Right-of-Use Assets and Operating Lease Liabilities on the balance sheet.

Short-Term Leases

The Company has elected the short-term lease exemption allowed under ASC 842-20-25-2, whereby leases with a term of 12 months or less are not recorded on the balance sheet. Instead, lease payments are expensed on a straight-line basis over the lease term.

Lease Term and Renewal Options

In determining the lease term, the Company evaluates whether renewal options are reasonably certain to be exercised, as required by ASC 842-10-30-1. Factors considered include:

- The useful life of leasehold improvements relative to the lease term,
- The economic performance of the business at the leased location,
- The comparative cost of renewal rates versus market rates, and
- The presence of any significant economic penalties for non-renewal (ASC 842-10-55-26).

If a renewal option is deemed reasonably certain to be exercised, the ROU asset and lease liability reflect those additional future lease payments. The Company's operating leases contain renewal options with no residual value guarantees. Currently, management does not expect to exercise any renewal options, which are therefore excluded in the measurement of lease obligations.

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Discount Rate and Lease Liability Measurement

Since the implicit rate in the leases is not readily determinable, the Company applies an incremental borrowing rate that represents the rate it would incur to borrow on a collateralized basis over a similar term and currency environment (ASC 842-20-30-3).

Lease Impairment

In accordance with ASC 360-10-35, the Company evaluates ROU assets for impairment indicators whenever events or changes in circumstances suggest the carrying amount may not be recoverable.

No impairments of ROU assets were recognized for the years ended December 31, 2024, and 2023.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, as amended by Accounting Standards Update (ASU) 2014-09. Under ASC 606, revenue is recognized when control of the promised services is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those services (ASC 606-10-05-3).

Nature of Services

The Company generates revenue from clinical, technical, and maintenance service contracts, which provide customers with ongoing product support. These contracts contain a single distinct performance obligation and are generally structured as automatically renewable agreements unless terminated within sixty (60) days after the first year.

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The Company follows the five-step revenue recognition model outlined in ASC 606-10-05-4:

1. Identify the Contract with a Customer

A contract exists when the following criteria, as outlined in ASC 606-10-25-1, are met:

- The contract creates enforceable rights and obligations between the Company and the customer.
- The contract has commercial substance, meaning it affects the Company's cash flows (ASC 606-10-25-1(b)).
- The payment terms are identified, and the consideration is determinable.
- It is probable that the Company will collect the consideration in exchange for the services transferred (ASC 606-10-25-1(e)).

Contracts for maintenance services meet these criteria. The Company assesses collectability based on historical payment trends and credit risk in accordance with ASC 606-10-25-5.

2. Identify the Performance Obligations in the Contract

A performance obligation is a distinct service promised in the contract that is both capable of being distinct and distinct in the context of the contract, per ASC 606-10-25-19.

The Company provides customers with ongoing maintenance services, which include:

- 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
- Continued physician and technician applications training

These elements are considered a single performance obligation, as they are not separately identifiable within the contract and are integrated into an overall maintenance service. Per ASC 606-10-25-22, these services are combined into a single obligation and not disaggregated.

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3. Determine the Transaction Price

The transaction price is the amount of consideration the Company expects to receive in exchange for fulfilling its maintenance service obligations, per ASC 606-10-32-2.

Considerations in determining the transaction price include:

- Fixed consideration – The contract price is clearly stated and does not vary based on performance.
- No variable consideration – The Company does not offer refunds, rebates, or pricing incentives (ASC 606-10-32-5).
- No financing component – Fees for maintenance contracts are typically billed in advance on a monthly basis, with payment due within 30 days. The Company applies the practical expedient to exclude any financing component for contracts with payment terms of one year or less, per ASC 606-10-32-15.

4. Allocate the Transaction Price to Performance Obligations

For maintenance contracts, the entire transaction price is allocated to the single performance obligation, in accordance with ASC 606-10-32-40. Because each contract consists of a singular integrated maintenance service, there is no need for further allocation.

If a contract included multiple performance obligations, the transaction price would be allocated based on relative standalone selling prices (SSP) as required by ASC 606-10-32-28. The standalone selling price is determined based on observable sales data.

5. Recognize Revenue When (or As) Performance Obligations Are Satisfied

Revenue is recognized over time as the Company satisfies its performance obligations, per ASC 606-10-25-27.

- Maintenance Contracts: The performance obligation is satisfied evenly over the contract period, as services are rendered on a continual basis (ASC 606-10-25-33).
- The Company recognizes revenue monthly as services are provided, and there are no remaining performance obligations at the end of each month.

Revenue is not recognized based on invoicing dates but rather based on the satisfaction of performance obligations, per ASC 606-10-25-31.

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Remaining Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct service to the customer and represents the unit of account under ASC 606.

- The Company tracks performance obligations at contract inception to monitor and account for them over the contract's life.
- At December 31, 2024, and 2023, the Company had no remaining performance obligations, as all services were rendered as of each period end.

Principal vs. Agent Considerations

In evaluating whether the Company acts as a principal or agent in maintenance service transactions, the Company applies the guidance in ASC 606-10-55-36 through 55-40.

The Company has determined that it is acting as a principal in providing maintenance services, based on the following factors (ASC 606-10-55-37A):

- The Company controls the service before it is transferred to the customer.
- The Company has discretion in pricing, as it sets the contract price.
- The Company is responsible for fulfilling the contractual obligation to provide maintenance services.
- The Company bears the risk of fulfilling performance obligations and ensuring uptime guarantees.

Based on these factors, the Company recognizes revenue on a gross basis as the principal in maintenance service transactions.

Contract Liabilities (Deferred Revenue)

Contract liabilities represent amounts received from customers before the satisfaction of performance obligations and are subsequently recognized as revenue upon fulfillment.

- Under ASC 606-10-45-2, the Company discloses contract balances related to deferred revenue when applicable.
- Timing of invoicing may differ from timing of revenue recognition, resulting in contract liabilities (deferred revenue) on the balance sheet.

As of December 31, 2024, and 2023, the Company's deferred revenues were \$66,330 and \$24,664, respectively.

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The following represents the Company's disaggregation of revenues by type for the years ended December 31, 2024 and 2023, respectively:

| | Years Ended December 31, | | | |
|----------------|--------------------------|----------------------|----------------|----------------------|
| | 2024 | | 2023 | |
| <u>Sales</u> | <u>Revenue</u> | <u>% of Revenues</u> | <u>Revenue</u> | <u>% of Revenues</u> |
| Service Income | \$ 587,500 | 100% | \$ 734,666 | 100% |

Currently, the Company's revenue is solely derived from service maintenance contracts, with no additional sources of revenue.

Cost of Sales

The Company recognizes cost of sales in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 705, Cost of Sales and Services.

Cost of sales consists of direct expenses incurred in the delivery of services related to the Company's maintenance contracts. These costs are recognized as incurred and are directly attributable to fulfilling service obligations under customer agreements.

The primary components of cost of sales include:

- Salaries and Wages – Compensation, payroll taxes, and employee benefits associated with the Company's service technicians and clinical support staff.
- Job-Related Materials and Supplies – Expenses for parts, tools, software upgrades, and consumable materials required to perform maintenance and repairs.

All costs included in cost of sales are directly related to the provision of contracted maintenance services and align with revenue recognition principles under ASC 606.

The Company continually evaluates its cost structure to optimize service delivery while maintaining contractual uptime guarantees and quality assurance standards.

Income Taxes

The Company accounts for income taxes using the asset and liability method prescribed by FASB ASC 740, Income Taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial reporting and tax bases of assets and liabilities. These amounts are measured using enacted tax rates expected to apply in the periods when temporary differences reverse (ASC 740-10-30-8).

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The effect of a change in tax rates on deferred tax balances is recognized as income or expense in the period that includes the enactment date (ASC 740-10-45-4).

Uncertain Tax Positions

The Company evaluates uncertain tax positions in accordance with ASC 740-10-25, which requires that a tax position be recognized in the financial statements only if it is more likely than not (greater than 50% likelihood) to be sustained upon examination by tax authorities. As of December 31, 2024 and 2023, respectively, the Company had no uncertain tax positions that qualified for recognition or disclosure in the financial statements (ASC 740-10-50-15).

The Company also recognizes interest and penalties related to uncertain tax positions in other expense in the statement of operations (ASC 740-10-45-25). No interest and penalties were recorded for the years ended December 31, 2024 and 2023.

Valuation of Deferred Tax Assets

The Company's deferred tax assets include certain future tax benefits, such as net operating losses (NOLs), tax credits, and deductible temporary differences. Under ASC 740-10-30-5, a valuation allowance is required if it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The Company reviews the realizability of deferred tax assets on a quarterly basis, or more frequently if circumstances warrant, considering both positive and negative evidence (ASC 740-10-30-16).

Factors Considered in Valuation Allowance Assessment

The Company evaluates multiple factors in determining whether a valuation allowance is necessary, including:

- Historical earnings trends (cumulative pre-tax income or losses in the most recent three-year period)
- Future financial projections, including expected taxable income based on long-term estimates of business performance and market conditions
- Statutory carryforward periods for net operating losses and other deferred tax assets
- Prudent and feasible tax planning strategies that could impact the realization of deferred tax assets
- Nature and predictability of temporary differences and the timing of their reversal
- Sensitivity of financial forecasts to external factors such as commodity prices, market demand, and operational risks

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While cumulative three-year losses are a strong indicator that a valuation allowance may be needed, ASC 740-10-30-23 states that a valuation allowance determination is not solely based on past losses—all available positive and negative evidence must be considered.

Valuation Allowance Determination

At December 31, 2024 and 2023, respectively, the Company recorded a full valuation allowance against its deferred tax assets, resulting in a net carrying amount of \$0. This determination was based on cumulative losses in recent years and the lack of sufficient positive evidence to support the realization of deferred tax assets in the near term (ASC 740-10-30-24).

The Company will continue to evaluate its valuation allowance each reporting period and will recognize deferred tax assets in the future if sufficient positive evidence emerges to support their realization.

Advertising Costs

Advertising costs are expensed as incurred, in accordance with ASC 720-35, "Advertising Costs." These costs are recognized as operating expenses in the period in which they are incurred and are classified within general and administrative expenses in the statements of operations.

The Company does not capitalize direct-response advertising costs, as they do not meet the criteria for deferral under ASC 720-35-25-1.

The Company recognized \$122,163 and \$60,298 in marketing and advertising costs during the years ended December 31, 2024 and 2023, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation," using the fair value-based method. Under this guidance, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, typically the vesting period.

ASC 718 establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services. It also applies to transactions where an entity incurs liabilities based on the fair value of its equity instruments or liabilities that may be settled using equity instruments.

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In compliance with ASU 2018-07, the Company applies the fair value method for equity instruments granted to both employees and non-employees, aligning non-employee share-based payment accounting with that of employees. The fair value of stock-based compensation is determined as of the grant date or the measurement date (i.e., when the performance obligation is completed) and is recognized over the vesting period in accordance with ASC 718.

The Company determines the fair value of stock options using the Black-Scholes option pricing model, considering the following key assumptions:

- Exercise price – The agreed-upon price at which the option can be exercised.
- Expected dividends – The anticipated dividend yield over the expected life of the option.
- Expected volatility – Based on historical stock price fluctuations.
- Risk-free interest rate – Derived from U.S. Treasury securities with similar maturities.
- Expected life of the option – Estimated based on historical exercise patterns and contractual terms.

Additionally, the Company follows the guidance under ASU 2016-09, which introduced amendments to simplify certain accounting aspects of share-based compensation, including:

- The treatment of tax benefits and tax deficiencies in income tax reporting.
- The option to recognize forfeitures as they occur rather than estimating them upfront.
- Cash flow classification for certain tax-related transactions.

The Company continues to evaluate and apply the latest Accounting Standards Updates (ASUs) and interpretive releases related to stock-based compensation to ensure compliance with evolving financial reporting requirements.

Stock Warrants

In connection with certain financing transactions (debt or equity), consulting arrangements, or strategic partnerships, the Company may issue warrants to purchase shares of its common stock. These standalone warrants are not puttable or mandatorily redeemable by the holder and are classified as equity instruments in accordance with ASC 480, “Distinguishing Liabilities from Equity.”

The fair value of warrants issued for compensation purposes is measured using the Black-Scholes option pricing model, consistent with the guidance in ASC 718-10-30. However, if warrants meet the definition of derivative liabilities under ASC 815, “Derivatives and Hedging,” fair value is determined using a binomial pricing model or other appropriate valuation techniques, as required by ASC 815-40-15.

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Accounting Treatment of Warrants

- Warrants issued in conjunction with common stock issuance are initially recorded at fair value as a reduction in Additional Paid-In Capital (APIC), in accordance with ASC 815-40-25.
- Warrants issued for services are recorded at fair value and expensed over the requisite service period or immediately upon issuance if no service period exists, as per ASC 718-10-25.
- Warrants classified as liabilities due to settlement features or pricing adjustments are remeasured at fair value each reporting period, with changes recognized in earnings, following ASC 815-40-35.

Basic and Diluted Earnings (Loss) per Share and Reverse Stock Split

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings Per Share." The calculation of basic EPS follows the two-class method and is determined by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding, including certain other shares committed to be issued.

Basic Earnings Per Share (EPS)

Basic EPS is calculated using the two-class method, as prescribed by ASC 260-10-45-60, and is computed as follows:

- Net earnings available to common shareholders represent net earnings to common shareholders, adjusted for the allocation of earnings to participating securities.
- Losses are not allocated to participating securities in accordance with ASC 260-10-45-61.
- The denominator includes common shares outstanding and certain other shares committed to be issued, such as restricted stock and restricted stock units ("RSUs"), for which no future service is required.

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Diluted Earnings Per Share (EPS)

Diluted EPS is calculated under both the two-class method and the treasury stock method, and the more dilutive result is reported, as required by ASC 260-10-45-45.

- Diluted EPS is computed by taking the sum of:
 - Net earnings available to common shareholders
 - Dividends on preferred shares
 - Dividends on dilutive mandatorily redeemable convertible preferred shares
 - Divided by the weighted average number of common shares outstanding and certain other shares committed to be issued, plus all dilutive common stock equivalents during the period, such as:
 - Stock options
 - Warrants
 - Convertible preferred stock
 - Convertible debt
- Preferred shares and unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) qualify as participating securities under the two-class method, per ASC 260-10-45-62.

Net Loss Per Share Considerations

In computing net loss per share, unvested shares of common stock are excluded from the denominator, as required by ASC 260-10-45-48.

Participating Securities & Share-Based Compensation

Restricted stock and RSUs granted as part of share-based compensation contain nonforfeitable rights to dividends and dividend equivalents, respectively. Therefore:

- Before the requisite service is rendered for the right to retain the award, these instruments meet the definition of a participating security under ASC 260-10-45-59.
- RSUs granted under an executive compensation plan, however, are not considered participating securities because the rights to dividend equivalents are forfeitable (ASC 718-10-25).

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The following potentially dilutive equity securities outstanding as of December 31, 2024 and 2023 were as follows:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--|--------------------------|--------------------------|
| Series A, preferred stock (1:400) | 1,088 | 1,088 |
| Series B, preferred stock (1:4) | 48,000 | 48,000 |
| Warrants (exercise price \$0.10/share) | 1,600,000 | 1,350,000 |
| Total common stock equivalents | <u>1,649,088</u> | <u>1,399,088</u> |

Based on the potential common stock equivalents noted above at December 31, 2024, the Company has sufficient authorized shares of common stock (6,00,000,000) to settle any potential exercises of common stock equivalents.

Preferred Stock Classification

The Company applies the guidance outlined in ASC 480, Distinguishing Liabilities from Equity, in determining the appropriate classification and measurement of preferred stock. Under ASC 480-10-25-4, financial instruments that embody an obligation to repurchase equity shares or require mandatory redemption at a fixed or determinable date must be classified as a liability and measured at fair value.

Preferred shares that are conditionally redeemable—including those redeemable at the option of the holder or subject to redemption upon the occurrence of events outside the issuer's control—are classified as temporary equity in accordance with ASC 480-10-S99-3A. Conversely, preferred shares that are not mandatorily redeemable and whose redemption rights are within the issuer's control are appropriately classified as a component of stockholders' deficit.

The Company's Series A and Series B Preferred Stock contain conditional redemption rights, but these rights are exercisable solely at the option of the Company. Because the redemption provisions are within the Company's exclusive control, the preferred shares do not meet the criteria for liability classification under ASC 480-10-25-7. Furthermore, the shares do not meet the temporary equity classification criteria under ASC 480-10-S99-3A since redemption is not outside of the Company's control.

Accordingly, unless otherwise noted, the Company presents all issuances of Series A and Series B Preferred Stock as a component of stockholders' deficit in the financial statements.

The Company continually evaluates its capital structure and preferred stock agreements to ensure proper classification and compliance with FASB ASC 480 and SEC guidance on redeemable securities.

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Related Parties

The Company defines related parties in accordance with ASC 850, "Related Party Disclosures," and SEC Regulation S-X, Rule 4-08(k). Related parties include entities and individuals that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company.

Related parties include, but are not limited to:

- Principal owners of the Company.
- Members of management (including directors, executive officers, and key employees).
- Immediate family members of principal owners and members of management.
- Entities affiliated with principal owners or management through direct or indirect ownership.
- Entities with which the Company has significant transactions, where one party has the ability to exercise control or significant influence over the management or operating policies of the other.

A party is considered related if it has the ability to control or significantly influence the management or operating policies of the Company in a manner that could prevent either party from fully pursuing its own separate economic interests.

The Company discloses all material related party transactions, including:

- The nature of the relationship between the parties.
- A description of the transaction(s), including terms and amounts involved.
- Any amounts due to or from related parties as of the reporting date.
- Any other elements necessary for a clear understanding of the transactions' effects on the financial statements.

Disclosures are made in accordance with ASC 850-10-50-1 through 50-6 and SEC Regulation S-X, Rule 4-08(k), which requires registrants to disclose material related party transactions and their effects on the financial position and results of operations.

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Recent Accounting Standards

ASU 2022-02 – Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued ASU 2022-02, which:

- Eliminates the troubled debt restructuring (TDR) model for creditors under ASC 310, "Receivables."
- Requires enhanced vintage disclosures related to credit losses, including gross write-offs by year of origination.
- Updates the accounting guidance under ASC 326, "Financial Instruments – Credit Losses," to enhance disclosures regarding loan refinancings and restructurings for borrowers experiencing financial difficulty.

The Company adopted ASU 2022-02 on January 1, 2023. The adoption did not have a material impact on the Company's consolidated financial statements.

ASU 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, which enhances disclosure requirements for reportable segments by:

- Requiring enhanced disclosures of significant segment expenses.
- Aligning segment reporting requirements with information regularly reviewed by management.

The Company adopted ASU 2023-07 on January 1, 2024. The adoption did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, which enhances income tax disclosure requirements by:

- Standardizing and disaggregating rate reconciliation categories.
- Requiring disclosure of income taxes paid by jurisdiction.

This ASU is effective for annual periods beginning after December 15, 2024, and may be applied on a prospective or retrospective basis. Early adoption is permitted.

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The Company is currently assessing the impact of ASU 2023-09 on its income tax disclosures and reporting requirements.

Other Accounting Standards Updates

The FASB has issued various technical corrections and industry-specific updates that are not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on the Company's results of operations, stockholders' equity, or cash flows, and did not affect previously reported net income (loss) or financial position.

Note 3 – Property and Equipment

Property and equipment consisted of the following:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> | <u>Estimated Useful Lives (Years)</u> |
|------------------------------------|--------------------------|--------------------------|---|
| Equipment | \$ 128,830 | \$ 128,830 | 5 |
| Accumulated depreciation | <u>(94,727)</u> | <u>(72,672)</u> | |
| Total property and equipment - net | <u>\$ 34,103</u> | <u>\$ 56,158</u> | |

Depreciation expense for the years ended December 31, 2024 and 2023 was \$22,055 and \$25,766, 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, 2022 | 310,000 |
| No activity in 2023 | - |
| Balance - December 31, 2023 | 310,000 |
| No activity in 2023 | - |
| Balance - December 31, 2024 | \$ 310,000 |

Note 5 – Debt

Notes Payable – Related Party

Year Ended December 31, 2023

Note Payable – Related Party and Warrants Issued as Debt Discount

Background

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 Company repaid \$100,000 and \$250,000 of note principal in 2024 and 2023, respectively.

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

In March 2024, the Company and the lender agreed to extend the due date of the remaining note balance of \$250,000 for an additional six-months (6) to September 2024.

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In September 2024, the Company and the lender agreed to extend the due date of the remaining note balance of \$150,000 for an additional six-months (6) to March 2025.

Evaluation of Debt Modification vs. Extinguishment

Under ASC 470-50-40, a modification or exchange of debt instruments must be evaluated to determine if it should be accounted for as a debt extinguishment or as a modification of the existing debt. The Company performed the following assessments:

1. Evaluation of Substantive Changes in Terms

Under ASC 470-50-40-6, a debt modification or exchange is considered a substantive change and is accounted for as an extinguishment if:

- A conversion feature that was substantive at the modification date is added or eliminated (ASC 470-50-40-10).
- The terms of the new debt are substantially different from the original debt, determined by applying the 10% cash flow test (ASC 470-50-40-12).

The Company evaluated the debt extensions and determined that:

- The extensions did not add or eliminate a conversion option that was substantive at the modification date.
- The present value of the modified debt's cash flows did not differ by 10% or more from the remaining cash flows under the original instrument.
- There was no significant change in interest rate, collateral, or repayment terms beyond the extensions.

Since these factors did not meet the criteria for substantive modification under ASC 470-50-40-6, the Company concluded that no debt extinguishment occurred. Accordingly, there was no calculation of gain or loss.

Warrants Issued with Debt

In connection with the issuance of the \$500,000 note, the Company also issued 100,000 warrants to the lender, which had a fair value of \$126,699, and was 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% |

Year Ended December 31, 2024

In August 2024, the Company executed a four-month (4) note with a board director for \$100,000. The note bears interest at 0% 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. For the year ended December 31, 2024, the Company recorded imputed interest expense (8%) on this note of \$2,783 and increased additional paid-in capital.

The following is a summary of the notes payable – related party for the years ended December 31, 2024 and 2023:

| <u>Terms</u> | <u>Note Payable #1 Related Party</u> | <u>Note Payable #2 Related Party</u> | <u>Note Payable #3 Related Party</u> | |
|----------------------------------|--|--|--|--------------|
| Issuance dates of notes | August 2022 | April 2023 | August 2024 | |
| Maturity date | March 2025 | March 2025 | December 2024 | |
| Interest rate | 10% | 8% | 0% | |
| Imputed interest rate | N/A | N/A | 8% | |
| Default interest rate | 20% | 20% | 20% | |
| Collateral | PET-CT Imaging Device | PET-CT Imaging Device | PET-CT Imaging Device | |
| | | | | Total |
| Balance - December 31, 2022 | \$ 1,161,728 | \$ - | \$ - | \$ 1,161,728 |
| Proceeds from issuance of note | - | 500,000 | - | 500,000 |
| Repayments | - | (250,000) | - | (250,000) |
| Debt discount (100,000 warrants) | - | (126,699) | - | (126,699) |
| Amortization of debt discount | 38,272 | 95,024 | - | 133,296 |
| Balance - December 31, 2023 | 1,200,000 | 218,325 | - | 1,418,325 |
| Proceeds from issuance of note | - | - | 100,000 | 100,000 |
| Repayments | - | (100,000) | - | (100,000) |
| Amortization of debt discount | - | 31,675 | - | 31,675 |
| Balance - December 31, 2024 | \$ 1,200,000 | \$ 150,000 | \$ 100,000 | \$ 1,450,000 |

*See Note 9 regarding the issuance of warrants.

Total unamortized debt discount at December 31, 2024 and 2023 were \$0 and \$31,675, respectively.

See Note 11 for repayment in full of Notes #2 and #3.

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Notes Payable

Year ended December 31, 2024

In September 2024, the Company executed a three-month (3) note with a third party for working capital of \$300,000. The note has a stated interest rate of 0% with a default interest rate of 20%. The Company has imputed interest at 8%. The note is secured by the net proceeds from the Company's PET imaging devices and service contracts.

The following is a summary of notes payable for the years ended December 31, 2024:

| <u>Terms</u> | <u>Note Payable #1</u> |
|--------------------------------|------------------------|
| Issuance date of note | September 2024 |
| Maturity date | December 2024 |
| Interest rate (imputed) | 8% |
| Default interest rate | 20% |
| Collateral | PET-CT Imaging Device |
| Balance - December 31, 2023 | - |
| Proceeds from issuance of note | 300,000 |
| Conversion to common stock | (300,000) |
| Balance - December 31, 2024 | \$ - |

For the year ended December 31, 2024, the Company recorded imputed interest expense on this note of \$4,932 and increased additional paid-in capital.

This \$300,000 was converted into 375,000 shares of common stock in November 2024.

See Note 7.

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Note 6 – Commitments and Contingencies

Operating Lease

The Company accounts for leases in accordance with ASC 842: Leases, which requires lessees to apply the right-of-use (ROU) model by recognizing a right-of-use asset and a lease liability for all leases with terms exceeding 12 months. Lease classification determines the pattern of expense recognition in the consolidated statement of operations:

- Operating leases: Recognized on a straight-line basis as lease expense over the lease term.
- Finance leases: Recognized with amortization of the ROU asset and interest expense on the lease liability.

Lessors classify leases as sales-type, direct financing, or operating leases based on whether they transfer risks, rewards, and control of the asset (ASC 842-10-25-2):

- If all risks, rewards, and control transfer, the lease is treated as a sale (sales-type lease).
- If risks and rewards transfer but control does not, the lease is classified as financing.
- If neither risks, rewards, nor control transfer, it is classified as an operating lease.

Lease Recognition and Measurement

The Company evaluates whether an arrangement contains a lease at inception and recognizes the lease in the financial statements upon lease commencement (the date the underlying asset is available for use). ROU assets represent the Company's right to use an asset over the lease term, while lease liabilities reflect the present value of future lease payments.

At lease commencement:

- ROU assets and lease liabilities are initially measured at the present value of lease payments.
- The Company primarily uses its incremental borrowing rate (IBR) to determine the present value of lease payments, except when an implicit rate is readily determinable (ASC 842-20-30-3).
- The IBR is based on market data, adjusted for credit risk and lease term.

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Practical Expedients and Lease Components

The Company applies certain practical expedients to simplify lease accounting:

- Lease and non-lease components are combined for classification and measurement, except for direct sales-type leases and production equipment embedded in supply agreements (ASC 842-10-15-37).
- Short-term leases (12 months or less, without purchase or renewal options) are not recorded on the balance sheet (ASC 842-20-25-2).

Lease Term and Expense Recognition

- Lease liabilities include options to extend or terminate when reasonably certain of exercise (ASC 842-10-55-26).
- Operating lease expense is recognized on a straight-line basis over the lease term and reported under general and administrative expenses.
- Variable lease payments based on an index/rate are initially measured using the rate at lease commencement, with differences expensed as incurred (ASC 842-10-30-5).

Company Lease Commitments

As of December 31, 2024, and 2023, the Company had no finance leases under ASC 842.

On March 17, 2022, the Company executed a five-year lease extension for its office space, covering the period from June 1, 2022, through May 31, 2027.

- Lease term: 60 months (five years)
- Monthly lease payments:
 - Years 1-3: \$1,600 per month
 - Years 4-5: \$1,700 per month
- Total lease obligation: \$100,800 for the first three years and \$40,800 for the last two years
- Renewal option: The Company has the option to extend the lease for an additional five years through May 31, 2032.
- Lease classification: The lease is evaluated under ASC 842, Leases, and recorded as a right-of-use (ROU) asset and lease liability based on the present value of lease payments at lease commencement.
- Renewal option assessment: At lease inception, based on historical operations, the Company does not expect to exercise the renewal option and has excluded it from lease liability calculations under ASC 842-10-30-1.

The Company recognizes lease expense on a straight-line basis over the lease term in accordance with ASC 842-20-25-6.

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The tables below present information regarding the Company's operating lease asset and liability at December 31, 2024 and 2023, respectively:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Operating lease - right-of-use asset - non-current | <u>\$ 38,976</u> | <u>\$ 55,111</u> |
| Liabilities | | |
| Operating lease liability | <u>\$ 44,202</u> | <u>\$ 59,208</u> |
| Weighted-average remaining lease term (years) | <u>2.42</u> | <u>3.42</u> |
| Weighted-average discount rate | <u>8%</u> | <u>8%</u> |

The components of lease expense were as follows:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|---|--------------------------|--------------------------|
| Operating lease costs | | |
| Amortization of right-of-use operating lease asset | \$ 16,130 | \$ 16,130 |
| Lease liability expense in connection with obligation repayment | <u>4,194</u> | <u>\$ 5,344</u> |
| Total operating lease costs | <u>\$ 20,324</u> | <u>\$ 21,474</u> |

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

| | | |
|---|------------------|------------------|
| Operating cash outflows from operating lease (obligation payment) | <u>\$ 19,200</u> | <u>\$ 19,200</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 December 31,:

| | |
|--|-----------|
| 2025 | \$ 19,900 |
| 2026 | 20,400 |
| 2027 | 8,500 |
| Total undiscounted cash flows | 48,800 |
| Less: amount representing interest | 4,598 |
| Present value of operating lease liability | 44,202 |
| Less: current portion of operating lease liability | 19,900 |
| Long-term operating lease liability | \$ 24,302 |

Contingencies – Legal Matters

The Company may be subject to litigation claims arising in the ordinary course of business. The Company records litigation accruals for legal matters which are both probable and estimable and for related legal costs as incurred. The Company does not reduce these liabilities for potential insurance or third-party recoveries.

As of December 31, 2024 and 2023, respectively, the Company is not aware of any litigation, pending litigation, or other transactions that require accrual or disclosure.

Note 7 – Stockholders’ Deficit

The Company has three (3) classes of stock:

Preferred Stock Authorization and Designation

The Company’s Certificate of Formation, as amended, authorizes the issuance of 20,000,000 shares of preferred stock, which may be issued from time to time in one or more series.

Pursuant to this authorization, the Board of Directors has the sole discretion, without requiring shareholder approval, to establish and define the specific rights, preferences, privileges, and restrictions applicable to each series of preferred stock before issuance.

These designations may include, but are not limited to:

- Dividend rights, including payment structure, rates, and priority over common stock.
- Voting rights, which may be full, limited, or non-voting.
- Redemption terms, including whether shares are redeemable at the option of the Company or the holder.

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- Provisions for purchase, retirement, or sinking funds to support the redemption or repurchase of shares.
- Conversion and exchange rights, detailing the terms under which preferred shares may convert into common stock or other securities.
- Liquidation preferences, establishing the priority of preferred stockholders in the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company.
- Relative rights and ranking among different series of preferred stock.

The Company's Preferred Stock is summarized as follows:

| Feature | Series A, Preferred Stock | Series B, Preferred Stock |
|------------------------|---|--|
| Authorized Shares | 5,450,000 | 9,000,000 |
| Par Value | \$1/share | \$1/share |
| Voting Rights | 1 vote per share (as converted basis) | 100 vote per share (as converted basis) |
| Dividend Rights | 8% per annum, only upon Board declaration | Accrued only upon Board declaration |
| Liquidation Preference | Senior to common stock & Series B Preferred Stock | Senior to common stock, but junior to Series A Preferred Stock |
| Redemption Rights | Redeemable at \$1.46/share plus undeclared and unpaid dividends. Requires 30 day's advance notice. Only if the Company's common stock closes above \$2/share for 20 consecutive trading days. Solely at the option of the Company. | Redeemable at \$1/share plus undeclared and unpaid dividends. Solely at the option of the Company. |
| Conversion Feature | Convertible into 1/400th of a share of common stock. Equivalent of 1,088 shares at December 31, 2024 and 2023, respectively. | Convertible into 1/400th of a share of common stock. Equivalent of 48,000 shares at December 31, 2024 and 2023, respectively. |

Common Stock

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

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Equity Transactions for the Year Ended December 31, 2024

Cash

The Company issued 1,500,000 shares of common stock for \$1,400,000 (\$0.80 - \$1/share).

Stock Issued for Services

The Company issued 500,000 shares of common stock to a consultant for services rendered, having a fair value of \$525,000 (\$1.05/share), based upon the quoted closing trading price.

Conversion of Note to Common Stock

The Company issued 375,000 shares of common stock in connection with the conversion of a \$300,000 note payable. There was no gain or loss recorded on debt conversion.

See Note 5.

Equity Transactions for the Year Ended December 31, 2023

Cash

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

Warrants Issued as Debt Discount – Related Party

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 Note 5.

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 years ended December 31, 2024 and 2023 are summarized as follows:

| Warrants | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---------------------------------|-------------------------------|--|--|--|
| 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 | | |
| Exercised | - | | | |
| Cancelled/Forfeited | - | | | |
| Outstanding - December 31, 2023 | 1,350,000 | \$ 0.10 | 1.26 | \$ 1,984,500 |
| Exercisable - December 31, 2023 | 1,350,000 | \$ 0.10 | 1.26 | \$ 1,984,500 |
| Unvested - December 31, 2023 | - | \$ - | - | \$ - |
| Granted | 250,000 | \$ 1.00 | | |
| Exercised | - | | | |
| Cancelled/Forfeited | - | | | |
| Outstanding - December 31, 2024 | 1,600,000 | \$ 0.24 | 1.63 | \$ 1,231,000 |
| Exercisable - December 31, 2024 | 1,600,000 | \$ 0.24 | 1.63 | \$ 1,231,000 |
| Unvested - December 31, 2024 | - | \$ - | - | \$ - |

In December 2024, the Company extended the maturity dates of 1,000,000 warrants from December 31, 2024 to December 31, 2026.

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Note 10 – Income Taxes

The Components of the deferred tax assets and liabilities at December 31, 2024 and 2023 were approximately as follows:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|-----------------------------------|---------------------------------|---------------------------------|
| <u>Deferred Tax Assets</u> | | |
| Amortization of ROU lease | \$ 9,000 | \$ 6,000 |
| Amortization of debt discount | 62,000 | 55,000 |
| Share based payments | 463,000 | 463,000 |
| Net operating loss carryforwards | 1,217,000 | 726,000 |
| Total deferred tax assets | 1,751,000 | 1,250,000 |
| Less: valuation allowance | (1,751,000) | (1,250,000) |
| Deferred tax asset - net | <u>\$ -</u> | <u>\$ -</u> |

The components of the income tax benefit and related valuation allowance for the years ended December 31, 2024 and 2023 was approximately as follows:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------------|---------------------------------|---------------------------------|
| Current | \$ - | \$ - |
| Deferred | (501,000) | (600,000) |
| Total income tax provision (benefit) | (501,000) | (600,000) |
| Less: valuation allowance | 501,000 | 600,000 |
| | <u>\$ -</u> | <u>\$ -</u> |

A reconciliation of the provision for income taxes for the years ended December 31, 2024 and 2023 as compared to statutory rates was approximately as follows:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|----------------------------------|---------------------------------|---------------------------------|
| Federal income tax benefit - 21% | \$ (501,000) | \$ (600,000) |
| Subtotal | (501,000) | (600,000) |
| Change in valuation allowance | 501,000 | 600,000 |
| Income tax benefit | <u>\$ -</u> | <u>\$ -</u> |

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Federal net operating loss carry forwards at December 31, 2024 and 2023 were approximately as follows:

| <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--------------------------|--------------------------|
| <u>\$ 5,799,000</u> | <u>\$ 3,459,000</u> |

Deferred tax assets and liabilities are computed by applying the federal and state income tax rates in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carryforwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse. As a result of historic losses, the Company has recorded a full valuation allowance as of December 31, 2024.

As of December 31, 2024, the Company had federal net operating loss carryforwards. The federal net operating losses carry forward indefinitely, and accordingly have been reserved.

During the year ended December 31, 2024, the valuation allowance increased by approximately \$501,000. The total valuation allowance results from the Company's estimate of its future recoverability of its net deferred tax assets.

The Company is in the process of analyzing their NOL and has not determined if the Company has had any change of control issues that could limit the future use of these NOL's. As of December 31, 2024, all federal NOL carryforwards that were generated after 2017 may only be used to offset 80% of taxable income and are carried forward indefinitely.

The Company follows the provisions of ASC 740, which requires the computations of current and deferred income tax assets and liabilities only consider tax positions that are more likely than not (defined as greater than 50% chance) to be sustained if the taxing authorities examined the positions. There are no significant differences between the tax provisions represented in the accompanying financial statements and that reported in the Company's income tax returns.

The Company files corporate income tax returns in the United States. Due to the Company's net operating loss posture, all tax years are open and subject to income tax examination by tax authorities. The Company's policy is to recognize interest expense and penalties related to income tax matters as tax expense. At December 31, 2024 and 2023, respectively, there are no unrecognized tax benefits, and there were no accruals for interest related to unrecognized tax benefits or tax penalties.

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Note 11 – Subsequent Events

Subsequent to December 31, 2024, the Company had the following transactions:

Notes Payable – Related Party

The Company executed a note with a director for \$100,000. The advance was non-interest bearing and unsecured. The note was required to be repaid within one-month (1) of the Company receiving a capital investment of a sufficient amount to make this repayment. The \$100,000 advance was repaid in full.

The same director has also been repaid \$250,000 on existing notes which had outstanding balances on December 31, 2024 of \$150,000 and \$100,000, respectively. See Note 5 for tabular summary.

Stock Issued for Cash

On March 28, 2025, the Company accepted a subscription in the amount of \$8,000,000 for the issuance of 8,000,000 shares of common stock.

Common Stock Repurchase Agreement

The Company repurchased 4,000,000 shares of common stock from a stockholder for \$2,500,000 and warrant to purchase 500,000 common shares at an exercise price of \$1.00 per share. These shares will be cancelled and retired to treasury.