

REFINITIV

DELTA REPORT

10-Q

ATOM - ATOMERA INC

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 397

█ CHANGES 152

█ DELETIONS 115

█ ADDITIONS 130

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended **June September 30, 2023.**

or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 001-37850

ATOMERA INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

30-0509586

(State or other jurisdiction of
incorporation or organization)

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

750 University Avenue, Suite 280
Los Gatos, California 95032

(Address, including zip code, of registrant's principal executive offices)

(408) 442-5248

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock: Par value \$0.001	ATOM	Nasdaq Capital Market

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

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

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

Large accelerated filer

Accelerated Filer

Non-accelerated Filer

Smaller reporting company

Emerging Growth Company

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

Indicate by checkmark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act): Yes No

The number of outstanding shares of the Registrant's Common Stock, par value \$.001 per share, as of **July 28, 2023** **October 26, 2023** was **25,793,907** **25,799,018**.

Index

	Page
<u>PART I. Financial Information</u>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Balance Sheets – June 30, 2023 (unaudited) September 30, 2023 (Unaudited) and December 31, 2022</u>	3
<u>Unaudited Condensed Statements of Operations – For the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022</u>	4
<u>Unaudited Condensed Statements of Comprehensive Loss – For the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022</u>	5
<u>Unaudited Condensed Statements of Stockholders' Equity – For the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022</u>	6
<u>Unaudited Condensed Statements of Cash Flows – For the Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022</u>	7
<u>Notes to the Unaudited Condensed Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	20
Item 4. <u>Controls and Procedures</u>	20
<u>PART II. Other Information</u>	
Item 1A. <u>Risk Factors</u>	21
Item 6. <u>Exhibits</u>	21
<u>Signatures</u>	22

PART I. Financial Information

Item 1. Financial Statements

Atomera Incorporated
Condensed Balance Sheets
(in thousands, except per share data)

	June 30, 2023 (Unaudited)	December 31, 2022	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,904	\$ 21,184	\$ 12,642	\$ 21,184
Short-term investments	10,931	-	7,747	-
Interest receivable	50	-	56	-
Prepaid expenses and other current assets	650	418	392	418
Total current assets	24,535	21,602	20,837	21,602
Property and equipment, net	135	158	129	158
Long-term prepaid maintenance and supplies	91	91	91	91
Security deposit	14	14	14	14
Operating lease right-of-use asset	631	700	574	700
Financing lease right-of-use-asset	3,583	4,164	3,184	4,164
Total assets	\$ 28,989	\$ 26,729	\$ 24,829	\$ 26,729
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 562	\$ 397	\$ 462	\$ 397
Accrued expenses	218	173	230	173
Accrued payroll related expenses	578	967	698	967
Current operating lease liability	259	245	262	245
Current financing lease liability	1,357	1,126	1,299	1,126
Total current liabilities	2,974	2,908	2,951	2,908
Long-term operating lease liability	400	521	348	521
Long-term financing lease liability	2,376	2,986	2,066	2,986
Total liabilities	5,750	6,415	5,365	6,415
Commitments and contingencies (see Note 9)	-	-	-	-
Stockholders' equity:				
Preferred stock \$0.001 par value, authorized 2,500 shares; none issued and outstanding as of June 30, 2023 and December 31, 2022	-	-	-	-
Common stock: \$0.001 par value, authorized 47,500 shares; 25,770 and 23,973 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively;	26	24	-	-
Preferred stock \$0.001 par value, authorized 2,500 shares; none issued and outstanding as of September 30, 2023 and December 31, 2022	-	-	-	-

Common stock: \$0.001 par value, authorized 47,500 shares; 25,804 shares issued and 25,784 outstanding as of September 30, 2023; and 23,973 shares issued and outstanding as of December 31, 2022	26	24
Additional paid in capital	216,681	203,585
Other comprehensive income (loss)	(2)	-
Accumulated deficit	(193,466)	(183,295)
Total stockholders' equity	23,239	20,314
Total liabilities and stockholders' equity	\$ 28,989	\$ 26,729
	\$ 24,829	\$ 26,729

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

Atomera Incorporated
Condensed Statements of Operations
(Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ -	\$ -	\$ -	\$ 375
Cost of revenue	-	-	-	(81)
Gross margin	-	-	-	294
Operating expenses				
Research and development	3,192	2,433	6,228	4,772
General and administrative	1,775	1,667	3,517	3,315
Selling and marketing	393	347	782	672
Total operating expenses	5,360	4,447	10,527	8,759
Loss from operations	(5,360)	(4,447)	(10,527)	(8,465)
Other income (expense)				
Interest income	152	35	351	38
Accretion income	107	-	109	-
Interest expense	(51)	(69)	(104)	(140)
Total other income (expense), net	208	(34)	356	(102)
Net loss	\$ (5,152)	\$ (4,481)	\$ (10,171)	\$ (8,567)
Net loss per common share, basic	\$ (0.21)	\$ (0.20)	\$ (0.42)	\$ (0.37)
Net loss per common share, diluted	\$ (0.21)	\$ (0.20)	\$ (0.42)	\$ (0.37)
Weighted average number of common shares outstanding, basic	24,677	22,936	24,171	22,894
Weighted average number of common shares outstanding, diluted	24,677	22,936	24,171	22,894
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ -	\$ 2	\$ -	\$ 377
Cost of revenue	-	-	-	(81)
Gross margin	-	2	-	296
Operating expenses				
Research and development	3,305	2,743	9,533	7,515
General and administrative	1,683	1,567	5,200	4,882
Selling and marketing	365	347	1,147	1,019
Total operating expenses	5,353	4,657	15,880	13,416
Loss from operations	(5,353)	(4,655)	(15,880)	(13,120)
Other income (expense)				
Interest income	177	113	528	151
Accretion income	112	-	221	-
Interest expense	(47)	(60)	(151)	(200)
Other income (expense), net	72	-	72	-
Total other income (expense), net	314	53	670	(49)
Net loss	\$ (5,039)	\$ (4,602)	\$ (15,210)	\$ (13,169)

Net loss per common share, basic	\$ (0.20)	\$ (0.20)	\$ (0.62)	\$ (0.57)
Net loss per common share, diluted	<u>\$ (0.20)</u>	<u>\$ (0.20)</u>	<u>\$ (0.62)</u>	<u>\$ (0.57)</u>
Weighted average number of common shares outstanding, basic	25,255	23,294	24,536	23,029
Weighted average number of common shares outstanding, diluted	<u>25,255</u>	<u>23,294</u>	<u>24,536</u>	<u>23,029</u>

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

Atomera Incorporated
Condensed Statements of Comprehensive Loss
(Uaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net loss	\$ (5,152)	\$ (4,481)	\$ (10,171)	\$ (8,567)	\$ (5,039)	\$ (4,602)	\$ (15,210)	\$ (13,169)
Unrealized gain (loss) on available-for-sale securities	-	-	(2)	-	(1)	-	(3)	-
Net loss	\$ (5,152)	\$ (4,481)	\$ (10,173)	\$ (8,567)	\$ (5,040)	\$ (4,602)	\$ (15,213)	\$ (13,169)

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

Atomera Incorporated
Statements of Stockholders' Equity
For the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022
(Unaudited)
(in thousands)

	Common Stock		Additional Paid-in Capital	Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount					
Balance January 1, 2023	23,973	\$ 24	\$ 203,585	\$ -	\$ (183,295)	\$ 20,314	
Stock-based compensation	297	-	927	-	-	-	927
Stock option exercise	10	-	39	-	-	-	39
At-the-market sale of stock, net of commissions and expenses	50	-	274	-	-	-	274
Net loss	-	-	-	-	(5,019)	(5,019)	(5,019)
Unrealized gain (loss) on available-for-sale securities	-	-	-	(2)	-	-	(2)
Balance March 31, 2023	24,330	\$ 24	\$ 204,825	\$ (2)	\$ (188,314)	\$ 16,533	
Stock-based compensation	60	-	1,030	-	-	-	1,030
Stock option exercise	10	-	39	-	-	-	39
At-the-market sale of stock, net of commissions and expenses	1,370	2	10,787	-	-	-	10,789
Net loss	-	-	-	-	(5,152)	(5,152)	(5,152)
Balance June 30, 2023	25,770	\$ 26	\$ 216,681	\$ (2)	\$ (193,466)	\$ 23,239	
Stock-based compensation	-	-	1,041	-	-	-	1,041
Stock option exercise	10	-	39	-	-	-	39
Forfeited restricted stock awards	(20)	-	-	-	-	-	-
At-the-market sale of stock, net of commissions and expenses	24	-	185	-	-	-	185
Net loss	-	-	-	-	(5,039)	(5,039)	(5,039)
Unrealized gain (loss) on available-for-sale securities	-	-	-	(1)	-	-	(1)
Balance September 30, 2023	25,784	\$ 26	\$ 217,946	\$ (3)	\$ (198,505)	\$ 19,464	

	Common Stock		Additional Paid-in Capital	Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity		Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder Equity
	Shares	Amount									
Balance January 1, 2023	23,973	\$ 24	\$ 203,585	\$ -	\$ (183,295)	\$ 20,314					
Balance January 1, 2022								23,207	\$ 23	\$ 194,212	\$ (165,854)
Stock-based compensation	297	-	927	-	-	927		161	-	726	-
Stock option exercise	10	-	39	-	-	39		25	-	166	-
Net loss	-	-	-	-	-	(4,086)		-	-	-	(4,086)
Balance March 31, 2022								23,393	\$ 23	\$ 195,104	\$ (169,940)
Stock-based compensation								33	-	859	-
At-the-market sale of stock, net of commissions and expenses	50	-	274	-	-	274		31	-	185	-
Net loss	-	-	-	-	(5,019)	(5,019)		-	-	-	(4,481)

Unrealized gain (loss) on available- for-sale securities	-	-	-	(2)	-	(2)						
Balance March 31, 2023	24,330	\$	24	\$	204,825	\$	(2)	\$	(188,314)	\$	16,533	
Balance June 30, 2022											23,457	\$
Stock-based compensation	60	-	1,030	-	-	-	1,030	-	-	889	-	88
Stock option exercise	10	-	39	-	-	-	39					
Stock option exercises							10	-	39			3
At-the-market sale of stock, net of commissions and expenses	1,370	2	10,787	-	-	-	10,789	387	1	4,602	-	4,602
Net loss	-	-	-	-	-	-	(5,152)	-	-	-	(4,602)	(4,602)
Balance June 30, 2023	25,770	\$	26	\$	216,681	\$	(2)	\$	(193,466)	\$	23,239	
Balance September 30, 2022											23,854	\$
											24	\$
											201,678	\$
											(179,023)	\$
											22,67	

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance January 1, 2022	23,207	\$ 23	\$ 194,212	\$ (165,854)	\$ 28,381
Stock-based compensation	161	—	726	—	726
Stock option exercise	25	—	166	—	166
Net loss	—	—	—	(4,086)	(4,086)
Balance March 31, 2022	23,393	\$ 23	\$ 195,104	\$ (169,940)	\$ 25,187
Stock-based compensation	33	—	859	—	859
At-the-market sale of stock, net of commissions and expenses	31	—	185	—	185
Net loss	—	—	—	(4,481)	(4,481)
Balance June 30, 2022	<u>23,457</u>	<u>\$ 23</u>	<u>\$ 196,148</u>	<u>\$ (174,421)</u>	<u>\$ 21,750</u>

Atomera Incorporated
Condensed Statements of Cash Flows
(Uaudited)
(in thousands)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (15,210)	\$ (13,169)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	60	58
Operating lease right of use asset amortization	159	149
Financing lease right of use asset amortization	865	938
Stock-based compensation	2,998	2,474
Accretion of discounts on available-for-sale securities	(198)	—
Changes in operating assets and liabilities:		
Interest receivable	(13)	—
Prepaid expenses and other current assets	26	(288)
Accounts payable	65	186
Accrued expenses	57	2
Accrued payroll expenses	(269)	193
Operating lease liability	(189)	(125)
Deferred revenue	—	1
Net cash used in operating activities	<u>(11,649)</u>	<u>(9,581)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(31)	(26)
Purchase of available-for-sale securities	(16,595)	—
Maturity of available-for-sale securities	9,000	—
Net cash used in investing activities	<u>(7,626)</u>	<u>(26)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from at-the-market sale of stock, net of commissions and expenses	11,248	4,788
Proceeds from exercise of stock options	117	205
Payments on principal of financing lease	(632)	(798)
Net cash provided by financing activities	<u>10,733</u>	<u>4,195</u>
Net decrease in cash and cash equivalents	(8,542)	(5,412)
Cash and cash equivalents at beginning of period	<u>21,184</u>	<u>28,699</u>
Cash and cash equivalents at end of period	<u>\$ 12,642</u>	<u>\$ 23,287</u>
Supplemental information:		
Cash paid for interest	\$ 151	\$ 200
Cash paid for taxes	\$ —	\$ —

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

Atomera Incorporated
Condensed Statements of Cash Flows
 (Unaudited)
 (in thousands)

	Six Months Ended		
	June 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss		\$ (10,171)	\$ (8,567)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		40	39
Operating lease right of use asset amortization		102	99
Financing lease right of use asset amortization		581	638
Stock-based compensation		1,957	1,585
Accretion of discounts on available-for-sale securities		(89)	-
Changes in operating assets and liabilities:			
Interest receivable		(42)	-
Prepaid expenses and other current assets		(232)	(341)
Accounts payable		165	96
Accrued expenses		45	10
Accrued payroll expenses		(389)	(91)
Operating lease liability		(139)	(83)
Net cash used in operating activities		<u>(8,172)</u>	<u>(6,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(18)	(19)
Purchase of available-for-sale securities		(10,853)	-
Net cash used in investing activities		<u>(10,871)</u>	<u>(19)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from at-the-market sale of stock, net of commissions and expenses		11,063	185
Proceeds from exercise of stock options		78	166
Payments on principal of financing lease		(378)	(578)
Net cash provided (used) by financing activities		<u>10,763</u>	<u>(227)</u>
Net decrease in cash and cash equivalents		(8,280)	(6,861)
Cash and cash equivalents at beginning of period		<u>21,184</u>	<u>28,699</u>
Cash and cash equivalents at end of period		<u>\$ 12,904</u>	<u>\$ 21,838</u>
Supplemental information:			
Cash paid for interest	\$ 104	\$ 140	
Cash paid for taxes	\$ -	\$ -	

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

ATOMERA INCORPORATED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the Three and ~~Six~~ Nine Months Ended **June 30, 2023** September 30, 2023 and 2022

1. NATURE OF OPERATIONS

Atomera Incorporated ("Atomera" or the "Company") was incorporated in the state of Delaware in March 2007 under the name MEARS Technologies, Inc. and is engaged in the development, commercialization and licensing of proprietary processes and technologies for the semiconductor industry. On January 12, 2016, the Company changed its name to Atomera Incorporated.

Atomera is an early-stage company, having only recently begun limited revenue-generating activities, and is devoting substantially all its efforts toward technology research and development and to commercially licensing its technology to designers and manufacturers of integrated circuits.

2. LIQUIDITY AND MANAGEMENT PLANS

At **June 30, 2023** September 30, 2023, the Company had cash, cash equivalents and short-term investments of approximately \$23.8 ~~20.4~~ million and working capital of approximately \$21.6 ~~17.9~~ million. The Company has generated only limited revenues since inception and has incurred recurring operating losses. Accordingly, it is subject to all the risks inherent in the financing and scaling of a business that is not generating positive cashflow.

The Company has primarily financed operations through private placements of equity and debt securities, the Company's Initial Public Offering (the "IPO") which was consummated on August 10, 2016, and subsequent public offerings of its common stock. On May 31, 2022, Atomera entered into an Equity Distribution Agreement with Oppenheimer & Co. Inc. and Craig-Hallum Capital Group LLC, as agents, under which the Company may offer and sell, from time to time at its sole discretion, shares of its \$0.001 par value common stock, in "at the market" offerings to or through the agent as its sales agent, having an aggregate offering price of up to \$50.0 million (the "ATM Facility"). During the ~~three~~ nine months ended **June 30, 2023** September 30, 2023, the Company sold approximately 1.4 million ~~million~~ shares pursuant to ~~our~~ its ATM Facility at an average price per share of approximately \$8.15 ~~8.11~~, resulting in approximately \$10.8 ~~11.2~~ million ~~million~~ of net proceeds ~~to us~~ after deducting commissions and other offering expenses. These sales include approximately 24,000 shares sold during the three months ended September 30, 2023 at an average price of \$9.17, resulting in net proceeds of approximately \$185,000 after deducting commissions and other offering expenses.

Based on the funds it has available as of the date of the filing of this report, the Company believes that it has sufficient capital to fund its current business plans and obligations over, at least, 12 months from the date that these financial statements have been issued. The Company's future capital requirements and the adequacy of its available funds will depend on many factors, including the Company's ability to successfully commercialize its technology, competing technological and market developments, and the need to enter into collaborations with other companies or acquire technologies to enhance or complement its current offerings. If the Company is not able to generate sufficient revenue from license fees and royalties in a timeframe that satisfies its cash needs, it will need to raise more capital. In the event it requires additional capital, it will endeavor to acquire additional funds through various financing sources, including the ATM Facility, follow-on equity offerings, debt financing and joint ventures with industry partners. In addition to use of the ATM Facility and other capital raising alternatives, the Company will consider alternatives to ~~our~~ current business plan that may enable it to achieve revenue-producing operations and meaningful commercial success with a smaller amount of capital. If the Company is unable to secure sufficient additional capital, it may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve cash.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 15, 2023.

Basis of presentation of unaudited condensed financial information

The unaudited condensed financial statements of the Company for the three and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the Company's financial position and its results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2022 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the SEC on February 15, 2023. These unaudited condensed financial statements should be read in conjunction with that report.

Cash, cash equivalents, and short-term investments

The Company considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Cash equivalents may be invested in money market funds or U.S. agency bonds. Cash and cash equivalents are carried at cost, which approximates their fair value.

The Company's portfolio of short-term investments is comprised solely of U.S. treasury bills and agency bonds with maturities of more than three months, but less than one year. The Company classifies these as available-for-sale at purchase date and will reevaluate such designation at each period end date. The Company may sell these marketable debt securities prior to their stated maturities depending upon changing liquidity requirements. These debt securities are classified as current assets in the consolidated balance sheet and recorded at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss).

Gains and losses are recognized when realized. Gains and losses are determined using the specific identification method and are reported in other income (expense), net in the consolidated statements of operations.

Adoption of recent accounting standards

From time to time, new accounting standards are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. No new accounting standards, issued or effective during the period ended ~~June 30, 2023~~ September 30, 2023, have had or are expected to have a significant impact on the Company's financial statements.

4. FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820") states that fair value represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The three-tiered fair value hierarchy, which prioritizes which inputs should be used in measuring fair value, is comprised consists of:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

The Company's cash equivalents and short-term investments that were measured at fair value on a recurring basis as Level 1 assets.

The Company's cash, cash equivalents and short-term investments classified by security type as of June 30, 2023 September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	Cost	June 30, 2023			December 31, 2022		
		Unrealized Gain/(Loss)	Accretion of Discount	Fair Value	Cost	Fair Value	
Cash	\$ 1	\$ -	\$ -	\$ 1	\$ 1	\$ 1	\$ 1
Money market funds	12,903	-	-	12,903	21,183	21,183	
US treasury bills	7,873	(2)	66	7,937	-	-	
US agency bonds	2,971	-	23	2,994	-	-	
Total	\$ 23,748	\$ (2)	\$ 89	\$ 23,835	\$ 21,184	\$ 21,184	

Interest receivable of approximately \$50,000 as of June 30, 2023 includes approximately \$8,000 of purchased accrued interest.

	Cost	September 30, 2023			December 31, 2022		
		Unrealized Gain/(Loss)	Accretion of Discount	Fair Value	Cost	Fair Value	
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Money market funds	11,649	-	-	11,649	21,183	21,183	
US treasury bills	4,902	(1)	61	4,962	-	-	
US agency bonds	3,763	(2)	17	3,778	-	-	
Total	\$ 20,314	\$ (3)	\$ 78	\$ 20,389	\$ 21,184	\$ 21,184	

5. REVENUE

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") ASC No. 606. The Company generates revenues from engineering service contracts, license agreements and joint development agreements. The amount of revenue that the Company recognizes reflects the consideration it expects to receive in exchange for goods or services and such revenue is recognized when the Company satisfies a performance obligation by transferring the product or service to the customer. When the Company's performance obligation is the promise to grant a license, revenue is recognized either at a point in time (such as a right to use licensed technology that is under the customer's control), or over time (typically a right to access technology without obtaining control).

The following table provides information about disaggregated revenue by primary geographical markets and timing of revenue recognition (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,					
	2023		2022		2023		2022		2023	2022	2023	2022				
	\$	-	\$	-	\$	-	\$	75	\$	-	\$	2	\$	-	\$	77
Primary geographic markets																
North America	\$	-	\$	-	\$	-	\$	75	\$	-	\$	2	\$	-	\$	77
Asia Pacific	-		-		-		-		-		-		-		300	
Total	\$	-	\$	-	\$	-	\$	375	\$	-	\$	2	\$	-	\$	377
Timing of revenue recognition																
Products and services transferred at a point in time	\$	-	\$	-	\$	-	\$	375	\$	-	\$	-	\$	-	\$	375
Products and services transferred over time	-		-		-		-		-		-	2	-	-	2	
Total	\$	-	\$	-	\$	-	\$	375	\$	-	\$	2	\$	-	\$	377

Unbilled contracts receivable and deferred revenue

Timing of revenue recognition may differ from the timing of invoicing customers. Accounts receivable includes amounts billed and currently due from customers. Unbilled contracts receivable represents unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed, and the right to receive payment is subject to the underlying contractual terms. Unbilled contracts receivable amounts may not exceed their net realizable value and are classified as long-term assets if the payments are expected to be received more than one year from the reporting date.

6. BASIC AND DILUTED LOSS PER SHARE

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the sum of the weighted average number of shares of common stock outstanding and the dilutive common stock equivalent shares outstanding during the period. The Company's potentially dilutive common stock equivalent shares, which include incremental common shares issuable upon (i) the exercise of outstanding stock options and warrants and (ii) vesting of restricted stock units and restricted stock awards, are only included in the calculation of diluted net loss per share when their effect is dilutive. Since the Company has had net losses for all periods presented, all potentially dilutive securities are anti-dilutive. Accordingly, basic and diluted net loss per share are equal.

The following potential common stock equivalents were not included in the calculation of diluted net loss per common share because the inclusion thereof would be anti-dilutive (in thousands):

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	3,364	3,008	3,370	3,019
Stock Options	555	456	481	403
Unvested restricted stock				
Total	3,919	3,464	3,851	3,422

7. LEASES

The Company accounts for leases over one year under ASC 842. Lease expense for the Company's operating leases consists of the lease payments recognized on a straight-line basis over the lease term. Expenses for the Company's financing leases consists of the amortization expenses recognized on a straight-line basis over the lease term variable lease costs and interest expense. The Company's lease agreement for a tool used in the development and marketing of the Company's technology established a monthly lease payment of \$150,000 per month. The lease contains a provision for an annual adjustment of lease payments based on tool availability and usage. The potential lease usage during the preceding 12 months and the adjusted payment adjustment is determined calculated on August 1 of each year of the lease and is calculated based on the tool availability and usage for the preceding 12 months. lease. Effective August 1, 2022, the lease payments for this tool were reduced to \$100,824 per month for the period August 1, 2022 through July 31, 2023. This adjustment to the variable lease payments resulted in a reduction in the ROU and corresponding lease liability. Effective August 1, 2023, the lease payments for this tool were adjusted to \$137,650 per month for the period August 1, 2023 through July 31, 2024. This adjustment to the lease payments also resulted in a reduction in the ROU and corresponding lease liability.

Effective May 1, 2023, the Company leased an additional 404 square feet at its Tempe office location under an amendment to its current lease. The monthly rent payment increased from \$1,277 per month to \$2,365 per month and the increased rent under the amended lease is accounted for as a modification to the lease under ASC 842 at the time of commencement. At the effective date of the lease amendment, a right-of-use asset of approximately \$33,000 was recorded along with a short-term operating lease liability of approximately \$12,000 and long-term operating lease liability of approximately \$21,000. The amended lease ends in February 2026.

In December 2022, the Company entered into a lease agreement for a tool in Tempe, Arizona. The term of this lease is for six months beginning on January 1, 2023 with an option to extend the lease for an additional six months. The initial lease terms were \$96,000 per month. In March 2023, the Company elected to extend the lease through December 31, 2023 and in consideration for this extension the remaining lease payments were reduced to \$84,000. Since the lease and extension are not for more than one year, the future lease payments are not included in the lease obligations on the Company's condensed balance sheets.

The Company terminated its office lease in Cambridge, Massachusetts as of March 31, 2023. The cost of the lease was \$2,942 per month.

The components of lease costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023		2022	
	2023	2022	2023	2022	2023	2022	2023	2022
Financing lease costs:								
Amortization of ROU assets	\$ 290	\$ 319	\$ 581	\$ 638	\$ 284	\$ 300	\$ 865	\$ 938
Interest on lease liabilities	51	69	104	140	47	60	151	200
Total financing lease costs	\$ 341	\$ 388	\$ 685	\$ 778	\$ 331	\$ 360	\$ 1,016	\$ 1,138
Operating lease costs:								
Fixed lease costs	\$ 64	\$ 62	\$ 126	\$ 124	\$ 66	\$ 62	\$ 192	\$ 186
Variable lease costs	-	-	-	-	1	-	1	-
Short-term lease costs	244	9	541	20	251	9	792	29
Total operating lease costs	\$ 308	\$ 71	\$ 667	\$ 144	\$ 318	\$ 71	\$ 985	\$ 215

Future minimum payments under non-cancellable leases as of **June 30, 2023** **September 30, 2023** were as follows (in thousands):

For the Year Ended December 31,	Financing leases	Operating leases
Remaining 2023	\$ 679	\$ 98
2024	1,436	291
2025	1,436	298
2026	478	23
2027 & thereafter	—	
Total future minimum lease payments	\$ 4,029	\$ 710
Less imputed interest	(296)	(51)
Total lease liability	\$ 3,733	\$ 659

For the Year Ended December 31,	Financing leases	Operating leases
Remaining 2023	\$ 329	\$ 39
2024	1,367	291
2025	1,436	298
2026	478	24
2027 & thereafter	—	—
Total future minimum lease payments	\$ 3,610	\$ 652
Less imputed interest	(245)	(42)
Total lease liability	\$ 3,365	\$ 610

The below table provides supplemental information and non-cash activity related to the Company's operating and financing leases are as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023		2022		2023	2022	2023	2022
	Cash paid for amounts included in the measurement of operating lease liabilities	\$ 55	\$ 54	\$ 111	\$ 108	\$ 55	\$ 53	\$ 216	\$ 161			
Cash paid for amounts included in the measurement of financing liabilities	\$ 241	\$ 359	\$ 482	\$ 718	\$ 300	\$ 280	\$ 782	\$ 998				
Non-cash activity:												
Right-of-use assets obtained in exchange for operating lease obligations	\$ 33	\$ -	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ -		
Remeasurement of right-of-use asset and liability in financing lease									\$ (114)	\$ (458)	\$ (114)	\$ (458)

The table above does not include short-term leases that are one-year or less.

The weighted average remaining discount rate is 5.48% for the Company's operating leases and 5.25% for the financing lease. The weighted average remaining lease term is 2.62.4 years for the Company's operating leases and 3.12.8 years for the financing lease.

8. STOCK BASED COMPENSATION

In May 2017, the Company's shareholders approved its 2017 Stock Incentive Plan ("2017 Plan") after its 2007 Stock Incentive Plan ("2007 Plan") had expired in March 2017. The 2017 Plan provides for the grant of non-qualified stock options and incentive stock options to purchase shares of the Company's common stock and for the grant of restricted and unrestricted shares. The 2017 Plan provides for the issuance of 3,750,000 shares of common stock. As of **June 30, 2023** **September 30, 2023**, approximately **5,000** **25,000** shares remain available for issuance. In May 2023, the Company's shareholders approved its 2023 Stock Incentive Plan ("2023 Plan"). The 2023 plan provides for the issuance of 2,000,000 shares of **common** common stock. All employees and employees of any subsidiary (including officers and directors who are also employees), as well as all of the nonemployee directors and other consultants, advisors and other persons who provide services to the Company are eligible to receive incentive awards under the 2017 Plan and 2023 Plan. Generally, stock options and restricted stock issued under the 2017 Plan and 2023 Plan vest over a period of one to four years from the date of grant. As of **September 30, 2023**, approximately 1.9 million shares remain available for issuance.

The following table summarizes the stock-based compensation expense recorded in the Company's results of operations during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 for stock options and restricted stock granted under the Company's incentive plans (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022	
	\$	372	\$	295
Research and development				
General and administrative		570		499
Selling and Marketing		88		65
Total	\$	1,030	\$	859

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022	
	\$	364	\$	305
Research and development				
General and administrative		588		518
Selling and Marketing		89		66
Total	\$	1,041	\$	889

As of **June 30, 2023** **September 30, 2023**, there was approximately **\$8.7** **7.6** million of total unrecognized compensation expense related to unvested share-based compensation arrangements. This cost is expected to be recognized over a weighted-average period of **2.7** **2.6** years.

The weighted average grant date fair value per share of the options granted under the Company's 2017 Plan was \$4.95 for the six months ended June 30, 2023 and \$10.60 for the six months ended September 30, 2023, respectively. The weighted average grant date fair value per share of the options granted under the Company's Plans were \$8.48 and \$10.37 for the three and nine months ended June 30, 2023 and 2022 from the Company's 2017 or 2023 Plan and no options were issued from the Company's 2023 Plan during the periods presented. September 30, 2022, respectively.

The following table summarizes stock option activity during the six months ended June 30, 2023 September 30, 2023 (in thousands except exercise prices and contractual terms):

Number of Shares	Weighted- Average Exercise			Weighted- Average Remaining Contractual Term (In Years)	Intrinsic Value
	Number of Shares	Weighted- Average Exercise Prices per Share			
Outstanding at January 1, 2023	3,009	\$ 7.07			
Granted	375,391	\$ 6.54			
Exercised	(20,30)	\$ 3.90			
Outstanding at June 30, 2023 September 30, 2023	3,364,370	\$ 7.03		5.134.9	\$ 8,401,2,234
Exercisable at June 30, 2023 September 30, 2023	2,716,2,788	\$ 6.60		4.254.1	\$ 7,157,2,087

During the six months ended June 30, 2023 September 30, 2023, the Company granted options under the 2017 Plan to purchase approximately 375,391,000 shares of its common stock to its employees and consultants. The fair value of these options was approximately \$1.92 million at the time of grant.

The Company issues restricted stock to employees, directors and consultants and estimates the fair value based on the closing price on the day of grant. The following table summarizes all restricted stock activity during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** (in thousands except per share data):

Number of Shares	Weighted-Average		Weighted-Average Grant Date Fair Value per Share
	Number of Shares	Weighted-Average Grant Date Fair Value per Share	
Outstanding at January 1, 2023	340	\$ 10.78	
Granted	357	\$ 7.00	
Forfeited	(20)	\$ 8.63	
Vested	(142,196)	\$ 8.91	8.63
Outstanding non-vested shares at June 30, 2023 September 30, 2023	555,481	\$ 8.83	8.94

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company granted approximately **357** **357,000,000** restricted stock awards under the 2017 Plan and 2023 Plan to its employees and directors. Plans. The fair value of these awards was approximately **\$2.5** **million** million at the time of grant.

9. COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

The Company may be subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. The Company is not party to any material litigation as of **June 30, 2023** **September 30, 2023**, or through the date these financial statements have been issued.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date these financial statements were issued.

Since **June 30, 2023** **September 30, 2023**, the Company has issued approximately **24,000** **15,000** additional shares through its ATM offering at an average price per share of **\$9.17** **\$7.13** resulting in additional net proceeds of approximately **\$214,000** **\$104,000**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Atomera Incorporated should be read in conjunction with our financial statements and the accompanying notes that appear elsewhere in this Quarterly Report. Statements in this Quarterly Report on Form 10-Q include forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. Although forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 15, 2023. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview

We are engaged in the business of developing, commercializing and licensing proprietary processes and technologies for the \$550+ billion semiconductor industry. Our lead technology, named Mears Silicon Technology™, or MST®, is a thin film of reengineered silicon, typically 100 to 300 angstroms (or approximately 20 to 60 silicon atomic unit cells) thick. MST can be applied as a transistor channel enhancement to CMOS-type transistors, the most widely used transistor type in the semiconductor industry. MST is our proprietary and patent-protected performance enhancement technology that we believe addresses a number of key engineering challenges facing the semiconductor industry. We believe that by incorporating MST, transistors can be made smaller, with increased speed, reliability and power efficiency. In addition, since MST is an additive and low-cost technology, we believe it can be deployed on an industrial scale, with machines equipment commonly used in semiconductor manufacturing. We believe that MST can be widely incorporated into the most common types of semiconductor products, including analog, logic, optical memory and memory optical integrated circuits.

We do not intend to design or manufacture integrated circuits directly. Instead, we develop and license technologies and processes that we believe offer the designers and manufacturers of integrated circuits a low-cost solution to the industry's need for greater performance and lower power consumption. Our customers and partners include:

- foundries, which manufacture integrated circuits on behalf of fabless manufacturers;
- integrated device manufacturers, or IDMs, which are the fully-integrated designers and manufacturers of integrated circuits;
- fabless semiconductor manufacturers, which are designers of integrated circuits that outsource the manufacturing of their chips to foundries;
- original equipment manufacturers, or OEMs, that manufacture the epitaxial, or epi, machines equipment used to deposit semiconductor layers, such as the MST film, onto silicon wafers; and
- electronic design automation companies, which make tools used throughout the industry to simulate performance of semiconductor products using different materials, design structures and process technologies.

Our commercialization strategy is to generate revenue through licensing arrangements whereby foundries, IDMs and fabless semiconductor manufacturers pay us a license fee for their right to use MST technology in the manufacture of silicon wafers as well as a royalty for each silicon wafer or device that incorporates our MST technology. We also license our MSTcad™ software to our customers for use in simulating the effects of using MST technology on their wafers and/or devices. To date, we have generated revenue from (i) licensing agreements with two IDMs, one fabless manufacturer and one foundry, (ii) a joint development agreement, or JDA, with a leading semiconductor provider, (iii) engineering services provided to foundries, IDMs and fabless companies and (iv) licensing MSTcad.

In April 2023, we entered into a license agreement with ST Microelectronics ("ST") that authorizes ST to manufacture and distribute MST-enabled products to its customers. This agreement provides for payment of license fees payable upon reaching milestones consistent with Atomera's standard business model. Our standard model is based around two major milestones, namely the installation of MST in a customer's fab and qualification of an MST-enabled process. After process qualification is completed, ST will have the right to commercially distribute MST-enabled products and, assuming ST brings such products to market, we will receive royalties on all MST-enabled products manufactured for commercial purposes. This license agreement with ST is our first grant of commercial manufacturing and distribution rights and, assuming the successful installation of MST and related process qualification, would result in our first revenue from commercial use of MST-enabled products. There can be no assurance, however, that ST will pursue the licensed rights through development to the manufacture and commercial sale of MST-enabled wafers.**products.**

We were organized as a Delaware limited liability company under the name Nanovis LLC on November 26, 2001. On March 13, 2007, we converted to a Delaware corporation under the name Mears Technologies, Inc. On January 12, 2016, we changed our name to Atomera Incorporated.

On May 31, 2022, we entered into an Equity Distribution Agreement with Oppenheimer & Co. Inc and Craig-Hallum Capital Group LLC, as agents, under which we may offer and sell, from time to time at our sole discretion, shares of our common stock having an aggregate offering price of up to \$50.0 million in an "at-the-market" offering or "ATM", to or through the agents. During the **threene** months ended **June 30, 2023** **September 30, 2023**, we sold approximately 1.4 million shares pursuant to our ATM at an average price per share of approximately \$8.15, \$8.11, resulting in approximately **\$10.8 million** \$11.2 million of net proceeds to us after deducting commissions and other offering expenses. These sales include approximately 24,000 shares sold during the three months ended September 30, 2023 at an average price of \$9.17, resulting in net proceeds of approximately \$185,000 after deducting commissions and other offering expenses.

Results of Operations

Revenues. To date, we have only generated limited revenue from customer engagements for integration engineering services, integration license agreements, a manufacturing license granted under a JDA and licensing of MSTcad. Our license agreement with ST, which was executed in April 2023, is our first commercial manufacturing and distribution agreement and, assuming successful completion of contractual milestones and payments of associated fees, will entitle us to royalties on all MST-enabled products manufactured for commercial purposes. Our integration engineering services consist of depositing our MST film on semiconductor wafers, delivering such wafers to customers to finalize building devices, and performing tests for customers evaluating MST. The integration license agreements we have entered into grant the licensees the right to build products that integrate our MST technology deposited by us onto their semiconductor wafers, but the agreements do not grant the licensees the rights to manufacture MST-enabled wafers in their facilities or to sell products incorporating MST. Our **first** JDA included the grant of a manufacturing license to our customer and we were paid for such license upon delivery of when we delivered our IP transfer package which enabled our customer to install MST in a tool in their facility and to use it to manufacture wafers for internal use. This JDA also contained targeted technical specifications that, if met, would result in payment of a success fee to us. Those technical objectives were met and we have collected the success fee.

For revenue recognition purposes, we have determined that the grant of rights in integration licenses is not distinct from the delivery of integration engineering services, and therefore revenue from both integration licenses and integration engineering services is recognized as the services are provided to the customer. In general, this is proportionate to the delivery of MST processed wafers to the customer of wafers processed with MST, but if the agreements do not specify a time and quantity of wafer delivery, we will record revenue over the period of time in which we anticipate delivering an estimated quantity of wafers. We have also determined that the grant of our manufacturing license under the JDA confers a right to use our technology and accordingly revenue was recognized at the point in time when we delivered our IP transfer package. The success fee under our JDA was treated as engineering services revenue and recognized upon our customer's confirmation that the JDA's technical objectives had been met. Our licensing of MSTcad grants licenses grant customers the right to use MSTcad software to simulate the effects of incorporating MST technology into their semiconductor manufacturing process. MSTcad licenses are granted on a monthly basis and revenue is recognized over time.

Revenue was not recorded for the three months or nine months ended June 30, 2023 and 2022, September 30, 2023. Revenue for the six month period three and nine months ended June 30, 2023 September 30, 2022 was \$2,000 and 2022 was \$0 and \$375,000, \$377,000, respectively. Our revenue in 2022 consisted of a success fee pursuant to our first JDA and a license fee paid under an integration license agreement.

Cost of revenue. Cost of revenue consists of costs of materials, as well as direct compensation and expenses incurred to provide deliverables that resulted in payment of our success fee and wafers delivered as part of the integration license agreement. No costs of revenue were recorded for the three months ended September 30, 2023 and 2022. Cost of revenue for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was \$0 and approximately \$81,000, respectively. We anticipate that our cost of revenue will vary substantially depending on the mix of license and engineering services revenues we receive and the nature of products and/or services delivered in each customer engagement. Cost of revenue expenses were not recorded for the three months ended June 30, 2023 and 2022.

Operating expenses. Operating expenses consist of research and development, general and administrative, and selling and marketing expenses. For the three months ended June 30, 2023 September 30, 2023 and 2022, our operating expenses totaled approximately \$5.4 million and \$4.4 million \$4.7 million, respectively. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, our operating expenses totaled approximately \$10.5 million \$15.9 million and \$8.8 million \$13.4 million, respectively.

Research and development expense. To date, our operations have focused on the research, development, patent prosecution, and commercialization of our MST technology and related technologies such as MSTcad. Our research and development costs primarily consist of payroll and benefit benefits costs for our engineering staff and costs of outsourced fabrication (including epi tool leases) and metrology of semiconductor wafers incorporating our MST technology.

For the three months ended June 30, 2023 September 30, 2023 and 2022, we incurred approximately \$3.2 million \$3.3 million and \$2.4 million \$2.7 million, respectively, of research and development expenses, an increase of approximately \$759,000, \$562,000, or 31% 20%. This increase was primarily due to increases of approximately \$482,000 \$355,000 in outsourced research and development mainly due to price increases for outsourced foundry services combined with an increase in the number of wafers processed. The increase in research and development expenses also reflected increases of approximately \$209,000 \$81,000 in employee-related expenses resulting from new hires, and approximately \$78,000 \$82,000 in stock-based compensation costs. technical consulting expenses.

For the six nine months ended June 30, 2023 September 30, 2023 and 2022, we incurred approximately \$6.2 million \$9.5 million and \$4.8 million \$7.5 million, respectively, of research and development expense, an increase of approximately \$1.5 million \$2.0 million, or 31% 27%. The increase was primarily due to outsourced research and development of which increased by approximately \$622,000 \$977,000 due to price increases and increased a higher number of wafers processed. Additional The other main factors that drove the increase in research and development expense were increases were due to of approximately \$413,000 \$495,000 in employee costs for new hires, approximately \$227,000 in technical consulting and approximately \$111,000 \$100,000 in wafer purchases to support our research efforts. The price increases by our outsourced foundry service provider will continue to affect our research and development expenses going forward, but the magnitude of the increase seen in the first half of 2023 should not recur in the second half due to the larger number of wafer lot starts as cycle time improved.

General and administrative expense. General and administrative expenses consist primarily of payroll and benefit costs for administrative personnel, office-related costs and professional fees. General and administrative costs were approximately \$1.8 million \$1.7 million and \$1.7 million \$1.6 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, representing an increase of approximately \$108,000, \$116,000, or 6% 7%. The increase is primarily related to an increase of approximately \$123,000 in legal fees related to our intellectual property portfolio offset by a decrease in employee-related expenses.

General and administrative costs were approximately \$5.2 million and \$4.9 million for the nine months ended September 30, 2023 and 2022, respectively, representing an increase of approximately \$318,000, or 7%. The increase is primarily related to an increase in stock-based compensation costs of approximately \$71,000 \$237,000 and an increase of approximately \$26,000 \$83,000 in IT support services.

General and administrative costs were approximately \$3.5 million and \$3.3 million for the six months ended June 30, 2023 and 2022, respectively, representing an increase of approximately \$202,000, or 6%. The increase is primarily related to an increase in stock-based compensation costs of approximately \$167,000 and an increase of approximately \$53,000 in IT support services. legal fees.

Selling and marketing expense. Selling and marketing expenses consist primarily of salary and benefits for our sales and marketing personnel and business development consulting services. Selling and marketing expenses for the three months ended June 30, 2023 September 30, 2023 and 2022 were approximately \$393,000 \$365,000 and \$347,000, respectively, representing an increase of approximately \$46,000, \$18,000, or 5%. The increase in costs is primarily related to increased travel and stock-based compensation costs offset by a decrease in employee-related expenses.

Selling and marketing expenses for the nine months ended September 30, 2023 and 2022 were approximately \$1.1 million and \$1.0 million, respectively, representing an increase of approximately \$128,000, or 13%. The increase in costs is primarily related to increased travel and stock-based compensation costs.

Selling and marketing expenses for the six months ended June 30, 2023 and 2022 were approximately \$782,000 and \$672,000, respectively, representing an increase of approximately \$110,000, or 16%. The increase in costs is primarily related to increased travel and stock-based compensation costs.

Interest income. Interest income for three months ended June 30, 2023 September 30, 2023 and 2022 was approximately \$152,000 \$177,000 and \$35,000, \$113,000, respectively. Interest income for six nine months ended June 30, 2023 September 30, 2023 and 2022 was approximately \$351,000 \$528,000 and \$38,000, \$151,000, respectively. Interest income for the periods presented related to interest earned on our cash, cash equivalents and short-term investments.

Accretion income. Accretion income for the three and six nine months ended June 30, 2023 September 30, 2023, was approximately \$107,000 \$112,000 and \$109,000 \$221,000, respectively. Accretion income relates to the increase in value of our available-for-sale securities from the purchase date through the maturity date. There was no income from accretion for the three or six nine months ended June 30, 2022 September 30, 2022.

Interest expense. Interest expense for the three months June 30, 2023 ended September 30, 2023 and 2022 was approximately \$51,000 \$47,000 and \$69,000, \$60,000, respectively. Interest expense for the six nine months June 30, 2023 September 30, 2023 and 2022 was approximately \$104,000 \$151,000 and \$140,000, \$200,000, respectively. Interest expense is related to the tool financing lease entered into in August 2021.

Other income/expense, net. Other income for the three and nine months ended September 30, 2023 of approximately \$72,000, consisted primarily of a refundable state research and development tax credit, net of filing costs and tax consulting services.

Cash Flows from Operating, Investing and Financing Activities

Net cash used in operating activities of approximately \$8.2 million \$11.6 million for the six nine months ended June 30, 2023 September 30, 2023 resulted primarily from our net loss of approximately \$10.2 million \$15.2 million offset by approximately \$2.0 million \$3.0 million of stock-based compensation, compensation and approximately \$1.0 million of amortization of right-of-use assets.

Net cash used in operating activities of approximately \$6.6 million \$9.6 million for the six nine months ended June 30, 2022 September 30, 2022 resulted primarily from our net loss of approximately \$8.6 million and an increase in prepaid expenses, \$13.2 million offset by approximately \$2.5 million stock-based compensation and approximately \$1.1 million in amortization of right-of-use assets.

Net cash used in investing activities of approximately \$10.9 million \$7.6 million and for the six nine months ended June 30, 2023 September 30, 2023 consisted primarily of the purchase of short-term investments, available-for-sale investments, offset by the maturity of short-term available-for-sale investments. Net cash used in investing activities of approximately \$19,000 \$26,000 for the six nine months ended June 30, 2022 September 30, 2022 consisted of the purchase of computers and lab tools in Tempe, AZ.

Net cash provided by financing activities of approximately \$10.8 million \$10.7 million for the six nine months ended June 30, 2023 September 30, 2023 primarily related to the net proceeds from our ATM offering, offset by the principal payments on our financing lease.

Net cash used provided by financing activities of approximately \$227,000 \$4.2 million for the six nine months ended June 30, 2022 September 30, 2022 primarily related to the net proceeds from our ATM offering, offset by the principal payments on our financing lease offset by proceeds from the exercise of stock options and net proceeds from our ATM offering, lease.

Liquidity and Capital Resources

As of **June 30, 2023** **September 30, 2023**, we had cash and cash equivalents of approximately **\$12.9 million** **\$12.6 million**, short-term investments of approximately **\$11.0 million** **\$7.7 million** and working capital of approximately **\$21.6 million** **\$17.9 million**. For six nine months ended **June 30, 2023** **September 30, 2023**, we had a net loss of approximately **\$10.2 million** **\$15.2 million** and used approximately **\$8.2 million** **\$11.6 million** of cash and cash equivalents in operations. Since inception, we have incurred recurring operating losses.

During the six nine months ended **June 30, 2023** September 30, 2023, we sold approximately 1.4 million shares pursuant to our ATM at an average price per share of approximately \$8.09, \$8.11, resulting in approximately \$11.1 million \$11.2 million of net proceeds to us after deducting commissions and other offering expenses. Since **June 30, 2023** September 30, 2023 we have issued sold approximately 24,000 15,000 additional shares through our ATM offering at an average price per share of \$9.17 \$7.13 resulting in additional net proceeds of approximately \$214,000. \$104,000.

We believe that our available working capital is sufficient to fund our presently forecasted working capital requirements for, at least, the next 12 months following the date of the filing of this report. However, our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our MST technology, competing technological and market developments, and the need to enter into collaborations with other companies or acquire technologies to enhance or complement our current offerings. If we are not able to generate sufficient revenue from license fees and royalties in a timeframe that satisfies our cash needs, we will need to raise more capital. In the event we require additional capital, we will endeavor to acquire additional funds through various financing sources, including our ATM Facility, follow-on equity offerings, debt financing and joint ventures with industry partners. In addition, we will consider alternatives to our current business plan that may enable us to achieve revenue-producing operations and meaningful commercial success with a smaller amount of capital. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve cash.

Critical Accounting Estimates

There have been no changes to our critical accounting estimates from those included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 15, 2023.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and principal financial and accounting officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of **June 30, 2023** September 30, 2023.

Changes in Internal Control over Financial Reporting

There have not been any changes to our internal controls over financial reporting (as defined by Rule 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the three-month period ended **June 30, 2023** September 30, 2023 that have material **materially** affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. Other Information

Item 1A. Risk Factors

The primary risk factors affecting our business have not changed materially from the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 15, 2023, except as follows:

In February 2024, we will be losing access to certain semiconductor manufacturing and engineering services which may be difficult to replace. Since 2016, we have worked with TSI Technology Development & Commercialization Services LLC, or TSI under a Master R&D Services Agreement and a Manufacturing Agreement. Under these agreements, TSI provides us with foundry services, consisting of engineering and manufacturing services. In August 2023, TSI was acquired by Robert Bosch Semiconductor LLC, or Bosch. In October 2023, Bosch advised us that on January 31, 2024 it will cease providing engineering and manufacturing services to third parties, including Atomera, in order to commence the conversion of the TSI fab to production of Silicon Carbide semiconductor products. We have an ongoing search for a replacement provider of foundry services. However, there are few foundries that offer R&D services that are comparable to those, provided by TSI, so we may face difficulty in finding a replacing the services currently. We have utilized TSI's services for a portion of our internal R&D which required complete semiconductor device fabrication. No wafers sold or licensed to any customer have been fabricated at TSI. Accordingly, we do not believe that the loss of TSI's services will have a meaningful impact on any of our ongoing client engagements. However, we believe it is likely that our access to foundry services will be interrupted while we reach agreement with a replacement foundry and adapt our R&D processes to those used at a new provider. This transition may cause us to incur meaningful startup costs and may divert engineering resources from ongoing R&D activities. The potential inability to replace the TSI services in a timely manner may have a material adverse effect on the timing and cost of continuing to develop example applications and devices which exhibit the advantages of our MST technology.

Item 6. Exhibits

The following is a list of exhibits filed as part of this Report on Form 10-Q:

Exhibit No.	Description	Method of filing
31.1	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed electronically herewith
31.2	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed electronically herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)	Filed electronically herewith
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	Filed electronically herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed electronically herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed electronically herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed electronically herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed electronically herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed electronically herewith
104	Cover Page Interactive Data File (formatted in IXBRL, and included in exhibit 101).	Filed electronically herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and the on the date indicated.

ATOMERA INCORPORATED.

Date: **August 2, 2023** November 1, 2023

By: /s/ Scott A. Bibaud
Scott A. Bibaud
Chief Executive Officer,
(Principal Executive Officer)
and Director

Date: **August 2, 2023** November 1, 2023

By: /s/ Francis B. Laurencio
Francis B. Laurencio
Chief Financial Officer
(Principal Financial and
Accounting Officer)

22

Exhibit 31.1

CERTIFICATIONS

I, Scott A. Bibaud, certify that:

- (1) I have reviewed this Form 10-Q of Atomera Incorporated (the "Company");
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and

- (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; And
- (5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

ATOMERA INCORPORATED

Date: August 2, 2023 November 1, 2023

By: /s/ Scott A. Bibaud

Scott A. Bibaud, Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Francis B. Laurencio, certify that:

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

ATOMERA INCORPORATED

Date: **August 2, 2023** November 1, 2023

By: **/s/ Francis B. Laurencio**
Francis B. Laurencio, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Atomera Incorporated (the "Company") on Form 10-Q for the period ended **June 30, 2023** September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Bibaud, the Chief Executive Officer, and Francis B. Laurencio, the Chief Financial Officer, of the Company, respectively, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: **/s/ Scott A. Bibaud**
Scott A. Bibaud
Title: President and Chief Executive Officer

Dated: **August 2, 2023** November 1, 2023

By: **/s/ Francis B. Laurencio**
Francis B. Laurencio
Title: Chief Financial Officer

Dated: **August 2, 2023** November 1, 2023

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All rights reserved. Patents Pending.