

REFINITIV

DELTA REPORT

10-Q

ASTC - ASTROTECH CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 621

■ CHANGES 236

■ DELETIONS 183

■ ADDITIONS 202

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **December 31, 2023** **March 31, 2024**

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 001-34426



Astrotech Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	91-1273737
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2105 Donley Drive, Suite 100, Austin, Texas	78758
Address of Principal Executive Offices	Zip Code

(512) 485-9530

Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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, \$0.001 par value per share	ASTC	NASDAQ Stock Market, LLC

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

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

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

As of **February 9, 2024** **May 9, 2024** the number of shares of the registrant's common stock outstanding was: 1,701,729.

ASTROTECH CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
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PART I: FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2023 (Unaudited)	June 30, 2023 (Note)	March 31, 2024 (Unaudited)	June 30, 2023 (Note)
Assets				
Current assets				
Cash and cash equivalents	\$ 11,096	\$ 14,208	\$ 8,487	\$ 14,208
Short-term investments	26,183	27,919	26,196	27,919
Accounts receivable	294	225	201	225
Inventory, net:				
Raw materials	1,530	1,379	1,734	1,379
Work-in-process	275	243	251	243
Finished goods	260	373	359	373
Income tax receivable	—	1	—	1
Prepaid expenses and other current assets	426	365	274	365
Total current assets	40,064	44,713	37,502	44,713
Property and equipment, net	2,546	2,670	2,516	2,670
Operating lease right-of-use assets, net	191	262	155	262
Other assets, net	30	30	30	30
Total assets	\$ 42,831	\$ 47,675	\$ 40,203	\$ 47,675
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable	567	546	612	546
Payroll related accruals	817	633	900	633
Accrued expenses and other liabilities	621	1,170	644	1,170
Lease liabilities, current	309	316	289	316
Total current liabilities	2,314	2,665	2,445	2,665
Accrued expenses and other liabilities, net of current portion	91	—	95	—
Lease liabilities, net of current portion	152	291	92	291
Total liabilities	2,557	2,956	2,632	2,956
Commitments and contingencies (Note 13)				
Stockholders' equity				
Convertible preferred stock, \$0.001 par value, 2,500,000 shares authorized; 280,898 shares of Series D issued and outstanding at December 31, 2023 and June 30, 2023			—	—
Common stock, \$0.001 par value, 250,000,000 shares authorized at December 31, 2023 and June 30, 2023, respectively; 1,712,045 and 1,692,045 shares issued at December 31, 2023 and June 30, 2023, respectively; 1,701,729 and 1,681,729 outstanding at December 31, 2023 and June 30, 2023, respectively	190,643	190,643	190,643	190,643
Treasury shares, 10,316 at December 31, 2023 and June 30, 2023, respectively	(119)	(119)	(119)	(119)
Convertible preferred stock, \$0.001 par value, 2,500,000 shares authorized; 280,898 shares of Series D issued and outstanding at March 31, 2024 and June 30, 2023			—	—
Common stock, \$0.001 par value, 250,000,000 shares authorized at March 31, 2024 and June 30, 2023, respectively; 1,712,045 and 1,692,045 shares issued at March 31, 2024 and June 30, 2023, respectively; 1,701,729 and 1,681,729 outstanding at March 31, 2024 and June 30, 2023, respectively	190,643	190,643	190,643	190,643
Treasury shares, 10,316 at March 31, 2024 and June 30, 2023, respectively	(119)	(119)	(119)	(119)
Additional paid-in capital	81,839	81,002	82,277	81,002
Accumulated deficit	(230,907)	(225,354)	(234,061)	(225,354)
Accumulated other comprehensive loss	(1,182)	(1,453)	(1,169)	(1,453)
Total stockholders' equity	40,274	44,719	37,571	44,719
Total liabilities and stockholders' equity	\$ 42,831	\$ 47,675	\$ 40,203	\$ 47,675

Note: The condensed consolidated balance sheet at June 30, 2023, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by the United States generally accepted accounting principles for complete financial statements.

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except per share data)
(Uaudited)

	Three Months Ended				Six Months Ended				Three Months Ended		Nine Months Ended	
	December 31,		December 31,		March 31,		March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 1,115	\$ 263	\$ 1,540	\$ 301	\$ 50	\$ 35	\$ 1,590	\$ 336				
Cost of revenue	583	155	825	187	42	24	867	211				
Gross profit	532	108	715	114	8	11	723	125				
Operating expenses:												
Selling, general and administrative	2,022	1,558	3,668	3,200	1,833	1,406	5,501	4,606				
Research and development	1,578	1,364	3,450	2,492	1,708	1,355	5,158	3,847				
Total operating expenses	3,600	2,922	7,118	5,692	3,541	2,761	10,659	8,453				
Loss from operations	(3,068)	(2,814)	(6,403)	(5,578)	(3,533)	(2,750)	(9,936)	(8,328)				
Other income and expense, net	427	396	850	631	379	375	1,229	1,006				
Loss from operations before income taxes					(3,154)	(2,375)	(8,707)	(7,322)				
Net loss	\$ (2,641)	\$ (2,418)	\$ (5,553)	\$ (4,947)	\$ (3,154)	\$ (2,375)	\$ (8,707)	\$ (7,322)				
Weighted average common shares outstanding:												
Basic and diluted	1,631	1,613	1,631	1,613	1,633	1,616	1,632	1,614				
Basic and diluted net loss per common share:												
Net loss per common share	\$ (1.62)	\$ (1.50)	\$ (3.40)	\$ (3.07)	\$ (1.93)	\$ (1.47)	\$ (5.34)	\$ (4.54)				
Other comprehensive loss, net of tax:												
Net loss	\$ (2,641)	\$ (2,418)	\$ (5,553)	\$ (4,947)	\$ (3,154)	\$ (2,375)	\$ (8,707)	\$ (7,322)				
Available-for-sale securities:												
Net unrealized loss	325	(2)	270	(370)								
Net unrealized gain/(loss)					13	181	284	(189)				
Total comprehensive loss	\$ (2,316)	\$ (2,420)	\$ (5,283)	\$ (5,317)	\$ (3,141)	\$ (2,194)	\$ (8,423)	\$ (7,511)				

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION
Condensed Consolidated Statement of Changes in Stockholders' Equity
(In thousands)
(Uaudited)

	Preferred Stock								Preferred Stock							
	Series D		Common Stock						Series D		Common Stock					
	Number of	Number of	Treasury	Additional	Accumulated				Total	Number of	Number of	Treasury	Additional			
	Shares	Amount	Shares	Amount	Stock	Paid-In	Capital	Deficit	Other	Stockholders'	Shares	Amount	Stock	Paid-In	Capital	Equity
	Outstanding		Outstanding		Amount				Comprehensive	Equity	Outstanding		Amount			Loss
Balance at																
June 30, 2023	281	\$ —	1,682	\$ 190,643	\$ (119)	\$ 81,002	\$ (225,354)	\$ (1,453)	\$ 44,719	281	\$ —	1,682	\$ 190,643	\$ (119)	\$ 81,002	

Net change in available-for-sale marketable securities	—	—	—	—	—	—	(54)	(54)	—	—	—	—	—													
Stock-based compensation	—	—	—	—	—	364	—	—	364	—	—	—	—													
Issuance of restricted stock	—	—	20	—	—	—	—	—	—	—	—	20	—													
Net loss	—	—	—	—	—	—	(2,912)	—	(2,912)	—	—	—	—													
Balance at September 30, 2023	281	\$	—	1,702	\$	190,643	\$	(119)	\$	81,366	\$	(228,266)	\$	(1,507)	\$	42,117	281	\$	—	1,702	\$	190,643	\$	(119)	\$	81,366
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	—	—	325	325	—	—	—	—	—										
Stock-based compensation	—	—	—	—	—	473	—	—	473	—	—	—	—	—	—	—										
Net loss	—	—	—	—	—	—	(2,641)	—	(2,641)	—	—	—	—	—	—	—										
Balance at December 31, 2023	281	\$	—	1,702	\$	190,643	\$	(119)	\$	81,839	\$	(230,907)	\$	(1,182)	\$	40,274	281	\$	—	1,702	\$	190,643	\$	(119)	\$	81,839
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—										
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—										
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—										
Balance at March 31, 2024	281	\$	—	1,702	\$	190,643	\$	(119)	\$	81,839	\$	(230,907)	\$	(1,182)	\$	40,274	281	\$	—	1,702	\$	190,643	\$	(119)	\$	82,221

	Preferred Stock								Common Stock															
	Series D		Common Stock						Series D		Common Stock													
	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Treasury Stock	Additional Paid-In Capital									
	Outstanding		Outstanding		Amount	Capital	Deficit	Comprehensive Loss	Equity	Outstanding		Outstanding		Amount	Stock	Capital								
Balance at June 30, 2022	281	\$	—	1,686	\$	190,642	\$	—	\$ 79,505	\$	(215,712)	\$	(1,199)	\$	53,236	281	\$	—	1,686	\$	190,642	\$	—	\$ 79,505
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	—	—	(368)	(368)	—	—	—	—	—								
Stock-based compensation	—	—	2	—	—	387	—	—	387	—	—	2	—	—	387	387								
Net loss	—	—	—	—	—	—	(2,529)	—	(2,529)	—	—	—	—	—	—	—								

Balance at														
September 30, 2022	281	\$ —	1,688	\$ 190,642	\$ —	\$ 79,892	\$ (218,241)	\$ (1,567)	\$ 50,726	281	\$ —	1,688	\$ 190,642	\$ — \$ 79,8
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	(2)	(2)	—	—	—	—	—
Stock-based compensation	—	—	2	1	—	403	—	—	404	—	—	2	1	—
Net loss	—	—	—	—	—	—	(2,418)	—	(2,418)	—	—	—	—	—
Balance at														
December 31, 2022	281	\$ —	1,690	\$ 190,643	\$ —	\$ 80,295	\$ (220,659)	\$ (1,569)	\$ 48,710	281	\$ —	1,690	\$ 190,643	\$ — \$ 80,2
Net change in available-for-sale marketable securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted stock issuance	—	—	—	—	—	—	—	—	—	2	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(6)	—	—	—	—	(69)	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at														
March 31, 2023	281	\$ —	1,686	\$ 190,643	\$ (69)	\$ 80,6	—	—	—	—	—	—	—	—

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

Cash flows from operating activities:

Net loss

	Six Months Ended		Nine Months Ended	
	December 31,		March 31,	
	2023	2022	2024	2023
Net loss	\$ (5,553)	\$ (4,947)	\$ (8,707)	\$ (7,322)
Stock-based compensation	837	791	1,275	1,147
Depreciation	301	149	507	222
Amortization of operating lease right of use assets	72	50	107	86
Interest on financing leases	8	7	10	12
Changes in assets and liabilities:				
Accounts receivable	(69)	(56)	24	(18)
Contract asset	—	(2)	—	2
Inventory, net	(69)	21	(349)	(239)

Adjustments to reconcile net loss to net cash used in operating activities:

Stock-based compensation

Depreciation

Amortization of operating lease right of use assets

Interest on financing leases

Changes in assets and liabilities:

Accounts receivable

Contract asset

Inventory, net

Accounts payable	20	132	66	105
Income tax payable	1	(1)	1	(2)
Other assets and liabilities	(324)	(349)	(58)	(247)
Operating lease liabilities	(74)	(50)	(113)	(86)
Net cash used in operating activities	(4,850)	(4,255)	(7,237)	(6,340)
Cash flows from investing activities:				
Purchases of property and equipment	(177)	(632)	(353)	(1,319)
Purchases of short-term investments	—	—	—	1,425
Proceeds (or purchases) from short-term investments	2,005	(5,100)	2,005	(5,100)
Net cash provided by (used in) investing activities	1,828	(5,732)	1,652	(4,994)
Cash flows from financing activities:				
Purchase of treasury shares	—	—	—	(69)
Repayment of related-party debt	—	(500)	—	(500)
Repayments on finance lease liabilities	(90)	(77)	(136)	(115)
Net cash used in financing activities	(90)	(577)	(136)	(684)
Net change in cash and cash equivalents	(3,112)	(10,564)	(5,721)	(12,018)
Cash and cash equivalents at beginning of period	14,208	26,453	14,208	26,453
Cash and cash equivalents at end of period	\$ 11,096	\$ 15,889	\$ 8,487	\$ 14,435
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ 8	\$ 63	\$ 21	\$ 66
Operating right of use assets and associated liabilities	\$ —	\$ 223	\$ —	\$ 223
Acquisition of equipment through financing lease			\$ —	\$ 223
Income taxes paid	\$ 1	\$ 1	\$ 2	\$ 2

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

(1) General Information

Description of the Company – Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and **six** nine months ended **December** **March** 31, 2023 2024 are not necessarily indicative of the results that may be expected for the year ending June 30, 2024. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2023. Certain prior period amounts have been reclassified to conform to the current year presentation or adjusted due to rounding and have had no impact on net income or stockholders' equity.

Reverse Stock Split – On December 5, 2022, the Company effectuated a reverse stock split of its shares of common stock, par value \$0.001 per share (the "Common Stock"), whereby every thirty (30) pre-split shares of Common Stock were exchanged for one (1) post-split share of the Company's Common Stock (the "Reverse Stock Split"). No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who would otherwise have held a fractional share of the Common Stock received a cash payment in lieu thereof. Numbers presented in these condensed consolidated financial statements have been adjusted to reflect the Reverse Stock Split.

Accounting Pronouncements – In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires entities to use a forward-looking approach based on current expected credit losses ("CECL") to estimate credit losses on certain types of financial instruments, including trade receivables. The

standard became effective for the Company for financial statements periods beginning after December 15, 2022. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted - In July 2023, the FASB issued ASU No 2023-03, "Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation— Stock Compensation (Topic 718)" pursuant to SEC Staff Accounting Bulletin No. 120, which adds interpretive guidance for public companies to consider when entering into share-based payment transactions while in possession of material non-public information. The **effective date of this update is for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company issued guidance does not expect the adoption to have a material impact on the Company's consolidated financial statements.**

In October 2023, the FASB issued statements as a result of ASU No 2023-06, 03. "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative" ("ASU 2023-06"). ASU 2023-06 will align the disclosure and presentation requirements in the FASB Accounting Standards Codification with the SEC's regulations. The amendments in ASU 2023-06 will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. As the Company is currently subject to these SEC requirements, ASU 2023-06 is not expected to have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

In November 2023, the FASB issued Accounting Standards Update 2023-07—Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. **All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023. The Company expects to enhance annual segment reporting disclosures based on new requirements, if applicable, has determined that it does not meet the criteria of ASC 280 "Segment Reporting" because the Company's subsidiaries represent Company brands that leverage the same core technology rather than independent operating segments.**

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Recently Issued Accounting Standards Not Yet Adopted -

In December 2023, the FASB issued ASU No 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 expands disclosures in the rate reconciliation and requires disclosure of income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 should be applied prospectively; however, retrospective application is permitted. The Company does not expect ASU 2023-09 to have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

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Our Business Units

Astrotech Technologies, Inc.

Astrotech Technologies, Inc. ("ATI") owns and licenses the Astrotech Mass Spectrometer Technology™ (the "AMS Technology"), the platform mass spectrometry technology originally developed by 1st Detect Corporation ("1st Detect"). The AMS Technology has been designed to be inexpensive, smaller, and easier to use when compared to traditional mass spectrometers. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes 1817 granted patents along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to four wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB Inc. ("AgLAB") for use in the agriculture market, and to BreathTech Corporation ("BreathTech") for use in breath analysis applications.

The Company has announced the formation of a wholly owned subsidiary Pro-Control, Inc. ("Pro-Control"), and has entered into an exclusive license with Pro-Control to use the **ATI** Mass Spectrometer Technology for chemical manufacturing process control applications. Pro-Control has announced the introduction of its proprietary Pro-Control Maximum Value Process™ Processing and the Pro-Control-1000™ mass spectrometer which is designed to test, measure and increase potency, purity and weight yields in the chemical manufacturing processes.

ATI has contracted with various vendors to assist with the further development of our mass spectrometer products including the manufacturability and reliability of our systems.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000™, the world's first mass spectrometry ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"). The TRACER 1000 was designed to outperform the ETDs currently used at airports, cargo and other secured facilities, and borders worldwide. The Company believes that ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). The Company further believes that some IMS-based ETDs have issues with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those few explosives of largest concern. Adding additional

compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, we obtained ECAC certification. The Company is currently selling the TRACER 1000 to customers who accept ECAC certification. As of **December** **March 31, 2023, 2024**, the Company has deployed the TRACER 1000 in approximately **3029** locations in 14 countries throughout Europe and Asia.

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In the United States, the Company is working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, the Company announced that the TRACER 1000 entered into testing with the TSA for passenger screening at airports. On November 14, 2019, the Company announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, the Company has received valuable feedback from all programs. Following ECAC certification and the Company's early traction within the cargo market, testing for cargo security continued with the TSA. Due to the COVID-19 pandemic, all testing within the TSA was put on hold; however, cargo testing resumed during the summer of 2020 and on September 9, 2020 the Company announced that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. The Company resumed detection and non-detection testing for cargo security with TSA **subsequent to** **during the end****third quarter of the second quarter** fiscal year 2024. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List ("ACSTL") as an "approved" device. If approved, we believe the TRACER 1000 will be approved for cargo security screening sales in the United States and field trials with the TSA will begin. If field trials are successful, the **Tracer** **TRACER** 1000 will be added to the "qualified" list. The Company has also started the process to pass TSA **checkpoint testing**. This process involves Developmental Test and Evaluation in which the Transportation Security Laboratory ("TSL") will test the TRACER 1000 and work with 1st Detect to ensure its readiness to enter certification testing. The certification test is then completed by the Independent Test & Evaluation department of TSL. As of the fiscal year 2023 budget, the government had over 6,000 ETD units at checkpoint and baggage screening points and we believe that the TSA would benefit from our AMS Technology.

On March 25, 2024, the Company announced that it is currently accepting orders for the TRACER 1000 Narcotics Trace Detector ("NTD"). The TRACER 1000 NTD is a high-performance laboratory instrument capable of rapid detection of trace levels of narcotic compounds in seconds. The TRACER 1000 NTD provides a ruggedized platform that can be applied across various markets including airports, border security, checkpoint, cargo, and infrastructure security, correctional facilities, military, and law enforcement.

From April 9 through April 12, 2024, 1st Detect showcased its TRACER 1000 NTD and ETD at the International Security Conference and Exposition, also known as ISC West, in Las Vegas, Nevada. We believe ISC West is one of the leading comprehensive security trade events in the U.S. and has some of the country's leading security and public safety professionals in attendance.

On April 8, 2024, the Company announced that 1st Detect's TRACER 1000 is now listed in the U.S. General Services Administration ("GSA") IT Schedule 70 under Contract No. GS-35F-250GA with SRI Group LLC, Special Item Number 334290. IT Schedule 70 is a long-term contract issued by the GSA to commercial technology vendors that allows sales to the U.S. federal government, one of the largest buyers of goods and services in the world.

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AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB 1000™ series of mass spectrometers for use in the hemp and cannabis markets with initial focus on optimizing yields in the distillation process. The AgLAB product line is a derivative of the Company's core AMS Technology. AgLAB has continued to conduct field trials to demonstrate that the AgLAB 1000-D2™ can be used in the distillation process to significantly improve the processing yields of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") oil during distillation. The AgLAB 1000-D2 uses the Maximum Value **Process Processing** solution ("MVP") to analyze samples in real-time and assist the equipment operator **in** determining the ideal settings required to maximize yields. As part of our growth plan, we have leveraged this technology **and launched** by launching a family of "process control" methods and solutions, which are the focus of Pro-Control.

Management believes the AgLAB 1000-D2 will deliver a compelling combination of cost and time savings while enhancing product quality and quantity for distillation processors of hemp and cannabis. The use of the AgLAB 1000-D2 should reduce waste from current distillation practices and result in a significantly improved product. Due in large part to the Company's proprietary technology, we believe our status as the only provider of a mass spectrometry system gives us a distinct advantage in the industry.

Our competition consists of **high performance** **high-performance** liquid chromatography technology which analyzes THC and CBD derived from hemp. While we believe our technology has competitive advantages over the incumbent technology, there are no assurances of successfully competing in this market segment.

The hemp extraction market is a broad market and encompasses many startup companies and well-established companies. There is no assurance this industry will remain profitable, given the evolving regulatory landscape and applicable state and federal restrictions.

During the first quarter of fiscal year 2023, AgLAB began the first production run of **Sales** efforts for the AgLAB 1000-D2 **and sales efforts** are currently underway. On May 9, 2023, AgLAB announced the confirmed results from field trials using the AgLAB 1000-D2 mass spectrometer and the **Maximum Value ProcessTM MVP** testing method ("AgLAB MVP"). AgLAB MVP is designed to improve yields and bottom-line profits for hemp (CBD) and cannabis (THC) producers of distilled oils. While we currently market primarily to distillers

within the hemp industry, our AgLAB products also have the potential to serve distillers within the broader cannabis industry in the future, in which case our risk exposure would likely increase and could have a detrimental effect on our business.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis applications, is developing the BreathTest-1000™, a breath analysis tool to screen for VOC metabolites found in a person's breath that could indicate they may have a compromised condition including but not limited to a bacterial or viral infection. The Company believes that new tools to more quickly identify an infection may be present remain of the utmost importance in the battle against COVID-19 and other diseases.

In June 2022, the Company expanded its existing study with Cleveland Clinic, initially focused on COVID-19 to use the BreathTest-1000 to screen for a variety of diseases spanning the entire body. The study focuses on detecting bloodstream infections, respiratory infections such as influenza types A and B and respiratory syncytial virus ("RSV"), carriage of *Staphylococcus aureus*, and *Clostridioides difficile* ("C. diff") infections.

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In November 2022, BreathTech announced that, based on analysis of data from testing of breath samples procured during library development, the BreathTest-1000™ 1000 lung disease screening instrument can clearly distinguish between infected and healthy breath samples. This analysis and conclusion marks a significant milestone in the development of the BreathTest-1000™ 1000 lung disease screening instrument.

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Pro-Control, Inc.

Pro-Control is focused on applying the AMS Technology in chemical manufacturing process control applications. The Pro-Control Maximum Value Process™ Processing and the Pro-Control-1000™ mass spectrometer are designed to test, measure and increase potency, purity and weight yields in the chemical manufacturing processes. The Company is actively marketing the product to large distillers and chemical manufacturers.

(2) Investments

The following tables summarize gains and losses related to the Company's investments as of December March 31, 2023 2024 and June 30, 2023, respectively:

Available-for-Sale Investments (In thousands)	December 31, 2023				March 31, 2024			
	Adjusted		Unrealized		Adjusted		Unrealized	
	Cost	Gain	Loss	Value	Cost	Gain	Loss	Value
Mutual Funds - Corporate & Government Debt	\$ 19,990	\$ —	\$ (842)	\$ 19,147	\$ 19,990	\$ —	\$ (846)	\$ 19,144
ETFs - Corporate & Government Debt	7,375	—	(340)	7,036	7,375	—	(323)	7,052
Time Deposits	—	—	—	—	—	—	—	—
Total	\$ 27,365	\$ —	\$ (1,182)	\$ 26,183	\$ 27,365	\$ —	\$ (1,169)	\$ 26,196

Available-for-Sale Investments (In thousands)	June 30, 2023			
	Adjusted		Unrealized	
	Cost	Gain	Loss	Value
Mutual Funds - Corporate & Government Debt	\$ 19,990	\$ —	\$ (1,025)	\$ 18,965
ETFs - Corporate & Government Debt	7,376	—	(418)	6,958
Time Deposits	2,006	—	(10)	1,996
Total	\$ 29,372	\$ —	\$ (1,453)	\$ 27,919

We have certain financial instruments on our condensed consolidated balance sheets related to interest-bearing time deposits. Time deposits with maturities of less than 90 days, if any, from the purchase date are included in "Cash and Cash Equivalents." Time deposits with maturities from 91-360 days, if any, are included in "Short-term investments." Time deposits with maturities of more than 360 days, if any, are included in "Long-term investments." As of December March 31, 2023 2024 and June 30, 2023, the Company had no long-term investments. For more information about the fair value of the Company's financial instruments, see footnote 8.

The following table presents the carrying amounts of certain financial instruments as of December March 31, 2023 2024 and June 30, 2023, respectively:

(In thousands)	Carrying Value		Carrying Value	
	Short-Term Investments		Short-Term Investments	
	December 31, 2023	June 30, 2023	March 31, 2024	June 30, 2023
Money Market Funds				
Mutual Funds - Corporate & Government Debt	\$ 19,147	\$ 18,965	\$ 19,144	\$ 18,965
ETFs - Corporate & Government Debt	7,036	6,958	7,052	6,958
Time Deposits				
Maturities from 1-90 days	—	—	—	—
Maturities from 91-360 days	—	1,996	—	1,996
Total	<u>\$ 26,183</u>	<u>\$ 27,919</u>	<u>\$ 26,196</u>	<u>\$ 27,919</u>

(3) Leases

On April 27, 2021, Astrotech entered into a new lease for a research and development facility of approximately 5,960 square feet in Austin, Texas (the "R&D facility") that includes a laboratory, a small production shop, and offices for staff, although many of the Company's employees continue to work remotely. The lease commenced on June 1, 2021 and had a lease term of 36 months. On November 11, 2022, the Company signed a lease extension agreement for the R&D facility, extending the term of the lease through April 30, 2025. The Company's total contractual base rent obligation for the eleven-month extension is approximately \$95 thousand.

On November 22, 2022, Astrotech entered into a sublease agreement for an additional facility directly adjacent to the R&D facility (the "Subleased Facility"). The Subleased Facility consists of approximately 3,900 square feet and will provide the space needed as the Company launches its AgLAB products and continues its R&D efforts at ATI & BreathTech. The sublease commenced on December 1, 2022, and has a lease term of 29 months. The Company's total contractual base rent obligation for the Subleased Facility is approximately \$156 thousand.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate in determining the present value of lease payments. Significant judgement is required when determining the Company's incremental borrowing rate. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The amortization expense for financed lease assets for the years ended December 31, 2023 and 2022 totaled \$31 thousand and \$25 thousand, respectively.

The balance sheet presentation of the Company's operating and finance leases is as follows:

(In thousands)	Classification on the Condensed Consolidated Balance Sheet	December 31, 2023		June 30, 2023		Classification on the Condensed Consolidated Balance Sheet	March 31, 2024	June 30, 2023
		December 31, 2023	June 30, 2023	December 31, 2023	June 30, 2023			
Assets:								
Operating lease assets	Operating leases, right-of-use assets, net	\$ 191	\$ 262	\$ 155	\$ 262	Operating leases, right-of-use assets, net	\$ 155	\$ 262
Financing lease assets	Property and equipment, net	429	484	398	484	Property and equipment, net	398	484
Total lease assets		<u>\$ 620</u>	<u>\$ 746</u>	<u>\$ 553</u>	<u>\$ 746</u>			
Liabilities:								
Current:								

Operating lease obligations	Lease liabilities, current	\$ 160	\$ 148	Lease liabilities, current	\$ 163	\$ 148
Financing lease obligations	Lease liabilities, current	149	168	Lease liabilities, current	126	168
Non-current:				Lease liabilities, non-current	14	130
Operating lease obligations	Lease liabilities, non-current	56	130	Lease liabilities, non-current	78	161
Financing lease obligations	Lease liabilities, non-current	96	161	Lease liabilities, non-current	381	607
Total lease liabilities		<u>\$ 461</u>	<u>\$ 607</u>		<u>\$ 381</u>	<u>\$ 607</u>

Future minimum lease payments as of December March 31, 2023 2024 under non-cancellable leases are as follows (in thousands):

(In thousands)	Operating Leases			Financing Leases			Total			Operating Leases			Financing Leases			Total			
For the Year Ended June 30,																			
2024	\$ 83			\$ 90			\$ 173			\$ 41			\$ 46			\$ 87			
2025		142			94			236			142			94			236		
2026		—			27			27			—			27			27		
2027		—			27			27			—			27			27		
2028		—			25			25			—			25			25		
Thereafter		—			—			—			—			—			—		
Total lease obligations		225			263			488			183			219			402		
Less: imputed interest		(9)			(18)			(27)			(6)			(15)			(21)		
Present value of net minimum lease obligations		216			245			461			177			204			381		
Less: lease liabilities - current		(160)			(149)			(309)			(163)			(126)			(289)		
Lease liabilities - non-current		<u>\$ 56</u>			<u>\$ 96</u>			<u>\$ 152</u>			<u>\$ 14</u>			<u>\$ 78</u>			<u>\$ 92</u>		

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Other information as of December March 31, 2023 2024, is as follows:

Weighted-average remaining lease term (years):			
Operating leases			1.6 1.1
Financing leases			2.0 1.5
Weighted-average discount rate:			
Operating leases			6.1 %
Financing leases			5.4 %

Cash payments for operating leases for the three months ended December March 31, 2023 2024, and 2022 2023 totaled \$41 thousand and \$31 \$42 thousand, respectively. Cash payments for financing leases for the three months ended December March 31, 2023 2024, and 2022 2023 totaled \$45 thousand and \$38 thousand, respectively.

Cash payments for operating leases for the six nine months ended December March 31, 2023 2024, and 2022 2023 totaled \$83 \$124 thousand and \$57 \$99 thousand, respectively. Cash payments for financing leases for the six nine months ended December March 31, 2023 2024, and 2022 2023 totaled \$90 \$136 thousand and \$77 \$115 thousand, respectively.

(4) Property and Equipment, net

As of December March 31, 2023 2024, and June 30, 2023, property and equipment, net consisted of the following, respectively:

(In thousands)	December 31, 2023	June 30, 2023	March 31, 2024	June 30, 2023
Furniture, fixtures, equipment & leasehold improvements	\$ 3,200	\$ 2,805	\$ 3,337	\$ 2,805
Software	636	217	636	217
Capital improvements in progress	13	649	50	649
Gross property and equipment	3,848	3,671	4,023	3,671
Accumulated depreciation and amortization	(1,302)	(1,001)	(1,507)	(1,001)
Property and equipment, net	\$ 2,546	\$ 2,670	\$ 2,516	\$ 2,670

Depreciation and amortization expense of property and equipment was \$152 \$206 thousand and \$82 \$88 thousand for the three months ended December March 31, 2023 2024 and 2022, 2023, respectively. Depreciation and amortization expense of property and equipment was \$301 \$507 thousand and \$149 \$221 thousand for the six nine months ended December March 31, 2023 2024 and 2022 2023, respectively. Total depreciation and amortization expense includes finance lease right-of-use asset amortization of \$72 \$94 thousand and \$50 \$76 thousand for the six nine months ended December March 31, 2023 2024 and 2022 2023, respectively.

(5) Stockholders' Equity

Common Stock

On November 22, 2022, the Company filed a third amendment (the "Amendment") to the Company's Certificate of Incorporation (as amended, the "Certificate of Incorporation") with the Secretary of State of the State of Delaware to effect a 1-for-30 reverse stock split of all of the Company's issued and outstanding shares of Common Stock. The Amendment provided that, at the effective time of the Reverse Stock Split, every 30 shares of the Company's issued and outstanding Common Stock were automatically combined into one validly issued, fully paid and non-assessable share of Common Stock, without effecting a change to the par value per share. The Reverse Stock Split affected all shares of the Company's Common Stock outstanding immediately prior to the effective time of the Reverse Stock Split, as well as the number of shares of Common Stock available for issuance under the Company's equity incentive plans. In addition, the Reverse Stock Split effected a reduction in the number of shares of Common Stock issuable upon the exercise of stock options and warrants outstanding immediately prior to the effectiveness of the Reverse Stock Split with a corresponding increase in exercise price per share. The Reverse Stock Split also triggered a proportionate adjustment to the number of shares of Common Stock issuable upon the conversion of our Series D convertible preferred stock, par value of \$0.001 per share ("Series D Preferred Shares"). All historical per share data, number of shares outstanding, and other common stock equivalents for the periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the Reverse Stock Split.

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Preferred Stock

The Company has issued 280,898 shares of Series D Preferred shares, all of which are issued and outstanding. Series D Preferred Shares are convertible to common stock on a one-to-thirty basis. Series D Preferred Shares are not callable by the Company. The holder of the preferred stock is entitled to receive, and we shall pay, dividends on shares equal to and in the same form as dividends actually paid on shares of common stock when, and if, such dividends are paid on shares of common stock. No other dividends are paid on the preferred shares. Preferred shares have no voting rights. Upon liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the preferred shares have preference over common stock. The holder of the Series D preferred shares has the option to convert at a ratio of 30 shares to one of common stock at the holder's discretion.

Share Repurchase Program

On November 9, 2022, the Company's Board of Directors authorized a share repurchase program that allowed the Company to repurchase up to \$1.0 million of the Company's common stock beginning November 17, 2022, and continuing through and including November 17, 2023. As previously disclosed, on June 16, 2023, the Company terminated the share repurchase program, effective immediately, in order to comply with Regulation M under the Exchange Act. The shares could have been repurchased from time to time in the open market or privately negotiated transactions or by other means in accordance with applicable state and federal securities laws. The timing, as well as the number and value of shares repurchased under the program, could have been determined by the Company at its discretion and would have depended on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations.

Rights Plan

On December 21, 2022, the Company's Board of Directors adopted a limited duration stockholder rights plan (the "Rights Plan") initially expiring December 20, 2023 and declared a dividend of one preferred share purchase right for each outstanding share of common stock to stockholders of record on January 5, 2023 to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.001 per share, of the Company for an exercise price of \$58.00 once the rights become exercisable, subject to the terms of and adjustment as provided in the related rights agreement.

On December 18, 2023, the Company entered into Amendment No. 1 to Rights Agreement between the Company and Equiniti Trust Company, as Rights Agent (the "Amendment"), which extends the Final Expiration Date (as defined in the Rights Plan) to December 20, 2024, unless the Final Expiration Date is further extended by the Company or the rights subject to the Rights Plan are earlier redeemed or exchanged by the Company in accordance with the terms of the Rights Plan. All other terms and conditions of the Rights Plan remain unchanged.

Warrants

A summary of the common stock warrant activity for the **six** **nine** months ended **December** **March** **31, 2023** **2024**, is presented below:

	Number of Shares Underlying Warrants (In thousands)	Weighted Average Exercise Price	Aggregate Fair Market Value at Issuance (In thousands)	Weighted Average Remaining Contractual Term (Years)	Number of Shares Underlying Warrants (In thousands)	Weighted Average Exercise Price	Aggregate Fair Market Value at Issuance (In thousands)	Weighted Average Remaining Contractual Term (Years)
Outstanding June 30, 2023	80	\$ 72.10	\$ 3,747	2.60	80	\$ 72.10	\$ 3,747	2.60
Warrants issued	—	—	—	—	—	—	—	—
Warrants exercised	—	—	—	—	—	—	—	—
Warrants expired	—	—	—	—	—	—	—	—
Outstanding December 31, 2023	80	\$ 72.10	\$ 3,747	2.10				
Outstanding March 31, 2024					80	\$ 72.10	\$ 3,747	1.85

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The following represents a summary of the warrants outstanding at each of the dates identified:

Issue Date	Classification	Exercise Price	Expiration Date	Number of Shares Underlying Warrants (In thousands)		Classification	Exercise Price	Expiration Date	Number of Shares Underlying Warrants (In thousands)				
									March 31, 2024	June 30, 2023			
				1	1				1	1			
March 26, 2020	Equity	\$ 187.50	March 25, 2025	1	1	Equity	\$ 187.50	March 25, 2025	1	1			
March 30, 2020	Equity	\$ 140.63	March 27, 2025	2	2	Equity	\$ 140.63	March 27, 2025	2	2			
October 23, 2020	Equity	\$ 86.25	October 21, 2025	15	15	Equity	\$ 86.25	October 21, 2025	15	15			
October 28, 2020	Equity	\$ 80.63	October 28, 2025	6	6	Equity	\$ 80.63	October 28, 2025	6	6			
February 16, 2021	Equity	\$ 121.88	February 11, 2026	6	6	Equity	\$ 121.88	February 11, 2026	6	6			
April 12, 2021	Equity	\$ 56.25	April 7, 2026	50	50	Equity	\$ 56.25	April 7, 2026	50	50			
Total Outstanding				80	80				80	80			

(6) Net Loss per Share

Basic net loss per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method and the if-converted method. Potentially dilutive common shares include outstanding stock options and share-based awards.

The following table reconciles the numerators and denominators used in the computations of both basic and diluted net loss per share:

(In thousands, except per share data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	December 31,		December 31,		March 31,		March 31,	
	2023	2022	2023	2022	2024	2023	2024	2023
Numerator:								
Net loss	\$ (2,641)	\$ (2,418)	\$ (5,553)	\$ (4,947)	\$ (3,154)	\$ (2,375)	\$ (8,707)	\$ (7,322)
Denominator:								
Denominator for basic and diluted net loss per share — weighted average common stock outstanding	1,631	1,613	1,631	1,613	1,633	1,616	1,632	1,614
Basic and diluted net loss per common share:								
Net loss per common share	\$ (1.62)	\$ (1.50)	\$ (3.40)	\$ (3.07)	\$ (1.93)	\$ (1.47)	\$ (5.34)	\$ (4.54)

All unvested restricted stock awards and convertible Series D preferred share for the **six** **nine** months ended **December** **March** **31, 2023** **2024** are not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive. Options to purchase **154,910** **148,166** shares of common stock at exercise prices ranging from **\$10.10** **\$7.47** to **\$175.50** per share outstanding as of **December** **March** **31, 2023** **2024** were not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive.

(7) Revenue Recognition

Astrotech recognizes revenue employing the generally accepted revenue recognition methodologies described under the provisions of Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("Topic 606"), which was adopted by the Company in fiscal year 2019. The methodology used is based on contract type and how products and services are provided. The guidelines of Topic 606 establish a five-step process to govern the recognition and reporting of revenue from contracts with customers. The five steps are: (i) identify the contract with a customer, (ii) identify the performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations within the contract, and (v) recognize revenue when or as the performance obligations are satisfied.

An additional factor is reasonable assurance of collectability. This necessitates deferral of all or a portion of revenue recognition until collection. During the **three** **and** **six** months ended **December** **March** **31, 2023** **2024**, the Company had **two** **one** **revenue sources** **source** that comprised materially all of its revenue. During the **three** **and** **six** **nine** months ended **December** **March** **31, 2022**, **2024**, the Company had **three** **revenue sources** that comprised materially all of its revenue. Revenue was recognized at a point in time consistent with the guidelines in Topic 606.

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Contract Assets and Liabilities. The Company enters into contracts to sell products and provide services, and it recognizes contract assets and liabilities that arise from these transactions. The Company recognizes revenue and corresponding accounts receivable according to Topic 606 and, at times, recognizes revenue in advance of the time when contracts give us the right to invoice a customer. The Company may also receive consideration, per the terms of a contract, from customers prior to transferring goods to the customer. The Company records customer deposits as deferred revenue. Additionally, the Company may receive payments, most typically for service and warranty contracts, at the onset of the contract and before services have been performed. In such instances, the Company records a deferred revenue liability. The Company recognizes these contract liabilities as sales after all revenue recognition criteria are met.

Practical Expedients. In cases where the Company is responsible for shipping after the customer has obtained control of the goods, the Company has elected to treat the shipping activities as fulfillment activities rather than as a separate performance obligation. Additionally, the Company has elected to capitalize the cost to obtain a contract only if the period of amortization would be longer than one year. The Company only gives consideration to whether a customer agreement has a financing component if the period of time between transfer of goods and services and customer payment is greater than one year.

Product Sales. The Company recognizes revenue from sales of products upon shipment or delivery when control of the product transfers to the customer, depending on the terms of each sale, and when collection is probable. In the circumstance where terms of a product sale include subjective customer acceptance criteria, revenue is deferred until the Company has achieved the acceptance criteria unless the customer acceptance criteria are perfunctory or inconsequential. The Company generally offers customers payment terms of 60 days or less.

Freight. The Company records shipping and handling fees that it charges to its customers as revenue and related costs as cost of revenue.

Multiple Performance Obligations. Certain agreements with customers include the sale of equipment involving multiple elements in cases where obligations in a contract are distinct and thus require separation into multiple performance obligations, revenue recognition guidance requires that contract consideration be allocated to each distinct performance obligation based on its relative standalone selling price. The value allocated to each performance obligation is then recognized as revenue when the revenue recognition criteria for each distinct promise or bundle of promises has been met.

The standalone selling price for each performance obligation is an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the good or service. When there is only one performance obligation associated with a contract, the entire amount of consideration is attributed to that obligation. When a contract contains multiple performance obligations, the standalone selling price is first estimated using the observable price, which is generally a list price net of applicable discount or the price used to sell the good or service in similar circumstances. In circumstances when a selling price is not directly observable, the Company will estimate the standalone selling price using information available to it including its market assessment and expected cost, plus margin.

The timetable for fulfilment of each of the distinct performance obligations can range from completion in a short amount of time and entirely within a single reporting period to completion over several reporting periods. The timing of revenue recognition for each performance obligation may be dependent upon several milestones, including physical delivery of equipment, completion of site acceptance test, and in the case of after-market consumables and service deliverables, the passage of time.

(8) Fair Value Measurement

ASC Topic 820 "Fair Value Measurement" ("Topic 820") defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. Topic 820 is applicable whenever assets and liabilities are measured and included in the financial statements at fair value. The fair value hierarchy established in Topic 820 prioritizes the inputs used in valuation techniques into three levels as follows:

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

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

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

The following tables present the carrying amounts, estimated fair values, and valuation input levels of certain financial instruments as of **December** **March 31, 2023** **2024** and June 30, 2023:

(In thousands)	December 31, 2023					March 31, 2024						
	Carrying	Fair Value Measured Using			Fair	Carrying	Fair Value Measured Using			Fair		
		Amount	Level 1	Level 2	Level 3		Amount	Level 1	Level 2	Level 3		
Available-for-Sale Investments												
Short-Term Investments												
Mutual Funds - Corporate & Government Debt	19,147	19,147	—	—	19,147	\$ 19,144	\$ 19,144	\$ —	\$ —	\$ 19,144		
ETFs - Corporate & Government Debt	7,036	7,036	—	—	7,036	7,052	7,052	—	—	7,052		
Total Available-for-Sale Investments	\$ 26,183	\$ 26,183	\$ —	\$ —	\$ 26,183	\$ 26,196	\$ 26,196	\$ —	\$ —	\$ 26,196		
June 30, 2023												
(In thousands)	Carrying	Fair Value Measured Using			Fair	Carrying	Fair Value Measured Using			Fair		
		Amount	Level 1	Level 2	Level 3		Amount	Level 1	Level 2	Level 3		
Available-for-Sale Investments												

Short-Term Investments													
Mutual Funds - Corporate & Government Debt	18,965	18,965	—	—	18,965	\$ 18,965	\$ 18,965	\$ —	\$ —	\$ 18,965	\$ —	\$ —	\$ 18,965
ETFs - Corporate & Government Debt	6,958	6,958	—	—	6,958	6,958	6,958	—	—	6,958	—	—	6,958
Time deposits: 91-360 days	1,996	—	1,996	—	1,996	1,996	—	1,996	—	1,996	—	—	1,996
Total Available-for-Sale Investments	<u>\$ 27,919</u>	<u>\$ 25,923</u>	<u>\$ 1,996</u>	<u>\$ —</u>	<u>\$ 27,919</u>	<u>\$ 27,919</u>	<u>\$ 25,923</u>	<u>\$ 1,996</u>	<u>\$ —</u>	<u>\$ 27,919</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27,919</u>

The value of available-for-sale securities with Level 1 inputs is based on pricing from third-party pricing vendors, who use quoted prices in active markets for identical assets. The fair value measurements used for time deposits are considered Level 2 and use pricing from third-party pricing vendors who use quoted prices for identical or similar securities in both active and inactive markets.

(9) Related-party Debt

On September 5, 2022, the secured promissory issued by the Company on September 5, 2019 (the "2019 Note") to Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company, matured. On the maturity date, the remaining outstanding principal amount of \$500 thousand and accrued interest of \$55 thousand on the 2019 Note was paid in full and the 2019 Note was canceled. With the cancelation of the 2019 Note, the Amended Subsidiary Guarantee was terminated and the Subsidiaries' Collateral was released. Refer to Note 7 of our Annual Report on Form 10-K for 2023 for more detailed information on the 2019 Note.

(10) Business Risk and Credit Risk Concentration Involving Cash

For The Company had one customer that materially comprised all of the Company's revenue for the three and sixmonths ended December March 31, 2023, 2024the. The Company had two customers that materially comprised of all of the Company's revenue. For revenue for the three and six months ended December March 31, 2022, 2023. For the nine months ended March 31, 2024 and 2023, the Company had three customers that materially comprised all of the Company's revenue. Additionally, the material amount of the company's receivables was comprised of two companiesone company in both fiscal years.

The Company maintains funds in bank accounts that may exceed the limit insured by the Federal Deposit Insurance Corporation (the "FDIC"). The risk of loss attributable to these uninsured balances is mitigated by depositing funds in what the Company believes to be high credit quality financial institutions. The Company has not experienced any losses in such accounts.

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(11) Stock-Based Compensation

Stock Option Activity Summary

The Company's stock option activity for the six nine months ended December March 31, 2023 2024 is as follows:

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at June 30, 2023	38,166	\$ 27.34	38,166	\$ 27.34
Granted	116,790	10.16	120,440	10.12
Exercised	—	—	—	—
Canceled or expired	(46)	138.06	(10,440)	10.80
Outstanding at December 31, 2023	154,910	\$ 14.36	—	—
Outstanding at March 31, 2024	—	—	148,166	\$ 14.51

The aggregate intrinsic value of options exercisable at December March 31, 2023 2024 was \$0, as the fair value of the Company's common stock is less than the exercise prices of these options. The remaining stock-based compensation expense of \$1.3 \$1.0 million related to stock options will be recognized over a weighted-average period of 2.44 2.21 years. The aggregate intrinsic value of options exercisable at December March 31, 2023 2024 was \$0 as the fair value of the Company's common stock is less than the exercise prices of these options. The aggregate intrinsic value of all options outstanding at December March 31, 2023 2024 was \$0. \$1 thousand.

The table below details the Company's stock options outstanding as of December March 31, 2023 2024:

Range of exercise prices	Range of exercise prices	Number Outstanding	Options Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Options Exercisable	Range of exercise prices	Number Outstanding	Options Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Options Exercisable
\$ 10.10 - 19.20		152,285	9.43	\$ 11.99		10,934	\$ 18.54	7.47 - 19.20	145,541	9.15	\$ 12.03		11,534	\$ 18.12
\$ 55.50 - 84.90		418	4.87	61.52		418	61.52	55.50 - 84.90	418	4.62	61.52		418	61.52
\$ 159.00 - 175.50		2,207	3.36	168.97		2,207	168.97	159.00 - 175.50	2,207	3.11	168.97		2,207	168.97
\$ 10.10 - 175.50		154,910	9.33	\$ 14.36		13,559	\$ 44.35	7.47 - 175.50	148,166	9.05	\$ 14.51		14,159	\$ 42.91

Compensation costs recognized related to stock option awards were \$148 \$134 thousand and \$48 \$47 thousand for each of the three months ended December March 31, 2023 2024 and 2022 2023, respectively. Compensation costs recognized related to stock option awards were \$204 \$338 thousand and \$94 \$142 thousand for each of the six nine months ended December March 31, 2023 2024 and 2022, 2023, respectively.

Restricted Stock

The Company's restricted stock activity for the six nine months ended December March 31, 2023 2024, is as follows:

	Shares	Weighted Average		Shares	Weighted Average	
		Grant Date	Fair Value		Grant Date	Fair Value
Outstanding at June 30, 2023		50,671	\$ 33.43	50,671	\$ 33.43	
Granted	20,000		10.10	20,000		10.10
Vested	—		—	(18,010)		58.66
Canceled or expired	—		—	—		0.00
Outstanding at December 31, 2023	70,671	\$ 26.83				
Outstanding at March 31, 2024				52,661		\$ 15.94

Stock compensation expenses related to restricted stock were \$325 \$304 thousand and \$356 \$309 thousand for the three months ended December March 31, 2023 2024 and 2022 2023, respectively. Stock compensation expenses related to restricted stock were \$633 \$937 thousand and \$697 thousand \$1.0 million for the six nine months ended December March 31, 2023 2024 and 2022, 2023, respectively. The remaining stock-based compensation expense of \$915 \$611 thousand related to restricted stock awards granted will be recognized over a weighted-average period of 2.23 2.73 years.

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(12) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December March 31, 2023 2024, the Company has a valuation allowance against all of its net deferred tax assets.

For the six nine months ended December March 31, 2023 2024 and 2022, 2023, the Company incurred pre-tax losses in the amount of \$5.6 million \$8.7 million and \$4.9 million \$7.3 million, respectively. The total effective tax rate was approximately 0% for the six nine months ended December March 31, 2023 2024 and 2022, 2023.

For each of the six nine months ended December March 31, 2023 2024 and 2022, 2023, the Company's Company's effective tax rate differed from the federal statutory rate of 21%, primarily due to the valuation allowance placed against its net deferred tax assets.

The Inflation Reduction Act and the Chips and Science Act were enacted in August 2022. There is no material impact to the Company from these new tax laws.

FASB ASC 740, "Income Taxes" addresses the accounting for uncertainty in income tax recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company currently has approximately \$486 thousand of uncertain tax positions as of **December 31, 2023**, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Loss carryovers are generally subject to modification by tax authorities until three years after they have been utilized; as such, the Company is subject to examination for the fiscal years ended 2001 through present for federal purposes and fiscal years ended 2006 through present for state purposes.

(13) Commitments and Contingencies

The Company is subject to various lawsuits and other claims in the normal course of business. In addition, from time to time, the Company receives communications from government or regulatory agencies concerning investigations or allegations of noncompliance with laws or regulations in jurisdictions in which the Company operates.

The Company establishes reserves for the estimated losses on specific contingent liabilities, for regulatory and legal actions where the Company deems a loss to be probable and the amount of the loss can be reasonably estimated. In other instances, the Company is not able to make a reasonable estimate of liability because of the uncertainties related to the outcome or the amount or range of potential loss.

However, we cannot predict the outcome or effect of any of the potential litigation, claims or disputes.

The Company is not subject to any litigation at the present time.

(14) Segment Information

The Company has determined that it does not meet the criteria of ASC 280 "Segment Reporting" because the Company's subsidiaries represent Company brands that leverage the same core technology rather than independent operating segments.

(15) Impact of COVID-19 Pandemic

The Company has taken what it believes are necessary precautions to safeguard its employees from the COVID-19 pandemic. The Company continues to follow the Centers for Disease Control and Prevention's ("CDC") guidance and the recommendations and restrictions provided by state and local authorities. **All** of the Company's employees who do not work in a lab setting are currently on a telecommunication work arrangement and have been able to successfully work remotely. The Company's lab requires in-person staffing, and the Company has been able to continue to operate its lab. There can be no assurance, however, that key employees will not become ill or that the Company will be able to continue to operate its labs.

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To date, the Company has seen delays with respect to the TSA certification process and parts of its supply chain, particularly the impact of the global semiconductor and electronics shortage, which has now resulted in product pricing inflation. In addition, although passenger demand for air travel has rebounded, the overall recovery of the airline industry and ancillary services remains highly uncertain and is dependent upon, among other things, the number of cases declining around the globe, public health impacts of new COVID-19 variants, the continued administration of vaccines to unvaccinated populations, and the duration of immunity granted by vaccines.

The Company continues to manage production, to secure alternative supplies, and to take other proactive actions. The Company believes that it will be able to pass the inflation caused by raw materials shortages and increased shipping costs to its customers by increasing the price of its instruments. If supply chain shortages become more severe or longer term in nature, the Company's business and results of operations could be adversely impacted; however, the Company does not expect this issue to materially adversely affect its liquidity position. The long-term impact of the COVID-19 pandemic on the Company's business may not be fully reflected until future periods.

CARES Act

On March 27, 2020, the CARES Act was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll taxes, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The most significant relief measures which the Company qualified for were a loan pursuant to the Paycheck Protection Program for which the Company has received full forgiveness, alternative minimum tax credit refunds, employee retention credit, and payroll tax deferral. The payroll tax deferral was effective from the enactment date through December 31, 2020, and 100% of the deferred amount has been paid as of December 31, 2022. 50% of the deferred amount has been paid as of December 31, 2021, and the remainder was paid before December 31, 2022. The deferred payroll taxes were recorded within accrued liabilities on the condensed consolidated balance sheets.

The Company will continue to assess the treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act to the Company, and the potential impacts on the business.

(16) Subsequent Events

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws. Forward-looking statements may include the words "may," "will," "plans," "believes," "estimates," "expects," "intends," and other similar expressions. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in the statements. Such risks and uncertainties include, but are not limited to:

- The adverse impact of recent inflationary pressures, including significant increases in fuel costs, global economic conditions and events related to these conditions, including the ongoing wars in Ukraine and the middle east and the COVID-19 pandemic;
- Our ability to successfully pursue our business plan and execute our strategy, including our collaboration with Cleveland Clinic;
- The effect of economic and political conditions in the United States or other nations that could impact our ability to sell our products and services or gain customers;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by governmental or commercial customers;
- The impact of trade barriers imposed by the U.S. government, such as import/export duties and restrictions, tariffs and quotas, and potential corresponding actions by other countries in which we conduct our business;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- The risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging, and transportation;
- Uncertainty in government funding and support for key programs, grant opportunities, or procurements;
- The impact of competition on our ability to win new contracts;
- Our ability to meet technological development milestones and overcome development challenges; and
- Our ability to successfully identify, complete and integrate acquisitions.

While we do not intend to directly harvest, manufacture, distribute or sell cannabis or cannabis products, we may be detrimentally affected by a change in enforcement by federal or state governments and we may be subject to additional risks in connection with the evolving regulatory area and associated uncertainties. Any such effects may give rise to risks and uncertainties that are currently unknown or amplify others identified herein.

These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate; therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in our 2023 Annual Report on

Form 10-K, elsewhere in this Quarterly Report on Form 10-Q, or those discussed in other documents we filed with the SEC. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events, or otherwise. In making these statements, we disclaim any obligation to address or update each factor in future filings with the SEC or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed above may have affected our past results and may affect future results, so that our actual results may differ materially from those expressed in this Quarterly Report on Form 10-Q and in prior or subsequent communications.

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

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Report.

Business Overview

Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Our efforts are focused on commercializing our platform mass spectrometry technology through our wholly-owned subsidiaries:

- Astrotech Technologies, Inc. ("ATI") owns and licenses intellectual property related to the Astrotech Mass Spectrometer Technology™ (the "AMS Technology").
- 1st Detect Corporation ("1st Detect") is a manufacturer of explosives trace detectors that is capable of also detecting narcotics. It was developed for use at airports, cargo and other secured facilities, and borders worldwide. 1st Detect holds an exclusive AMS Technology license from ATI for air passenger and cargo security applications.
- AgLAB, Inc. ("AgLAB") is developing a series of mass spectrometers for use in the hemp and cannabis market with initial focus on optimizing yields in the distillation processes. AgLAB holds an exclusive AMS Technology license from ATI for agriculture applications.
- BreathTech Corporation ("BreathTech") is developing a breath analysis tool to screen for volatile organic compound ("VOC") metabolites found in a person's breath that could indicate they may have a bacterial or viral infection. BreathTech holds an exclusive AMS Technology license from ATI for breath analysis applications.
- Pro-Control, Inc. ("Pro-Control") is focused on applying the AMS Technology in chemical manufacturing process control applications. The mass spectrometer and process is designed to test, measure and increase potency, purity and weight yields in the chemical manufacturing processes.

Our Business Units

Astrotech Technologies, Inc.

ATI owns and licenses the AMS **Technology**, **Technology**™, the platform mass spectrometry technology originally developed by 1st Detect. Long recognized as the gold standard in chemical detection, mass spectrometry has historically been too costly, bulky, and cumbersome. In contrast, the AMS Technology has been designed to be inexpensive, smaller, and easier to use when compared to traditional mass spectrometers. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes **18** **17** granted patents along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to four wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB for use in the agriculture market, and to BreathTech for use in breath analysis applications.

The Company has announced the formation of Pro-Control and has entered into an exclusive license to use the **ATI** **ATI** Mass Spectrometer Technology for chemical manufacturing process control applications. Pro-Control has announced the introduction of its proprietary Pro-Control Maximum Value **Process**™ **Processing** and the Pro-Control-1000™ mass spectrometer designed to test, measure and increase potency, purity and weight yields in the chemical manufacturing processes.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000™, the world's first mass spectrometer ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"), designed to replace the ETDs used at airports, cargo and other secured facilities, and borders worldwide. We

believe that ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). We further believe that IMS-based ETDs are fraught with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those few explosives of largest concern. Adding additional compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, we obtained ECAC certification. We are currently selling the TRACER 1000 to customers who accept ECAC certification. As of December 31, 2023 March 31, 2024, we have deployed the TRACER 1000 in approximately 29 30 locations in 14 countries throughout Europe and Asia.

On May 8, 2023, the Company announced that it has accepted a purchase order from a Romania-based company focused on research and innovation in the security and telecommunications space. The Company has successfully delivered the 14 ETD's that were ordered. On November 12, 2023, the Company announced that 1st Detect had accepted a significant purchase order for seven of its TRACER 1000™ explosives trace detector, for an airport security checkpoint, which systems will be deployed in an airport in Romania. These systems were successfully delivered during the second fiscal quarter of 2024.

In the United States, the Company is working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, the Company announced that the TRACER 1000 entered into testing with the TSA for passenger screening at airports. On November 14, 2019, the Company announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, the Company has received valuable feedback from all programs. Following ECAC certification and the Company's early traction within the cargo market, testing for cargo security continued with the TSA. Due to the COVID-19 pandemic, all testing within the TSA was put on hold; however, cargo testing resumed during the summer of 2020 and on September 9, 2020 the Company announced that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. The Company resumed detection and non-detection testing for cargo security with TSA subsequent to the end of the third quarter of the second quarter of fiscal year 2024. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List ("ACSTL") as an "approved" device. If approved, we believe the TRACER 1000 will be approved for cargo security screening sales in the United States and field trials with the TSA will begin. If field trials are successful, the Tracer TRACER 1000 will be added to the "qualified" list. The Company has also started the process to pass TSA checkpoint testing. This process involves Developmental Test and Evaluation in which the Transportation Security Laboratory ("TSL") will test the TRACER 1000 and work with 1st Detect to ensure its readiness to enter certification testing. The certification test is then completed by the Independent Test & Evaluation department of TSL. As a result of the delay in progress with fiscal year 2023 budget the government had over 6,000 ETD units at checkpoint and baggage screening points and we believe that the TSA efforts are primarily would benefit from our AMS Technology.

On May 8, 2023, the Company announced that it has accepted a purchase order from a Romania-based company focused on other opportunities. research and innovation in the security and telecommunications space. The Company has successfully delivered the 14 ETD's that were ordered. On November 12, 2023, the Company announced that 1st Detect had accepted a significant purchase order for seven of its TRACER 1000 explosives trace detector, for an airport security checkpoint, which systems will be deployed in an airport in Romania. These systems were successfully delivered during the second fiscal quarter of 2024.

On March 25, 2024, the Company announced that it is currently accepting orders for the TRACER 1000 Narcotics Trace Detector (NTD). The TRACER 1000 NTD is a high-performance laboratory instrument capable of rapid detection of trace levels of narcotic compounds in seconds. The TRACER 1000 NTD provides a ruggedized platform that can be applied across various markets including airports, border security, checkpoint, cargo, and infrastructure security, correctional facilities, military, and law enforcement.

From April 9 through April 12, 2024, 1st Detect showcased its TRACER 1000 NTD and ETD at the International Security Conference and Exposition, also known as ISC West, in Las Vegas, Nevada. We believe ISC West is one of the leading comprehensive security trade events in the U.S. and has some of the country's leading security and public safety professionals in attendance.

On April 8, 2024, the Company announced that 1st Detect's TRACER 1000 is now listed in the U.S. General Services Administration ("GSA") IT Schedule 70 under Contract No. GS-35F-250GA with SRI Group LLC, Special Item Number 334290. IT Schedule 70 is a long-term contract issued by the GSA to commercial technology vendors that allows sales to the U.S. federal government, one of the largest buyers of goods and services in the world.

AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB 1000™ series of mass spectrometers for use in the hemp and cannabis markets with initial focus on optimizing yields in the distillation process. The AgLAB product line is a derivative of our core AMS Technology. We believe the AMS Technology provides a significant competitive advantage due to its small size, rugged design, quick analysis, and ease of use. AgLAB has continued to conduct field trials to demonstrate that the AgLAB 1000-D2™ can be used in the distillation process to significantly improve the processing yields of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") oil during distillation. The AgLAB 1000-D2 uses the Maximum Value Processing solution ("MVP") to analyze samples in real-time and help the equipment operator to determine the ideal settings required to maximize yields. As part of our growth plan, we have leveraged this technology and launched by launching a family of "process control" methods and solutions, which are the focus of Pro-Control.

Production and processing of hemp and cannabis is a vast, worldwide industry. In the U.S., for example, the wholesale value of aggregate cannabis crop from just the 11 U.S. states permitting lawful adult-use and medical cannabis exceeds \$6 billion annually. We believe growth in the U.S. and in the worldwide market is fed in part by the growing acceptance of medicinal cannabis products and anticipated legislative changes in various jurisdictions worldwide. We also believe this growth is due in part to the passage of the 2018 Farm Bill, which legalized hemp production in the U.S. According to a report by BDS Analytics and Arcview Market Research, the U.S. CBD market is estimated to reach \$20 billion by 2024, which would be a compound annual growth rate of 49% from 2019 to 2024. The market is segmented into various categories of products including oils, tinctures, foods, skincare products, vitamins, dietary supplements, and pet products, among various others. According to a 2019 Consumer Brands Association report, the largest category of CBD products at such time was oils and tinctures, which were purchased by 55% of American CBD consumers, followed by foods (45%), skincare products (44%) and vitamins or dietary supplements (39%).

As the CBD and hemp market continues to grow, there has been an influx of new companies entering the space, ranging from large corporations to small startups. The competition is fierce, with companies investing heavily in research and development to create innovative products and differentiate themselves from competitors. However, the market remains highly fragmented, with many products of varying quality and efficacy, making it challenging for consumers to navigate. Overall, the CBD and hemp market in the U.S. is a rapidly growing industry with significant potential for continued expansion. As more research is conducted and regulations are established, we believe it is likely that the market will become more standardized and regulated, leading to increased consumer confidence and demand. Stakeholders in the industry are likely to face challenges as it matures, including increased competition and regulatory hurdles.

During the first quarter of fiscal year 2023, we began our first production run of Sales efforts for the AgLAB 1000-D2 and sales efforts are currently underway. On May 9, 2023, we announced the results from ongoing field trials of the AgLAB MVP solution, which we believe demonstrate that it can be a valuable tool for cannabis and hemp oil processors worldwide. During our field trials, we were able to improve ending-weights yields by an average of 30%.

On November 27, 2023, AgLAB announced the presentation of the AgLAB Maximum Value Process™ Processing at MJBizCon. This process is an innovative process control system proven to increase the potency of ending-weight yields and increase revenue by an average of 32%. This process provides real-time data, allowing distillers to adjust parameters to optimize the quality and quantity of each batch of oil.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis applications, is developing the BreathTest-1000™, a breath analysis tool to screen for VOC metabolites found in a person's breath that could indicate they may have a compromised condition including but not limited to a bacterial or viral infection. The Company believes that new tools to more quickly identify an infection may be present remain of the utmost importance in the battle against COVID-19 and other diseases.

In June 2022, the Company expanded its existing study with Cleveland Clinic, initially focused on COVID-19, to use the BreathTest-1000 to screen for a variety of diseases spanning the entire body. The study focuses on detecting bloodstream infections, respiratory infections such as influenza types A and B and respiratory syncytial virus ("RSV"), carriage of Staphylococcus aureus, and Clostridioides difficile ("C. diff") infections.

Pro-Control, Inc.

Pro-Control was launched December 12, 2023 and is focused on applying the AMS Technology in chemical manufacturing process control applications developed by AgLAB, applications. The Pro-Control Maximum Value Process™ Processing and the Pro-Control-1000™ mass spectrometer are designed to test, measure and increase potency, purity and weight yields in the chemical manufacturing processes. The Company is actively marketing the product to large distillers and chemical manufacturers.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that directly affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. A critical accounting estimate is one that involves a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management continuously evaluates its critical accounting policies and estimates, including those used in evaluating the recoverability of long-lived assets, recognition of revenue, valuation of inventory, and the recognition and measurement of loss contingencies, if any. Actual results may differ from these estimates under different assumptions or conditions. We believe that the following accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements.

Results of Operations

Three months ended **December 31, 2023** **March 31, 2024**, compared to three months ended **December 31, 2022** **March 31, 2023**:

Selected consolidated financial data for the quarters ended **December 31, 2023** **March 31, 2024**, and **2022** **2023** is as follows:

(In thousands)	Three Months Ended December 31,		Three Months Ended March 31,	
	2023	2022	2024	2023
Revenue	\$ 1,115	\$ 263	\$ 50	\$ 35
Cost of revenue	583	155	42	24
Gross profit	532	108	8	11
Gross margin	48%	41%	16%	31%
Operating expenses:				
Selling, general and administrative	2,022	1,558	1,833	1,406
Research and development	1,578	1,364	1,708	1,355
Total operating expenses	3,600	2,922	3,541	2,761
Loss from operations	(3,068)	(2,814)	(3,533)	(2,750)
Other income and expense, net	427	396	379	375
Income tax benefit	—	—	—	—
Net loss	\$ (2,641)	\$ (2,418)	\$ (3,154)	\$ (2,375)

Revenue – Total revenue increased by **\$852** **\$15** thousand, or **42.9%**, during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023. In the **second** **third** quarter of fiscal year 2024 and 2023, revenue was related to the sales of our TRACER 1000 along with ongoing consumable consumables and recurring maintenance services of the TRACER 1000. In the **second** **third** quarter of fiscal year 2023, revenue was related to ongoing sales of consumables and recurring maintenance services. The increase in revenue is primarily the result of fulfilling the previously announced TRACER 1000 increased maintenance and consumable revenue from more deployed units purchase orders quarter over quarter.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the **second** **third** quarter of fiscal year 2024 and 2023, cost of revenue was comprised of labor, materials, shipping, and warranty reserve related to the sale of TRACER 1000 units. Cost of revenue increased by **\$428** **\$18** thousand during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023, due to the increase in revenue as described above. Gross margin increased decreased by **7%** **15%** in the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023 due to sales mix, inflationary pressure on shipping charges.

Operating Expenses – Operating expenses increased **\$678** **\$790** thousand, or **23.2%** **28.3%**, during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023. Significant changes to operating expenses include the following:

- Selling, general and administrative expenses increased **\$464** **\$427** thousand, **29.8%** or **30.4%**, during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023 due to sales related expenses and an increase in legal expense and consultant expenses related to sales efforts. In addition, there was an increase in directors' fees and employee equity incentives from the third quarter of fiscal year 2023.
- Research and development expenses increased **\$214** **\$353** thousand, or **15.7%** **26.1%**, during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023, largely driven by increases in headcount to support the development of our mass spectrometry offering, expenses related to cross-platform improvements to our technology, and continuing expenses that support additional AgLAB, BreathTech, and 1st Detect method developments.

Other income and expense, net – Other income and expense, net increased by **\$31** thousand remained consistent during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023, due to more income earned on short-term, capital-preservation, investments as interest rates have increased 2023.

Income Taxes – Income tax benefit did not change during the **second** **third** quarter of fiscal year 2024, compared to the **second** **third** quarter of fiscal year 2023. The realization of tax benefits depends on the existence of future taxable income. Pursuant to ASC 740 "Income Taxes", a valuation allowance has been established on all of our deferred tax assets.

Six **Nine** months ended **December 31, 2023** **March 31, 2024**, compared to **six** **nine** months ended **December 31, 2022** **March 31, 2023**:

Selected consolidated financial data for the **six nine** months ended **December 31, 2023** **March 31, 2024**, and **2022** **2023** is as follows:

(In thousands)	Six Months Ended December 31,		Nine Months Ended March 31,	
	2023	2022	2024	2023
Revenue	\$ 1,540	\$ 301	\$ 1,590	\$ 336
Cost of revenue	825	187	867	211
Gross profit	715	114	723	125
Gross margin	46 %	38 %	45 %	37 %
Operating expenses:				
Selling, general and administrative	3,668	3,200	5,501	4,606
Research and development	3,450	2,492	5,158	3,847
Total operating expenses	7,118	5,692	10,659	8,453
Loss from operations	(6,403)	(5,578)	(9,936)	(8,328)
Other income and expense, net	850	631	1,229	1,006
Income tax benefit	—	—	—	—
Net loss	\$ (5,553)	\$ (4,947)	\$ (8,707)	\$ (7,322)

Revenue – Total revenue increased by **\$1.239 million** **\$1.3 million**, or **3.7%**, during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023**. The revenue in both **quarters** **periods** was related to the sales of our TRACER 1000 along with ongoing consumable and recurring maintenance services of the TRACER 1000. The increase in revenue is primarily due to new unit sales of TRACER 1000, fulfilling both the previously announced purchase orders we had received.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the **six nine** months ended **December 31, 2023** **March 31, 2024** and **2022** **2023**, cost of revenue was comprised of labor, materials, shipping, and warranty reserve related to the sale of TRACER 1000 units. Cost of revenue increased by **\$638** **\$656** thousand during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023** due to the increase in revenue as described above. Gross margin increased by 8% in the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023** due to design improvements resulting in less warranty expense and a comparative increase in sales price.

Operating Expenses – Operating expenses increased **\$1.426 million** **\$2.2 million**, or **25%** **26.1%**, during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023**. Significant changes to operating expenses include the following:

- Selling, general and administrative expenses increased **\$468** **\$895** thousand, or **14.6%** **19.4%**, during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023** due to **sales related expenses and an increase in legal expense and consultant expenses related to sales efforts**. In addition, there was an increase in directors' fees and employee equity incentives from the prior third quarter year-to-date.
- Research and development expenses increased **\$958** thousand, **\$1.3 million**, or **38.4%** **34.1%**, during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023**, largely driven by increases in headcount to support the development of our mass spectrometry offering, material and depreciation expenses related to supporting cross-platform improvements to our technology, and continuing expenses that support additional AgLAB, BreathTech, and 1st Detect method developments.

Other income and expense, net – Other income and expense, net increased by **\$219** **\$223** thousand during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023**, due to more income earned on short-term, capital-preservation, investments as interest rates have increased.

Income Taxes – Income tax benefit did not change during the **six nine** months ended **December 31, 2023** **March 31, 2024**, compared to the **six nine** months ended **December 31, 2022** **March 31, 2023**. The realization of tax benefits depends on the existence of future taxable income. Pursuant to ASC 740 "Income Taxes", a valuation allowance has been established on all of our deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following is a summary of the change in our cash and cash equivalents:

(In thousands)	Six Months Ended December 31,			Nine Months Ended March 31,		
	2023	2022	Change	2024	2023	Change
Change in cash and cash equivalents:						
Net cash used in operating activities	\$ (4,850)	\$ (4,255)	\$ (595)	\$ (7,237)	\$ (6,340)	\$ (897)
Net cash used in investing activities	1,828	(5,732)	7,560	1,652	(4,994)	6,646
Net cash used in financing activities	(90)	(577)	487	(136)	(684)	548
Net change in cash and cash equivalents	<u><u>\$ (3,112)</u></u>	<u><u>\$ (10,564)</u></u>	<u><u>\$ 7,452</u></u>	<u><u>\$ (5,721)</u></u>	<u><u>\$ (12,018)</u></u>	<u><u>\$ 6,297</u></u>

Cash and Cash Equivalents

As of December 31, 2023 March 31, 2024, we held cash and cash equivalents of \$11.1 million \$8.5 million, and our working capital was approximately \$37.8 million \$35.1 million. As of June 30, 2023, we had cash and cash equivalents of \$14.2 million, and our working capital was approximately \$42.1 million. Cash and cash equivalents decreased \$3.1 million \$6.3 million as of December 31, 2023 March 31, 2024, compared to June 30, 2023, due to funding our continuing operating expenses, partially offset by the proceeds of short-term investments.

Operating Activities

Cash used in operating activities increased \$595 \$897 thousand for the six nine months ended December 31, 2023 March 31, 2024, compared to the six nine months ended December 31, 2022 March 31, 2023, due to operating expenses, and an increase in inventory and receivables.

Investing Activities

Cash used in investing activities decreased \$7.6 million \$6.7 million for the six nine months ended December 31, 2023 March 31, 2024, compared to the six nine months ended December 31, 2022 March 31, 2023, due to not purchasing and the maturing of the short-term time deposit investments.

Financing Activities

Cash used in financing activities decreased \$487 \$548 thousand for the six nine months ended December 31, 2023 March 31, 2024, compared to the six nine months ended December 31, 2022 March 31, 2023, due to a repayment of related-party debt in the prior year.

We did not have any material off-balance sheet arrangements as of December 31, 2023 March 31, 2024.

Share Repurchase Program

On November 9, 2022, the Company's Board of Directors authorized a share repurchase program that allowed the Company to repurchase up to \$1.0 million of the Company's common stock beginning November 17, 2022 and continuing through and including November 17, 2023. As previously disclosed, on June 16, 2023, the Company terminated the share repurchase program, effective immediately, in order to comply with Regulation M under the Exchange Act. The shares could have been repurchased from time to time in the open market or privately negotiated transactions or by other means in accordance with applicable state and federal securities laws. The timing, as well as the number and value of shares repurchased under the program, could have been determined by the Company at its discretion and would have depended on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations.

Liquidity

There have been no material updates to our expectations for our short- and long-term liquidity and operating capital requirements since our Annual Report on Form 10-K for the year ended June 30, 2023.

Income Taxes

Provision for Income Tax

The Company's effective tax rate is 0% for income tax for the **three nine** months ended **December 31, 2023, March 31, 2024** and the Company expects that **our its** effective tax rate for the full fiscal year 2024 year will be 0%. Based on the weight of available evidence, including net cumulative losses and expected future losses, the Company has determined that it is more likely than not that **our its** U.S. federal and state deferred tax assets will not be realized and therefore a full valuation allowance has been provided on the U.S. federal and state net deferred tax assets.

In general, if **we experience** the Company **experiences** a greater than 50 percentage point aggregate change in ownership over a three-year period (a Section 382 ownership change), utilization of its pre-change net operating loss ("NOL") (NOL) carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. Generally, U.S. state laws have laws similar to Internal Revenue Code Section 382. The annual limitation generally is determined by multiplying the value of the Company's stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the NOL carryforward before utilization.

The Company files U.S. federal and state income tax returns. The Company is not currently subject to any income tax examinations. The Company has net operating loss carryovers dating back to the June 2002 year, which generally allows all tax years to remain open to income tax examinations for all years for which there are loss carryforwards.

Uncertain Tax Positions

The Company recognizes the financial statement effects of a tax position when it becomes more likely than not, based upon the technical merits, that the position will be sustained upon examination. The Company currently has approximately \$486 thousand of uncertain tax positions as of **December 31, 2023 March 31, 2024**, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Income Taxes

For each of the three months ended March 2024 and March 2023, the Company reported \$0 tax expense. There is a \$2 thousand provision for income taxes during the **three and six nine** months ended **December 31, 2023 March 31, 2024**. There was \$0 provision for income taxes during the **three and six nine** months ended **December 31, 2022 March 31, 2023**.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of **December 31, 2023 March 31, 2024** at the reasonable assurance level.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during our last fiscal quarter ended **December 31, 2023 March 31, 2024** that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is subject to legal and administrative proceedings, settlements, investigations, claims and actions. The Company's assessment of the likely outcome of litigation matters is based on its judgment of a number of factors including experience with similar matters, past history, precedents, relevant financial and other evidence and facts specific to the matter. Notwithstanding the uncertainty as to the final outcome, based upon the information currently available, management does not believe any matters, individually or in aggregate, will have a material adverse effect on the Company's financial position or results of operations.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our Form 10-K and our Form 10-Qs, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the risk factors and other cautionary statements described under the heading "Item 1A Risk Factors" included in our Form 10-K for the fiscal year ended June 30, 2023.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporation by Reference
3.1	Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.1 to Form 8-K filed on December 28, 2017.
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 1, 2023).	Exhibit 3.1 to Form 8-K filed on August 1, 2023.
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.3 to Form 8-K filed on December 28, 2017.
3.4	Certificate of Designations of Preferences, Rights and Limitations of Series D Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019.	Exhibit 3.2 to Form 8-K filed on April 23, 2019.
3.5	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on July 1, 2020.

3.6	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on October 12, 2021.
3.7	Third Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on November 23, 2022.
4.1	Rights Agreement between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of December 21, 2022.	Exhibit 4.1 to Form 8-K filed on December 21, 2022.
4.2	Amendment No. 1 to Rights Agreement dated as of December 18, 2023 to the Rights Agreement between the Company and Equiniti Trust Company, as Rights Agent, dated as of December 21, 2022.	Exhibit 4.2 to Form 8-K filed on December 18, 2023.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
32.1	Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934.	Furnished 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 herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024 , has been formatted in Inline XBRL.	

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SIGNATURES

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

Astrotech Corporation

Date: February 13, 2024 May 14, 2024

/s/ Jaime Hinojosa

Jaime Hinojosa

Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

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Exhibit 31.1

Certification of Chief Executive Officer
Section 302 Certification

I, Thomas B. Pickens III, certify that:

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REFINITIV 

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

Date: **February 13, May 14, 2024**

/s/ Thomas B. Pickens III

Thomas B. Pickens III

Chief Executive Officer, Chief Technology Officer, and Chairman of
the Board
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer
Section 302 Certification

I, Jaime Hinojosa, certify that:

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

Date: ~~February 13~~, May 14, 2024

/s/ Jaime Hinojosa

Jaime Hinojosa

Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Thomas B. Pickens III, the Chief Executive Officer, and Jaime Hinojosa, the Chief Financial Officer, of Astrotech Corporation (the "Company"), hereby certify, that, to their knowledge:

1. The Quarterly Report on Form 10-Q for the period ended ~~December~~ March 31, 2023 ~~2024~~ (the "Report") of the Company 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.

Date: ~~February 13~~, May 14, 2024

/s/ Thomas B. Pickens III

Thomas B. Pickens III

Chief Executive Officer, Chief Technology Officer, and Chairman of
the Board
(Principal Executive Officer)

/s/ Jaime Hinojosa

Jaime Hinojosa

Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)

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