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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 29, 2024 or

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

Commission File Number: 001-37863

BIOMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-2645573**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
17571 Von Karman Avenue, Irvine, CA	**92614**
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER:
(949) 645-2111

Securities registered under Section 12(b) of the Exchange Act:

(Title of each class)
COMMON STOCK, PAR VALUE $0.08

(Name of each exchange on which registered)
NASDAQ Capital Market

(Trading symbol)
BMRA

Indicate by check whether the registrant (1) 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 (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of April 12, 2024 was 16,821,646.

BIOMERICA, INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	February 29, 2024	May 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 5,319,000	$ 9,719,000
Accounts receivable, net	1,130,000	722,000
Inventories, net	2,129,000	2,056,000
Prepaid expenses and other	268,000	300,000
Total current assets	8,846,000	12,797,000
Property and equipment, net of accumulated depreciation and amortization	194,000	213,000
Right-of-use assets, net of accumulated amortization of $835,000 and $617,000 as of February 29, 2024 and May 31, 2023, respectively	817,000	1,035,000
Investments	165,000	165,000
Intangible assets, net of accumulated amortization of $44,000 and $30,000 as of February 29, 2024 and May 31, 2023, respectively	216,000	165,000
Other assets	104,000	79,000
Total Assets	$ 10,342,000	$ 14,454,000
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 885,000	$ 892,000
Accrued compensation	702,000	696,000
Advance from customers	85,000	60,000
Lease liabilities, current portion	319,000	297,000
Total current liabilities	1,991,000	1,945,000
Lease liabilities, net of current portion	543,000	785,000
Total Liabilities	2,534,000	2,730,000
Commitments and contingencies (Note 6)		
Shareholders' Equity:		
Preferred stock, Series A 5% convertible, $0.08 par value, 571,429 shares authorized, none issued and outstanding as of February 29, 2024 and May 31, 2023	-	-
Preferred stock, undesignated, no par value, 4,428,571 shares authorized, none issued and outstanding as of February 29, 2024 and May 31, 2023	-	-
Common stock, $0.08 par value, 25,000,000 shares authorized, 16,821,646 issued and outstanding at February 29, 2024 and May 31, 2023, respectively	1,346,000	1,346,000
Additional paid-in capital	53,338,000	52,705,000
Accumulated other comprehensive loss	(102,000)	(110,000)
Accumulated deficit	(46,774,000)	(42,217,000)
Total Shareholders' Equity	7,808,000	11,724,000
Total Liabilities and Shareholders' Equity	$ 10,342,000	$ 14,454,000

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Net sales	$ 1,017,000	$ 1,111,000	$ 4,299,000	$ 4,231,000
Cost of sales	(1,166,000)	(991,000)	(3,708,000)	(3,814,000)
Gross (loss) profit	(149,000)	120,000	591,000	417,000
Operating expenses:				
Selling, general and administrative	1,508,000	1,379,000	4,204,000	4,589,000
Research and development	343,000	392,000	1,226,000	1,215,000
Total operating expenses	1,851,000	1,771,000	5,430,000	5,804,000
Loss from operations	(2,000,000)	(1,651,000)	(4,839,000)	(5,387,000)
Other income:				
Interest and dividend income	86,000	36,000	317,000	77,000
Total other income	86,000	36,000	317,000	77,000
Loss before income taxes	(1,914,000)	(1,615,000)	(4,522,000)	(5,310,000)
Provision (benefit) for income taxes	(4,000)	(35,000)	(35,000)	(38,000)
Net loss	$ (1,918,000)	$ (1,650,000)	$ (4,557,000)	$ (5,348,000)
Basic net loss per common share	$ (0.11)	$ (0.12)	$ (0.27)	$ (0.40)
Diluted net loss per common share	$ (0.11)	$ (0.12)	$ (0.27)	$ (0.40)
Weighted average number of common and common equivalent shares:				
Basic	16,821,646	13,481,490	16,821,646	13,341,000
Diluted	16,821,646	13,481,490	16,821,646	13,341,000
Net loss	$ (1,918,000)	$ (1,650,000)	$ (4,557,000)	$ (5,348,000)
Other comprehensive income (loss), net of tax:				
Foreign currency translation	2,000	(15,000)	8,000	(37,000)
Comprehensive loss	$ (1,916,000)	$ (1,665,000)	$ (4,549,000)	$ (5,385,000)

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the Nine Months Ended February 29, 2024

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholder's
	Shares	Amount	Capital	Loss	Deficit	Equity
Balances at May 31, 2023	16,821,646	$1,346,000	$52,705,000	$ (110,000)	$(42,217,000)	$ 11,724,000
Foreign currency translation	-	-	-	6,000	-	6,000
Share-based compensation	-	-	170,000	-	-	170,000
Net loss	-	-	-	-	(1,132,000)	(1,132,000)
Balances at August 31, 2023	**16,821,646**	**1,346,000**	**52,875,000**	**(104,000)**	**(43,349,000)**	**10,768,000**
Foreign currency translation	-	-	-	-	-	-
Share-based compensation	-	-	122,000	-	-	122,000
Net loss	-	-	-	-	(1,507,000)	(1,507,000)
Balances at November 30, 2023	16,821,646	1,346,000	52,997,000	(104,000)	(44,856,000)	9,383,000
Foreign currency translation	-	-	-	2,000	-	2,000
Share-based compensation	-	-	341,000	-	-	341,000
Net loss	-	-	-	-	(1,918,000)	(1,918,000)
Balances at February 29, 2024	**16,821,646**	**$1,346,000**	**$53,338,000**	**$ (102,000)**	**$(46,774,000)**	**$ 7,808,000**

For the Nine Months Ended February 28, 2023

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholder's
	Shares	Amount	Capital	Loss	Deficit	Equity
Balances at May 31, 2022	12,867,924	$1,029,000	$42,447,000	$ (74,000)	$(35,077,000)	$ 8,325,000
Exercise of stock options	15,000	1,000	13,000	-	-	14,000
Net proceeds from ATM	523,977	42,000	1,722,000	-	-	1,764,000
Foreign currency translation	-	-	-	(13,000)	-	(13,000)
Share-based compensation	-	-	304,000	-	-	304,000
Net loss	-	-	-	-	(2,072,000)	(2,072,000)
Balances at August 31, 2022	13,406,901	1,072,000	44,486,000	(87,000)	(37,149,000)	8,322,000
Exercise of stock options	31,500	3,000	63,000	-	-	66,000
Net proceeds from ATM	41,012	3,000	170,000	-	-	173,000
Foreign currency translation	-	-	-	(9,000)	-	(9,000)
Share-based compensation	-	-	318,000	-	-	318,000
Net loss	-	-	-	-	(1,626,000)	(1,626,000)
Balances at November 30, 2022	13,479,413	1,078,000	45,037,000	(96,000)	(38,775,000)	7,244,000
Net proceeds from ATM	8,900	1,000	24,000	-		25,000
Foreign currency translation	-	-	-	(15,000)	-	(15,000)
Share-based compensation	-	-	384,000	-	-	384,000
Net loss	-	-	-	-	(1,650,000)	(1,650,000)
Balances at February 28, 2023	**13,488,313**	**$1,079,000**	**$45,445,000**	**$ (111,000)**	**$(40,425,000)**	**$ 5,988,000**

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	February 29, 2024	February 28, 2023
Cash flows from operating activities:		
Net loss	$ (4,557,000)	$ (5,348,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	59,000	66,000
Recovery for allowance on accounts receivable	(6,000)	(136,000)
Inventory reserve	(181,000)	(38,000)
Share-based compensation	633,000	1,006,000
Amortization of right-of-use asset	218,000	202,000
Changes in assets and liabilities:		
Accounts receivable	(402,000)	155,000
Inventories	109,000	390,000
Prepaid expenses and other	33,000	2,000
Other assets	(26,000)	17,000
Accounts payable and accrued expenses	(8,000)	(585,000)
Accrued compensation	6,000	(126,000)
Advance from customers	25,000	87,000
Reduction in lease liabilities	(220,000)	(203,000)
Net cash used in operating activities	(4,317,000)	(4,511,000)
Cash flows from investing activities:		
Purchases of property and equipment	(27,000)	(64,000)
Expenditures related to intangibles	(64,000)	-
Net cash used in investing activities	(91,000)	(64,000)
Cash flows from financing activities:		
Gross proceeds from sale of common stock	-	2,014,000
Costs from sale of common stock	-	(53,000)
Proceeds from exercise of stock options	-	79,000
Net cash provided by financing activities	-	2,040,000
Effect of exchange rate changes in cash	8,000	(37,000)
Net decrease in cash and cash equivalents	(4,400,000)	(2,572,000)
Cash and cash equivalents at beginning of year	9,719,000	5,917,000
Cash and cash equivalents at end of period	$ 5,319,000	$ 3,345,000
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$ 34,000	$ 38,000
Non-cash investing and financing activities:		
Write off of intangible assets, cost	$ -	$ 2,000
Write off of intangible assets, accumulated amortization	$ -	$ 2,000

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

Biomerica, Inc. and its subsidiaries (which includes wholly-owned subsidiaries, Biomerica de Mexico and BioEurope GmbH) is a biomedical technology company that develops, patents, manufactures and markets advanced diagnostic and therapeutic products used at the point-of-care (physicians' offices and over-the-counter through drugstores and online) and in hospital/clinical laboratories for detection and/or treatment of medical conditions and diseases. Our diagnostic test kits are used to analyze blood, urine, nasal or fecal material from patients in the diagnosis of various diseases, food intolerances and other medical complications, or to measure the level of specific hormones, antibodies, antigens or other substances, which may exist in the human body in extremely small concentrations. The Company's products are designed to enhance the health and well-being of people, while reducing total healthcare costs.

Our primary focus is the research, development, commercialization and eventual regulatory approval, of patented, diagnostic-guided therapy ("DGT") products based on our inFoods® Technology platform that treat gastrointestinal diseases, such as irritable bowel syndrome ("IBS"), and other inflammatory diseases. These inFoods based products are directed at chronic inflammatory illnesses that are widespread and common, and as such address very large markets. The first product we are launching using this patented inFoods Technology is our inFoods IBS product which uses a simple blood sample to identify patient-specific foods that, when removed from their diet, may alleviate IBS symptoms such as pain, bloating, diarrhea, cramping and constipation. Instead of broad and difficult to manage dietary restrictions, the inFoods IBS product works by identifying a patient's above normal immunoreactivity to a panel of specific foods that have been shown to often be problematic to IBS sufferers. A food identified as positive (causing an abnormally high immune response in the patient) is simply removed from the diet to help alleviate IBS symptoms.

We have successfully launched our product across numerous gastroenterology ("GI") physician groups in various states and regions. This includes collaboration with one of the largest GI groups in the US, now offering inFoods to their patients. The feedback from the GI specialty has been positive, and we are actively expanding our network by onboarding additional physician practices. These GI practices are beginning to prescribe inFoods IBS to their patients. At the same time, we recognize the potential to extend our product's application to other physician segments. We are convinced that forming partnerships in these other segments is the most effective strategy for market penetration. Currently, we are engaging in discussions with several potential partners. This strategy enables our newly formed sales team to focus on building strong relationships within the GI segment, capitalizing on the distinct advantages of the inFoods IBS product. Consequently, we anticipate sustained revenue growth from the inFoods IBS product rollout in the upcoming quarters.

In addition to our focus on the inFoods products, during the quarter, we also recently received FDA clearance for a new diagnostic test called hp+detect™, which is used for the detection of the H. pylori bacteria in a patient's GI tract. The H. pylori bacteria is estimated to infect 35% of the U.S. population and 45% of the population in Europe's five largest countries. H. pylori infection is the strongest known risk factor for gastric cancer and gastric cancer is the third most common cause of cancer-related death worldwide. Physicians and medical centers will now be able use hp+detect™ to diagnose H. pylori infection and monitor the safety and efficacy of treatment. This diagnostic test is sold directly to labs where patient samples are tested and diagnosis occurs. During the quarter, we hired a small sales team to market this product. We also began making this test available to the end customer labs.

Our other existing medical diagnostic products are sold worldwide primarily in two markets: 1) clinical laboratories and 2) point-of-care (physicians' offices and over-the-counter at Walmart, CVS Pharmacy and Amazon). The diagnostic test kits are used to analyze blood, urine, nasal or fecal specimens from patients in the diagnosis of various diseases, food intolerances and other medical complications, by measuring or detecting the existence and/or level of specific bacteria, hormones, antibodies, antigens, or other substances, which may exist in a patient's body, stools, or blood, often in extremely small concentrations.

In March 2020, we began developing COVID-19 diagnostic tests to indicate if a person has been infected by COVID-19 or is currently infected. We began selling these COVID-19 diagnostic tests during fiscal 2021, and we experienced significant revenues from such sales during fiscal 2021 and 2022 with lesser sales in fiscal 2023. Due to falling demand, there were no sales of our COVID-19 related products in the twelve months ended February 29, 2024. As such, our COVID-19 product sales caused significant swings in our revenues over the past over the last four years

Our products that accounted for all of our revenues during the nine months ended February 29, 2024, are primarily focused on gastrointestinal diseases, colorectal diseases, food intolerances, and certain esoteric tests. These diagnostic test products utilize immunoassay technology. Most of our products are CE marked and/or sold for diagnostic use where they are registered by each country's regulatory agency. In addition, some products are cleared for sale in the United States by the FDA.

The unaudited condensed consolidated financial statements herein have been prepared by management pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The accompanying unaudited condensed consolidated financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited consolidated financial statements for the latest fiscal year ended May 31, 2023. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended February 29, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2024. For further information, refer to the audited consolidated financial statements and notes thereto for the fiscal year ended May 31, 2023 included in the Company's Annual Report on Form 10-K filed with the SEC on August 25, 2023. Management has evaluated all subsequent events and transactions through the date of filing this report.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of Biomerica, Inc. as well as its German subsidiary (BioEurope GmbH) and Mexican subsidiary (Biomerica de Mexico). All significant intercompany accounts and transactions have been eliminated in consolidation.

ACCOUNTING ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Estimates that are made include the allowance for doubtful accounts, which is estimated based on current as well as historical practices with a customer; stock option forfeiture rates, which are calculated

based on historical data; inventory obsolescence, which is based on projected and historical usage of materials; and lease liability and right-of-use assets, which are calculated based on certain assumptions such as borrowing rate, the likelihood of lease extensions to occur, asset valuation, among other things; and other items that may be necessary to estimate using current, historical and judgment based information. Actual results could materially differ from those estimates.

MARKETS AND METHODS OF DISTRIBUTION

The Company employs a diverse range of distribution methods to deliver our products to our customers. We currently serve approximately 80 customers in our diagnostic business. Among these, roughly 40 are foreign distributors, 10 are domestic distributors, and the remainder primarily consists of domestic hospital and clinical laboratories, medical research institutions, medical schools, pharmaceutical companies, chain drugstores, wholesalers, physicians' offices, and e-commerce customers.

The Company derives the majority of its revenues from the sale of domestically manufactured products in the U.S. and Mexico, with some raw materials sourced from Asia and other global regions. Primarily, the Company's revenue stream is bolstered by international sales of its products. However, the Company's operations have been adversely affected by various global and economic disruptions stemming from the COVID-19 pandemic, ongoing conflicts such as the war in Ukraine and Israel, and geopolitical tensions between China and the United States.

These challenges have resulted in disruptions across multiple facets of the Company's operations, including supply chain disruptions, cost inflation, potential loss of contracts and customers, travel restrictions, shipping and logistical challenges, diverse government responses, and inherent international business risks in the Company's operational regions. Additionally, there is a risk of human capital depletion among the Company, its partners, and customers, as well as potential interruptions to production and customer credit risks. Furthermore, the Company remains vulnerable to general economic downturns.

In light of these prevailing global challenges, the Company remains steadfast in its strategic direction. Our focus continues to be driving inFoods IBS product growth within the U.S. and launching our new H. pylori test which recently received FDA clearance to further strengthen our domestic portfolio. Both products are domestically manufactured and marketed, enhancing the Company's resilience amidst global uncertainties. Looking ahead, we remain committed to expanding both products in certain international markets in the future.

LIQUIDITY

The Company has incurred net losses and negative cash flows from operations and has an accumulated deficit of approximately $ 46,774,000 as of February 29, 2024. Management expects to continue to incur significant costs as it advances its clinical trials, product development, and commercial product launch activities. As of February 29, 2024, the Company had cash and cash equivalents of approximately $5,319,000 and working capital of approximately $6,855,000.

On July 20, 2020, the Company filed with the Securities and Exchange Commission ("SEC") a Form S-3 shelf registration statement and base prospectus which was declared effective by the SEC on September 30, 2020. This shelf registration statement registered the sale of up to $90,000,000 of the Company's equity securities during the three years ended September 30, 2023.

Under the Company's outstanding Registration Statement, on March 7, 2023, the Company sold 3,333,333 shares of common stock in a firm commitment public offering at a gross sales price of $2.40 per share, with net total proceeds, after deducting issuance fees and expenses of $ 700,000, of approximately $7,300,000. Since the closing of the March 7, 2023 offering, a previously ATM facility has been withdrawn and is not active.

To replace the shelf registration statement that was set to expire on September 30, 2023, on September 27, 2023, the Company filed with the SEC a new Form S-3 shelf registration statement and base prospectus which was declared effective by the SEC on September 29, 2023. This new shelf registration statement registers the sale of up to $20,000,000 of the Company's equity securities during the three years ending September 29, 2026.

The Company intends to use the net proceeds from past offerings and any future offerings for general corporate purposes, including, without limitation, sales and marketing activities, clinical studies, product development, making acquisitions of assets, businesses, companies or securities, capital expenditures, and for working capital needs.

Management has analyzed the cash requirements of the Company's business through at least May 2025. As a result of cash and cash equivalents on hand on February 29, 2024, largely from the public offering, and the ability to raise additional funds if needed through the sale of shares of the Company's common stock, management believes the Company has sufficient funds to operate through at least May 2025.

CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at certain financial institutions in excess of amounts insured by federal agencies. From time to time, the Company has uninsured balances. The Company does not believe it is exposed to any significant credit risks.

Net consolidated sales were approximately $1,017,000 and $1,111,000 for the three months ended February 29, 2024 and February 28, 2023, respectively, and approximately $4,299,000 and $4,231,000 for the nine months ended February 29, 2024 and February 28, 2023, respectively.

For the three months ended February 29, 2024, the Company had three key customers who are located in the United States and Aisa which accounted for 44% of net consolidated sales. For the three months ended February 28, 2023, the Company had one key customer who is located in Asia which accounted for 22% of net consolidated sales. For the nine months ended February 29, 2024, the Company had one key customer who is located in Asia which accounted for 40% of net consolidated sales. For the nine months ended February 28, 2023, the Company had one key customer who is located in Asia which accounted for 38% of net consolidated sales.

Total gross receivables on February 29, 2024 and May 31, 2023 were approximately $ 1,153,000 and $751,000, respectively. As of February 2024, the Company had three key customers, who are located in the United States and Asia which accounted for a total of 44% of gross accounts receivable. As of May 31, 2023, the Company had one key customer, who is located in Asia which accounted for a total of 36% of gross accounts receivable.

For the three months ended February 29, 2024, the Company had one key vendor which accounted for 50% of the purchases of raw materials. For the three months ended February 28, 2023, the Company had two key vendors which accounted for 31% of the purchase of raw materials. For the nine months ended February 29, 2024, the Company had one vendors which accounted for 18% of the purchases of raw materials. For the nine months ended February 28, 2023, there was no individual vendor that comprised more than 10% of the Company's purchases.

As of February 29, 2024, the Company had two key vendors which accounted for 52% of gross accounts payable. As of May 31, 2023, the Company had one key vendor which accounted for 23% of gross accounts payable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and money market accounts with original maturities of less than three months.

ACCOUNTS RECEIVABLE

The Company extends unsecured credit to its customers on a regular basis. International accounts are usually required to prepay until they establish a history with the Company and at that time, they are extended credit at levels based on a number of criteria. Based on various criteria, initial credit levels for individual distributors are approved by designated officers and managers of the Company. All increases in credit limits are also approved by designated upper-level management.

The Company adopted Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (codified as Accounting Standards Codification ("ASC") 326) on June 1, 2023. ASC 326 adds to U.S. GAAP the current expected credit loss ("CECL") model, a measurement model based on expected losses rather than incurred losses. Prior to the adoption of ASC 326, the Company evaluated receivables on a quarterly basis and adjusted the allowance for doubtful accounts accordingly. Balances over ninety days old were usually reserved for unless collection was reasonably assured. Under the application of ASC 326, the Company's historical credit loss experience provides the basis for the estimation of expected credit losses, as well as current economic and business conditions, and anticipated future economic events that may impact collectability. In developing its expected credit loss estimate, the Company evaluated the appropriate grouping of financial assets based upon its evaluation of risk characteristics, including consideration of the types of products and services sold. Account balances are written off against the allowance for expected credit losses after all means of collection have been exhausted and the potential for recovery is considered remote.

Occasionally, certain long-standing customers who routinely place large orders will have unusually large receivable balances relative to the total gross receivables. Management monitors the payments for these large balances closely and very often requires payment of existing invoices before shipping new sales orders.

As of February 29, 2024 and May 31, 2023, the Company has established a reserve of approximately $ 23,000 and $29,000, respectively, for credit losses.

PREPAID EXPENSES AND OTHER

The Company occasionally prepays for items such as inventory, insurance, and other items. These items are reported as prepaid expenses and other, until either the inventory is physically received, or the insurance and other items are expensed.

As of February 29, 2024 and May 31, 2023, the prepaids were approximately $ 268,000 and $300,000, respectively, composed of prepayments to insurance and various other suppliers.

INVENTORIES, NET

The Company values inventory at the lower of cost (determined using a combination of specific lot identification and the first-in, first-out methods) or net realizable value. Management periodically reviews inventory for excess quantities and obsolescence. Management evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. The reserve is adjusted based on such evaluation, with a corresponding provision included in cost of sales. Abnormal amounts of idle facility expenses, freight, handling costs and wasted material are recognized as current period charges and the allocation of fixed production overhead is based on the normal capacity of the production facilities.

Net inventories are comprised of approximately the following:

	February 29, 2024	May 31, 2023
Raw materials	$ 1,490,000	$ 1,677,000
Work in progress	892,000	869,000
Finished products	238,000	182,000
Total gross inventory	2,620,000	2,728,000
Inventory reserves	(491,000)	(672,000)
Net inventory	**$ 2,129,000**	**$ 2,056,000**

Reserves for inventory obsolescence are recorded as necessary to reduce obsolete inventory to estimated net realizable value or to specifically reserve for obsolete inventory. As of February 29, 2024, and May 31, 2023, inventory reserves were approximately $491,000 and $672,000, respectively.

PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost. Expenditures for additions and major improvements are capitalized. Repairs and maintenance costs are charged to operations as incurred. When property and equipment are sold, retired, or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts, and gains or losses from sales, retirements and dispositions are credited or charged to income.

Depreciation and amortization are provided over the estimated useful lives of the related assets, ranging from 5 to 10 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Depreciation and amortization expense on property and equipment were approximately $16,000 and $15,000 for the three months ended February 29, 2024 and February 28, 2023, respectively, and approximately $46,000 and $51,000 for the nine months ended February 29, 2024 and February 28, 2023, respectively.

INTANGIBLE ASSETS, NET

Intangible assets include trademarks, product rights, technology rights and patents, and are accounted for based on ASC 350 Intangibles – Goodwill and Other ("ASC 350"). In that regard, intangible assets that have indefinite useful lives are not amortized but are tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Intangible assets are being amortized using the straight-line method over the useful life, not to exceed 18 years for marketing and distribution rights, 10 years for purchased technology use rights, and patents are based on their individual useful lives which average around 15 years. Amortization expense was approximately $4,000 for the three months ended February 29, 2024, and $ 3,000 for the corresponding period ended February 28, 2023. For the nine months ended February 29, 2024, and February 28, 2023, the expenses were approximately $13,000 and $15,000, respectively. Amortizing

intangible assets are tested for impairment if management determines that events or changes in circumstances indicate that the asset might be impaired.

The Company assesses the recoverability of these intangible assets by determining whether the amortization of the asset's balance over its remaining life can be recovered through projected undiscounted future cash flows. The Company uses a qualitative assessment to determine whether there was any impairment. During the nine months ended February 29, 2024, management did not identify any indicators of impairment. During the nine months ended February 28, 2023, an impairment adjustment was made of $6,000.

INVESTMENTS

The Company has made investments in a privately held Polish distributor, which is primarily engaged in distributing medical products and devices, including the distribution of the products sold by the Company. The Company invested approximately $165,000 into the Polish distributor and owns approximately 6% of the investee.

Equity holdings in nonmarketable unconsolidated entities in which the Company is not able to exercise significant influence ("Cost Method Holdings") are accounted for at the Company's initial cost, minus any impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar holding or security of the same issuer. Dividends received are recorded as other income.

The Company assesses its equity holdings for impairment whenever events or changes in circumstances indicate that the carrying value of an equity holding may not be recoverable. Management reviewed the underlying net assets of the Company's equity method holding as of February 29, 2024 and determined that the Company's proportionate economic interest in the entity indicates that the equity holding was not impaired. There were no observable price changes in orderly transactions for identical or a similar holding or security of the Company's Cost Method Holdings during the period ended February 29, 2024.

SHARE-BASED COMPENSATION

The Company follows the guidance of ASC 718, Share-based Compensation ("ASC 718"), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options). The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses assumptions for expected volatility, expected dividends, expected forfeiture rate, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the foreseeable future. Expected volatilities are based on weighted averages of the historical volatility of the Company's common stock estimated over the expected term of the options. The expected forfeiture rate is based on historical forfeitures experienced. The expected term of options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term as historically the Company had limited exercise activity surrounding its options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of the award is recognized under the straight-line attribution method.

The Company expensed approximately $633,000 in share-based compensation during the nine months ended February 29, 2024, and $ 1,006,000 for the same period ended February 28, 2023.

The following summary presents the options granted, exercised, expired, canceled and outstanding for the nine months ended February 29, 2024:

	Option Shares	Weighted Average Exercise Price
Options Outstanding at May 31, 2023	**2,342,616**	**$ 3.52**
Granted	1,328,500	1.13
Cancelled or expired	(164,500)	4.97
Options Outstanding at February 29, 2024	**3,506,616**	**$ 2.54**

REVENUE RECOGNITION

The Company has various contracts with customers. All of the contracts specify that revenues from product sales are recognized at the time the product is shipped, customarily FOB shipping point, which is when the transfer of control of goods has occurred, and at which point title passes.

The Company does not typically allow for returns from customers except in the event of defective merchandise and therefore does not establish an allowance for returns. In addition, the Company has contracts with customers wherein customers receive purchase discounts for achieving specified sales volumes. The Company evaluated the status of these contracts during the nine months ended February 29, 2024 and 2023, and does not believe that any additional discounts will be given through the end of the contract periods.

Services for contract work performed by the Company for others are invoiced and recognized as that work has been performed and as the project progresses. The Company sells clinical lab products to domestic and international distributors, including hospitals and clinical laboratories, medical research institutions, medical schools and pharmaceutical companies. OTC products are sold directly to drug stores and e-commerce customers as well as to distributors. Physician's office products are sold to physicians and distributors, all of whom are categorized below according to the type of products sold to them. We also manufacture certain components on a contract basis for domestic and international manufacturers.

As of February 29, 2024, the Company had approximately $ 85,000 of advances from domestic customers, which are prepayments on orders for future shipments.

Disaggregation of revenue:

The following is a breakdown of revenues according to markets to which the products are sold:

	Three Months Ended		Nine Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Clinical lab	$ 404,000	$ 532,000	$ 2,683,000	$ 2,580,000
Over-the-counter	329,000	292,000	1,078,000	971,000
Contract manufacturing	281,000	284,000	530,000	431,000
Physician's office	3,000	3,000	8,000	249,000
Total	$ 1,017,000	$ 1,111,000	$ 4,299,000	$ 4,231,000

See Note 4 for additional information regarding geographic revenue concentrations.

SHIPPING AND HANDLING FEES

The Company includes shipping and handling fees billed to customers in net sales.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. The Company expensed approximately $ 343,000 and $392,000 of research and development costs during the three months ended February 29, 2024 and February 28, 2023, respectively. Similarly, it expensed approximately $1,226,000 and $1,215,000 of research and development costs during the nine months ended February 29, 2024 and February 28, 2023, respectively.

INCOME TAXES

For the three months ended February 29, 2024, the Company had an income tax expense of approximately $ 4,000. For the nine months ended February 29, 2024, the Company had an income tax expense of approximately $35,000. These expenses consisted of state minimum taxes and miscellaneous foreign taxes. During the three and nine months ended February 29, 2024, the Company had a net operating loss ("NOL") that generated deferred tax assets for NOL carryforwards. Deferred income tax assets and liabilities are recognized for temporary differences between the financial statements and income tax carrying values using tax rates in effect for the years such differences are expected to reverse. Due to uncertainties surrounding our ability to generate future taxable income and consequently realize such deferred income tax assets, the Company has determined that it is more likely than not that these deferred tax assets will not be realized. Accordingly, the Company has established a full valuation allowance against its deferred tax assets as of February 29, 2024.

The Company's policy is to recognize any interest and penalties related to unrecognized tax benefits as a component of income tax expense. For the nine months ended February 29, 2024, the Company had no accrued interest or penalties related to uncertain tax positions.

ADVERTISING COSTS

The Company reports the cost of advertising as expense in the period in which those costs are incurred. For the three months ended February 29, 2024, and February 28, 2023, advertising costs were approximately $25,000 and $51,000, respectively. During the nine months ended February 29, 2024, and February 28, 2023, the costs were approximately $80,000 and $87,000, respectively.

FOREIGN CURRENCY TRANSLATION

The subsidiary located in Mexico operates primarily using the Mexican peso. The subsidiary located in Germany operates primarily using the U.S. dollar, with an immaterial amount of transactions occurring using the Euro. Accordingly, assets and liabilities of these subsidiaries are translated using exchange rates in effect at the end of the period, and revenues and costs are translated using average exchange rates for the period. The resulting translation adjustments to assets and liabilities are presented as a separate component of accumulated other comprehensive loss. There are no foreign currency transactions that are included in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended February 29, 2024 and February 28, 2023.

RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of fixed lease payments over the lease term. Leases are classified as financing or operating which will drive the expense recognition pattern. The Company has elected to exclude short-term leases. The Company leases office space and copy machines, all of which are operating leases. Most leases include the option to renew and the exercise of the renewal options is at the Company's sole discretion. Options to extend or terminate a lease are considered in the lease term to the extent that the option is reasonably certain of exercise. The leases do not include the options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

NET LOSS PER SHARE

Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities using the treasury stock method. The total amount of anti-dilutive stock options not included in the loss per share calculation was 3,506,616 for February 29, 2024, and 2,336,116 for February 28, 2023, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent ASU's issued by the FASB and guidance issued by the SEC did not, or are not believed by the management to, have a material effect on the Company's present or future consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13. This ASU requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance was initially effective for the Company for annual reporting periods beginning after December 15, 2019, and interim periods within those fiscal years. In November 2019, the FASB issued ASU 2019-10, "Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," which, among other things, defers the effective date of ASU 2016-13 for public filers that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those years. Early adoption is permitted. The Company adopted ASU 2016-03 on June 1, 2023, and the adoption of this update did not have a material impact on the Company's condensed consolidated financial statements.

NOTE 3: SHAREHOLDERS' EQUITY

During the six months ended November 30, 2022, the Company sold 564,989 shares of its common stock at prices ranging from $ 3.15 to 4.26 under its Form S-3 Registration Statement and ATM Offering which resulted in gross proceeds of approximately $1,988,000 and net proceeds to the Company of approximately $1,937,000 after deducting commissions for each sale and legal, accounting, and other fees related to the ATM Offering. In March 2023, we terminated the ATM offering agreement and sold 3,333,333 shares of our common stock in a firm commitment public offering under the Company's shelf registration statement. Shares sold in the underwritten public offering were sold at a gross sales price of $2.40 per share, resulting in net proceeds from the offering, after deducting issuance fees and expenses, of approximately $7,300,000. On February 29, 2024, the Company did not have an open ATM offering in place. No shares of common stock or other equity securities of the Company were sold under the shelf registration statement during the nine months ended February 29, 2024.

NOTE 4: GEOGRAPHIC INFORMATION

The Company operates as one segment. Geographic information regarding net sales is approximately as follows:

	Three Months Ended		Nine Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Revenues from sales to unaffiliated customers:				
Asia	$ 210,000	$ 345,000	$ 1,843,000	$ 1,822,000
Europe	331,000	301,000	1,085,000	1,268,000
North America	393,000	461,000	1,069,000	1,130,000
Middle East	78,000	-	291,000	-
South America	5,000	4,000	11,000	11,000
Total	$ 1,017,000	$ 1,111,000	$ 4,299,000	$ 4,231,000

As of February 29, 2024, and May 31, 2023, approximately $ 575,000 and $626,000 of Biomerica's gross inventory was located in Mexicali, Mexico, respectively.

As of February 29, 2024, and May 31, 2023, approximately $ 15,000 and $17,000 of the Company's property and equipment, net of accumulated depreciation and amortization, was located in Mexicali, Mexico, respectively.

NOTE 5: LEASES

The Company operates through leased facilities. As of February 29, 2024, our corporate headquarters, situated at 17571 Von Karman Avenue in Irvine, California, encompasses approximately 22,000 square feet of floor space, under lease since 2009. The initial lease term for our headquarters expired on August 31, 2016, with the Company exercising its option to extend for an additional sixty-month period through the First Amendment to Lease on November 30, 2015. Subsequently, on April 9, 2021, the Company opted for a second extension, securing an additional five-year term, and was further granted a similar option for future extension. A security deposit of approximately $22,000 was made in conjunction with the lease extension.

In November 2016, our Mexican subsidiary, Biomerica de Mexico, entered a 10-year lease for approximately 8,100 square feet of manufacturing space, with a single 10-year renewal option at lease end. Additionally, Biomerica de Mexico leases a smaller unit on a month-to-month basis for specific manufacturing processes. In addition, our German subsidiary, BioEurope GmbH, maintains a small office in Lindau, Germany, under a month-to-month lease agreement, serving as its headquarters.

For purposes of determining straight-line rent expense, the lease term is calculated from the date the Company first takes possession of the facility, including any periods of free rent and any renewal options periods that the Company is reasonably certain of exercising. The Company's office and equipment leases generally have contractually specified minimum rent and annual rent increases are included in the measurement of the right-of-use asset and related lease liabilities. Additionally, under these lease arrangements, the Company may be required to pay directly, or reimburse the lessors, for some maintenance and operating costs. Such amounts are generally variable and therefore not included in the measurement of the right-of-use asset and related lease liabilities but are instead recognized as variable lease expense in the consolidated statements of operations and comprehensive loss when they are incurred.

The following table presents information on our operating leases for the three months and nine months ended February 29, 2024 and February 28, 2023:

	Three Months Ended		Nine Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Operating lease cost	$ 88,000	$ 88,000	$ 265,000	265,000
Variable lease cost	3,000	-	8,000	-
Short-term lease cost	8,000	1,500	10,000	3,000
Total lease cost	**$ 99,000**	**$ 89,500**	**$ 283,000**	**$ 268,000**

The approximate maturity of lease liabilities as of February 29, 2024 are as follows:

Year Ending February 29:	**Operating Leases**
2024	$ 365,000
2025	373,000
2026	195,000
Total minimum future lease payments	933,000
Less: imputed interest	71,000
Total operating lease liabilities	**$ 862,000**

The following table summarizes the Company's other supplemental lease information for the nine months ended February 29, 2024 and February 28, 2023:

	Nine Months Ended	
	February 29, 2024	February 28, 2023
Cash paid for operating lease liabilities	$ 267,000	$ 174,000
Weighted-average remaining lease term (years)	2.77	3.77
Weighted-average discount rate	6.50%	6.50%

The Company also has various insignificant leases for office equipment.

NOTE 6: COMMITMENTS AND CONTINGENCIES

LITIGATION

The Company is, from time to time, involved in legal proceedings, claims, and litigation arising in the ordinary course of business.

There were no material legal proceedings pending as of February 29, 2024.

NOTE 7: SUBSEQUENT EVENTS

None.

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

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes thereto included in Part I, Item 1 of this Report and the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023 (our 2023 Annual Report). This discussion and analysis contains forward-looking statements that are based on our management's current beliefs and assumptions, which statements are subject to substantial risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those discussed in "Risk Factors" included in Part I, Item 1A of our 2023 Annual Report.

OVERVIEW

Biomerica, Inc. and its subsidiaries (which includes wholly-owned subsidiaries, Biomerica de Mexico and BioEurope GmbH), is a biomedical technology company that develops, patents, manufactures and markets advanced diagnostic and therapeutic products used at the point-of-care (physicians' offices and over-the-counter through drugstores and online) and in hospital/clinical laboratories for detection and/or treatment of medical conditions and diseases. Our diagnostic test kits are used to analyze blood, urine, nasal, or fecal material from patients in the diagnosis of various diseases, food intolerances and other medical complications, or to measure the level of specific hormones, antibodies, antigens, or other substances, which may exist in the human body in extremely small concentrations. The Company's products are designed to enhance the health and well-being of people, while reducing total healthcare costs.

Our primary focus is the research, development, commercialization and in certain cases regulatory approval, of patented, diagnostic-guided therapy ("DGT") products to treat gastrointestinal diseases, such as irritable bowel syndrome ("IBS"), and other inflammatory diseases. These inFoods based products are directed at chronic inflammatory illnesses that are widespread and common, and as such address very large markets. Our inFoods IBS product uses a simple blood sample to identify patient-specific foods that, when removed from the patient's diet, may alleviate IBS symptoms such as pain, bloating, diarrhea, and constipation. Instead of broad and difficult to manage dietary restrictions, the inFoods IBS product works by identifying a patient's above normal immunoreactivity to a panel of specific foods that have been shown to often be problematic to IBS suffers. A food identified as positive, and causing an abnormally high immune response in the patient is simply removed from the diet to help alleviate IBS symptoms.

During fiscal 2022, we completed an endpoint determination clinical trial on our inFoods IBS product. This trial was conducted at Mayo Clinics in Florida and Arizona, Beth Israel Deaconess Medical Center Inc., a Harvard Medical School Teaching Hospital, University of Texas Health Science Center at Houston, Houston Methodist, the University of Michigan, and other institutions. This double blinded, placebo-controlled trial monitored IBS patients over an 8-week treatment period to determine the efficacy of our inFoods IBS product to improve the patients' IBS symptoms or endpoints. The trial was designed to determine the difference in the improvement in IBS symptoms for patients in the treatment arm, versus patients in the placebo arm of the trial. The top-line trial results were reported in February 2022. Multiple endpoints demonstrated statistically significant improvements for participants in the treatment arm, indicating that the elimination of specific foods may meaningfully reduce the symptoms of IBS in each patient subtype (including patients with IBS-Constipation, IBS-Diarrhea & IBS-Mixed). The greatest clinical improvements, including but not limited to abdominal pain and bloating, were seen in patients diagnosed with IBS-Mixed and IBS Constipation, in the top line data. The purpose of the endpoint study was designed to provide efficacy data for the product, and to determine the primary symptom endpoint, or endpoints to be used in a possible final pivotal trial that would be conducted to attain the validation data needed to apply for U.S. Food and Drug Administration ("FDA") product clearance. We are continuing to review and refine the complete dataset and have selected the final endpoint that we would intend to use in a possible final pivotal trial. No date has yet been set for commencing this final trial.

In fiscal 2023, we worked to set up the inFoods IBS test to be performed in a CLIA certified, and College of American Pathologists ("CAP") accredited high-complexity laboratory facility and offered as a laboratory developed test ("LDT"). During the quarter ended February 28, 2023, the CLIA lab completed all validation testing necessary for the inFoods IBS product to be offered as an LDT, and patient samples are now being run at the lab. In late fiscal 2023, we trial launched this product with one large GI physician group that is now offering this product to their patients.

During fiscal 2024, we have successfully launched the inFoods IBS test with numerous GI physician groups across multiple states and regions. While our initial efforts have yielded success within the GI specialty, we are keenly aware of the opportunity to expand across the application of our product to other physician segments. We are convinced that forming partnerships in these other segments is the most effective strategy for market penetration. Currently, we are engaging in discussions with several potential partners. This strategy enables our newly formed sales team to focus on building strong relationships within the GI segment, capitalizing on the distinct advantages of the inFoods IBS product. In tandem with our expansion efforts, we are drawing from key learnings from the initial launch to enhance the ordering experience. We are now driving improvements to optimize the process for physicians to order the inFoods IBS test, send patient blood samples to the CLIA lab, and receive the test results for their patients. These improvements are directly informed by our experience and feedback from the field, ensuring a smoother and more efficient experience for both physicians and patients. With these strategic initiatives in place, grounded in our understanding of market dynamics and user needs, we anticipate continued growth in revenues from the rollout of our inFoods IBS product in the coming quarters.

We are also beginning the work of selecting and validating one new disease (such as ulcerative colitis or migraines), where there is evidence that certain foods can trigger or contribute to the symptoms found in these indications. We expect any new disease we target will follow a similar development pathway as inFoods IBS in simultaneously seeking FDA clearance of the product while also launching the product as an LDT.

Our existing medical diagnostic products are sold worldwide primarily in two markets: 1) clinical laboratories and 2) point-of-care (physicians' offices and OTC at Walmart, Walgreens, CVS Pharmacy, Amazon, etc.). The diagnostic test kits are used to analyze blood, urine, nasal, or fecal specimens from patients in the diagnosis of various diseases, food intolerances and other medical complications, by measuring or detecting the existence and/or level of specific bacteria, hormones, antibodies, antigens, or other substances, which may exist in a patient's body, stools, or blood, often in extremely small concentrations.

Due to the global 2019 SARS-CoV-2 novel coronavirus pandemic, in March 2020 we began developing COVID-19 products to indicate if a person has been infected by COVID-19 or is currently infected. We began selling these COVID-19 related diagnostic tests during fiscal 2021, and we experienced significant revenues from such sales during fiscal 2021 and 2022 with lesser sales in fiscal 2023. Due to falling demand, there were no sales of our COVID-19 related products in the three months ended February 29, 2024. As such, our COVID-19 product sales have caused significant swings in our

revenues over the last four years.

Our newly developed H. pylori diagnostic test is a pivotal addition to our product portfolio, offering vital insights into patients' H. pylori infection status. This bacterium's prevalence underscores the critical need for accurate diagnosis, given its potential to precipitate ulcers and, in severe cases, stomach cancers if left untreated.

Additionally, on December 18, 2023, we achieved a significant milestone with FDA clearance for the H. pylori diagnostic test, paving the way for its commercialization in the United States. Leveraging this regulatory approval, we have initiated marketing efforts targeting the U.S. market, poised to capitalize on the pressing demand for reliable diagnostic solutions. Furthermore, recognizing the global significance of H. pylori infection, we have initiated discussions with international distributors to expand our market reach beyond U.S. borders. Anticipating traction in both domestic and international markets, we expect a favorable revenue trajectory during 2024.

The majority of our research and development efforts are focused on development and commercialization of products such as our H. pylori product, improving and expanding the inFoods IBS product, developing other new products that utilize the inFoods platform, and developing new diagnostic products with outside medical diagnostic companies that we intend to manufacture for them.

Our existing products that contributed to our fiscal 2024 revenues are primarily focused on gastrointestinal diseases, food intolerances, and certain esoteric tests. These diagnostic test products utilize immunoassay technology. Most of our products are CE marked and/or sold for diagnostic use where they are registered by each country's regulatory agency. In addition, some products are cleared for sale in the United States by the FDA.

RESULTS OF OPERATIONS

Three months ended February 29, 2024

Net Sales and Cost of Sales

The following is a breakdown of revenues according to markets to which the products are sold:

	Three Months Ended		Increase (Decrease)	
	February 29, 2024	February 28, 2023	$	%
Clinical lab	$ 404,000	$ 532,000	$ (128,000)	-24%
Over-the-counter	329,000	292,000	37,000	13%
Contract manufacturing	281,000	284,000	(3,000)	-1%
Physician's office	3,000	3,000	-	0%
Total	$ 1,017,000	$ 1,111,000	$ (94,000)	-8%

Consolidated net sales were approximately $1,017,000 for the three months ended February 29, 2024, as compared to $1,111,000 for the three months ended February 28, 2023, a decrease of approximately $94,000, or 8%. This decrease for the three months ended February 29, 2024, was primarily attributed to reduced sales in food intolerance products. Sales in this segment are subject to periodic and infrequent orders, contributing to potential volatility in quarterly sales.

Consolidated cost of sales were approximately $1,166,000, or 115% of net sales, for the three months ended February 29, 2024, as compared to $991,000, or 89% of net sales of net sales, for the three months ended February 28, 2023, an increase of approximately $175,000, or 18%. The increase for the three months ended February 29, 2024 was predominantly driven by the complexities of international shipping logistics, rather than fluctuations in material and labor costs associated with our product.

Operating Expenses

The following is a summary of operating expenses:

	Three Months Ended				Increase (Decrease)	
	February 29, 2024		February 28, 2023			
	Operating Expense	As a % of Total Revenues	Operating Expense	As a % of Total Revenues	$	%
Selling, General and Administrative Expenses	$1,508,000	148%	$1,379,000	124%	$ 129,000	9%
Research and Development	$ 343,000	34%	$ 392,000	35%	$ (49,000)	-13%

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses were approximately $1,508,000 for the three months February 29, 2024, as compared to $1,379,000 for the three months ended February 28, 2023, an increase of approximately $129,000, or 9%. For the three months ended February 29, 2024, the increase was primarily driven by the establishment of a new sales force, resulting in a rise in total salaries and marketing expenses amounting to $212,000. However, these increases were partially offset by a decrease in legal expenses of $87,000.

Research and Development

Consolidated research and development expenses were approximately $343,000 for the three months ended February 29, 2024, as compared to $392,000 for the three months ended February 28, 2023, a decrease of approximately $49,000, or 13%. The reduction in expenses for the three months ended February 29, 2024, was primarily driven by a reduction of salary and compensation costs for the research and development team.

Interest and Dividend Income

Interest and dividend income were approximately $86,000 for the three months ended February 29, 2024, as compared to $36,000 for the three months ended February 28, 2023, an increase of $50,000, or 139%. The increase was primarily driven by higher market interest rates on our cash and cash equivalents.

Nine months ended February 29, 2024

Net Sales and Cost of Sales

The following is a breakdown of revenues according to markets to which the products are sold:

	Nine Months Ended		Increase (Decrease)	
	February 29, 2024	February 28, 2023	$	%
Clinical lab	$ 2,683,000	$ 2,580,000	$ 103,000	4%
Over-the-counter	1,078,000	971,000	107,000	11%
Contract manufacturing	530,000	431,000	99,000	23%
Physician's office	8,000	249,000	(241,000)	-97%
Total	$ 4,299,000	$ 4,231,000	$ 68,000	2%

Consolidated net sales were approximately $4,299,000 for the nine months ended February 29, 2024, as compared to $4,231,000 for the nine months ended February 28, 2023, an increase of approximately $68,000, or 2%. This increase for the nine months ended February 29, 2024, shows growth across all non-COVID product lines underscoring the Company's resilience despite the absence of COVID-related sales compared to the previous year.

The growth was primarily attributed to an increase in sales of our food intolerance products, EZ Detect, Aware, and contract manufacturing activities. Notably, this growth highlights the effectiveness of our post-pandemic strategic initiatives focusing on our diverse product segments.

Consolidated cost of sales were approximately $3,708,000, or 86% of net sales, for the nine months ended February 29, 2024, as compared to $3,814,000, or 90% of net sales, for the nine months ended February 28, 2023, a decrease of approximately $106,000, or 3%. The decrease for the nine months ended February 29, 2024, was primarily driven by a $160,000 decrease in costs associated with reduced sales of our COVID-19 products.

Operating Expenses

The following is a summary of operating expenses:

	Nine Months Ended					
	February 29, 2024		February 28, 2023		Increase (Decrease)	
	Operating Expense	As a % of Total Revenues	Operating Expense	As a % of Total Revenues	$	%
Selling, General and Administrative Expenses	$4,204,000	98%	$4,589,000	108%	$ (385,000)	-8%
Research and Development	$1,226,000	29%	$1,215,000	29%	$ 11,000	1%

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses were approximately $4,204,000 for the nine months ended February 29, 2024, as compared to $4,589,000 for the nine months ended February 28, 2023, a decrease of approximately $385,000, or 8%. The decrease in the nine months ended February 29, 2024, was primarily driven by reductions of $384,000 in legal expenses, and $330,000 in share-based compensation expenses.

Notably, these operating expense reductions were partially offset by investments in key areas of our business. This included an increase in marketing expenses for the recent CVS Pharmacy retail launch and the expansion of our sales team. Despite these increases, overall cost reductions compared to last year demonstrate our focus on strategically allocating our capital and maintaining financial discipline while pursuing growth opportunities.

Research and Development

Consolidated research and development expenses were approximately $1,226,000 for the nine months ended February 29, 2024, as compared to $1,215,000 for the nine months ended February 28, 2023, an increase of approximately $11,000, or 1%. The increase for the nine months ended February 29, 2024, was primarily driven by salaries and wages of $80,000, partially offset by a decrease in share-based compensation expenses of $32,500 and lab supplies expenses of $22,800.

We have taken proactive measures to address the increased expenses in research and development. Over the last three months, we have worked on cost optimization resulting in reductions in salaries and compensation costs of $63,000 per quarter.

Interest and Dividend Income

Interest and dividend income were approximately $317,000 for the nine months ended February 29, 2024, as compared to $77,000 for the nine months ended February 28, 2023, an increase of $240,000, or 312%. The increase was primarily driven by higher market interest rates on our cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

The following are the principal sources of liquidity:

	February 29, 2024	May 31, 2023
Cash and cash equivalents	$ 5,319,000	$ 9,719,000
Working capital including cash and cash equivalents	$ 6,855,000	$ 10,852,000

As of February 29, 2024 and May 31, 2023, the Company had cash and cash equivalents of approximately $5,319,000 and $9,719,000, respectively. As of February 29, 2024 and May 31, 2023, the Company had working capital of approximately $6,855,000 and $10,852,000, respectively. We believe that the aggregate of our existing cash and cash equivalents is sufficient to meet our operating cash requirements and strategic objectives for growth for at least the next year. To satisfy our capital requirements, including ongoing future operations, beyond next year, we are working on increasing sales, reducing expenses and may seek to raise additional financing through debt or equity financing.

Operating Activities

During the nine months ended February 29, 2024, cash used in operating activities was approximately $4,317,000. The primary factors that contributed to this was a loss of approximately $4,557,000, non-cash expenses of $723,000, primarily associated with depreciation and amortization, provision for allowance on accounts receivable, inventory reserves, share-based compensation, and amortization of right-of-use assets. This was partially offset by changes in asset and liability accounts of approximately $483,000.

During the nine months ended February 28, 2023, cash used in operating activities was approximately $4,511,000. The primary factors that contributed to this were a net loss of approximately $5,348,000, partially offset by non-cash expenses of $1,100,000, primarily associated with stock-based compensation and account receivables provisions.

Investing Activities

During the nine months ended February 29, 2024, cash used in investing activities was approximately $27,000 for purchases of property and equipment, and $64,000 in expenditures related to patents.

During the nine months ended February 28, 2023, cash used in investing activities was approximately $64,000 for purchases of property and equipment.

Financing Activities

During the nine months ended February 29, 2024, cash provided by financing activities was $0, with no net proceeds from the sale of common stock or from stock option exercises.

During the nine months ended February 28, 2023, cash provided by financing activities was approximately $2,040,000 which was a result of net proceeds from the sale of common stock of $1,961,000, and stock option exercises of $79,000.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as of February 29, 2024.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable under the current conditions; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These relate to revenue recognition, credit losses, inventory overhead application, inventory reserves, right-of-use assets and lease liabilities and share-based compensation. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial condition or results of operations. We suggest that our significant accounting policies be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. Please refer to Note 2 for information on Significant Accounting Policies. Our critical accounting policies are discussed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Our management evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives and the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the "reasonable assurance" level. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms; and (2) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in legal proceedings, claims and litigation arising in the ordinary course of business.

There were no material legal proceedings pending as of February 29, 2024.

ITEM 1A. RISK FACTORS

An investment in our common stock involves risks. Before making an investment decision, you should carefully consider all the information within this Quarterly Report, including the information contained in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as in our condensed consolidated financial statements and the related notes contained in Part I, Item 1 within this Quarterly Report. In addition, you should carefully consider the risks and uncertainties described in Part I, Item 1A, "Risk Factors," of our 2023 Annual Report on Form 10-K, as well as in our other public filings with the SEC. If any of the identified risks are realized, our business, results of operations, financial condition, liquidity, and prospects could be materially and adversely affected. In that case, the trading price of our common stock may decline, and you could lose all or part of your investment. In addition, other risks of which we are currently unaware, or which we do not currently view as material, could have a material

adverse effect on our business, results of operations, financial condition, and prospects.

During the nine months ended February 29, 2024, there were no material changes to the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2023 Annual Report on Form 10-K.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

Exhibit No.	Description
31.1**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Zackary S. Irani
31.2**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Gary Lu
32.1**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act — Zackary S. Irani
32.2**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act — Gary Lu

101 Interactive data files pursuant to Rule 405 Regulation S-T, as follows:
101.INS-XBRL Instance Document
101.SCH-XBRL Taxonomy Extension Schema Document
101.CAL-XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF–XBRL Taxonomy Extension Definition Linkbase Document
101.LAB-XBRL Taxonomy Extension Label Linkbase Document
101.PRE-XBRL Taxonomy Extension Presentation Linkbase Document
104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101)

* Filed herein.
** Filed herewith.

SIGNATURES

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

BIOMERICA, INC.

Date: April 12, 2024

By: */S/ Zackary S. Irani*
Zackary S. Irani
Chief Executive Officer
(Principal Executive Officer)

Date: April 12, 2024

By: */S/ Gary Lu*
Gary Lu
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zackary S. Irani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biomerica, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this 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 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 accounting principles generally accepted in the United States of America;

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 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 our internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or other 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: April 12, 2024

/s/ Zackary S. Irani
Zackary S. Irani
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary Lu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biomerica, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this 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 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 accounting principles generally accepted in the United States of America;

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 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 our internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or other 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: April 12, 2024

/s/ Gary Lu

Gary Lu
Chief Financial Officer
(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

In connection with the Quarterly Report of Biomerica, Inc. (the "Company") on Form 10-Q for the period ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zackary Irani, Chief Executive Officer of the Company, certify, to the best of my knowledge, Pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002,

i. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Zackary S. Irani
Zackary S. Irani
Chief Executive Officer

Date: April 12, 2024

EXHIBIT 32.2

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

In connection with the Quarterly Report of Biomerica, Inc. (the "Company") on Form 10-Q for the period ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary Lu, Chief Financial Officer of the Company, certify, to the best of my knowledge, Pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002,

i. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary Lu
Gary Lu
Chief Financial Officer

Date: April 12, 2024