REFINITIV

DELTA REPORT

10-Q

PRPO - PRECIPIO, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	969
CHANGES	263
DELETIONS	428
ADDITIONS	278

REFINITIV

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 September 30, 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: 001-36439

PRECIPIO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**91-1789357**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4 Science Park, New Haven, CT	**06511**
(Address of principal executive offices)	**(Zip Code)**

(203) 787-7888

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	PRPO	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

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

As of November 9, 2023 May 9, 2024, the number of shares of common stock outstanding was 1,420,125. 1,469,540.

Table of Contents

PRECIPIO, INC. AND SUBSIDIARIES

INDEX

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

PRECIPIO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	September 30, 2023 (unaudited)	December 31, 2022	(unaudited) March 31, 2024	December 31, 2023
ASSETS				
CURRENT ASSETS:				
Cash	$ 1,562	$ 3,445	$ 776	$ 1,502
Accounts receivable, net	1,483	1,036		
Accounts receivable (net of allowance for credit losses of $2,655 and $2,572, respectively)			906	1,301
Inventories	636	708	532	384
Other current assets	628	521	381	495
Total current assets	4,309	5,710	2,595	3,682
PROPERTY AND EQUIPMENT, NET	738	877	672	739
OTHER ASSETS:				
Finance lease right-of-use assets, net	194	257	156	174
Operating lease right-of-use assets, net	668	763	556	612
Intangibles, net	13,056	13,768	12,581	12,818
Other assets	88	129	64	76
Total assets	$ 19,053	$ 21,504	$ 16,624	$ 18,101
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term debt, less debt issuance costs	$ 334	$ 255	$ 133	$ 235
Current maturities of finance lease liabilities	143	162	62	132
Current maturities of operating lease liabilities	222	199	215	218
Accounts payable	2,513	2,042	905	622
Accrued expenses	2,213	1,584	1,819	1,824
Deferred revenue	29	119	193	110
Total current liabilities	5,454	4,361	3,327	3,141
LONG TERM LIABILITIES:				
Long-term debt, less current maturities and debt issuance costs	113	134	99	106
Finance lease liabilities, less current maturities	25	68	71	18

Operating lease liabilities, less current maturities		459	574	353	407
Total liabilities		6,051	5,137	3,850	3,672
COMMITMENTS AND CONTINGENCIES (Note 5)					
STOCKHOLDERS' EQUITY:					
Preferred stock - $0.01 par value, 15,000,000 shares authorized at September 30, 2023 and December 31, 2022, 47 shares issued and outstanding at September 30, 2023 and December 31, 2022, liquidation preference of $33 at September 30, 2023		—	—		
Common stock, $0.01 par value, 150,000,000 shares authorized at September 30, 2023 and December 31, 2022, 1,380,555 and 1,141,013 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	(1)	14	11		
Preferred stock - $0.01 par value, 15,000,000 shares authorized at March 31, 2024 and December 31, 2023, 47 shares issued and outstanding at March 31, 2024 and December 31, 2023, liquidation preference of $39 at March 31, 2024				—	—
Common stock, $0.01 par value, 150,000,000 shares authorized at March 31, 2024 and December 31, 2023, 1,430,292 and 1,420,125 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively				14	14
Additional paid-in capital	(1)	111,998	108,588	112,989	112,565
Accumulated deficit		(99,075)	(92,297)	(100,229)	(98,150)
Total Precipio, Inc. stockholders' equity		12,937	16,302		
Noncontrolling interest in joint venture		65	65		
Total stockholders' equity		13,002	16,367	12,774	14,429
Total liabilities and stockholders' equity		$ 19,053	$ 21,504	$ 16,624	$ 18,101

(1) The common stock and additional paid-in capital for all periods presented reflect the one-for-twenty reverse stock split, which was effected on September 21, 2023.

See notes to unaudited condensed consolidated financial statements.

Table of Contents

PRECIPIO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
SALES:						
Service revenue, net	$ 3,738	$ 2,060	$ 8,574	$ 6,291	$ 2,821	$ 2,068
Other revenue	831	235	2,469	977	657	761

Revenue, net of contractual allowances and adjustments	4,569	2,295	11,043	7,268	3,478	2,829
Adjustment for allowance for doubtful accounts	(51)	(80)	(175)	(247)		
Adjustment for allowance for credit losses					(46)	(12)
Net sales	4,518	2,215	10,868	7,021	3,432	2,817
COST OF SALES:						
Cost of service revenue	2,401	1,512	6,050	4,414	2,101	1,769
Cost of other revenue	232	267	813	695	411	299
Total cost of sales	2,633	1,779	6,863	5,109	2,512	2,068
Gross profit	1,885	436	4,005	1,912	920	749
OPERATING EXPENSES:						
Operating expenses	3,333	3,665	10,771	12,383	2,994	3,775
OPERATING LOSS	(1,448)	(3,229)	(6,766)	(10,471)	(2,074)	(3,026)
OTHER (EXPENSE) INCOME:						
Interest expense, net	(7)	(6)	(12)	(6)	(5)	(4)
Warrant revaluation	–	59	–	578		
Gain on settlement of liability	–	3	–	4		
Total other (expense) income	(7)	56	(12)	576		
LOSS BEFORE INCOME TAXES	(1,455)	(3,173)	(6,778)	(9,895)	(2,079)	(3,030)
INCOME TAX EXPENSE	–	–	–	—	–	–
NET LOSS	(1,455)	(3,173)	(6,778)	(9,895)	$ (2,079)	$ (3,030)
Less: Net income attributable to noncontrolling interest in joint venture	–	(6)	–	(18)		
NET LOSS ATTRIBUTABLE TO PRECIPIO, INC. COMMON STOCKHOLDERS	$ (1,455)	$ (3,179)	$ (6,778)	$ (9,913)		
BASIC AND DILUTED LOSS PER COMMON SHARE (1)	$ (1.04)	$ (2.79)	$ (5.39)	$ (8.72)	$ (1.46)	$ (2.61)
BASIC AND DILUTED WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING (1)	1,394,596	1,138,345	1,258,633	1,136,414	1,425,942	1,160,592

(1) Net loss per share and the number of shares used in the per share calculations for all periods presented reflect the one-for-twenty reverse stock split, which was effected on September 21, 2023.

See notes to unaudited condensed consolidated financial statements.

Table of Contents

PRECIPIO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands)

(unaudited)

	For the Three Months Ended September 30, 2023			
	Preferred Stock	Common Stock	Additional	Noncontrolling

	Outstanding Shares	Par Value	Outstanding Shares (1)	Par Value (1)	Paid-in Capital (1)	Accumulated Deficit	Total Precipio, Inc.	Interest in Joint Venture	Total
Balance, July 1, 2023	47	$ —	1,378,115	$ 14	$ 111,632	$ (97,620)	$ 14,026	$ 65	$ 14,091
Net (loss) income	—	—	—	—	—	(1,455)	(1,455)	—	(1,455)
Payment of fractional common shares in conjunction with the 1-for-20 reverse stock split, which was effected on September 21, 2023	—	—	(52)	—	—	—	—	—	—
Issuance of common stock in connection restricted stock awards	—	—	2,492	—	16	—	16	—	16
Stock-based compensation	—	—	—	—	350	—	350	—	350
Balance, September 30, 2023	47	$ —	1,380,555	$ 14	$ 111,998	$ (99,075)	$ 12,937	$ 65	$ 13,002

	For the Nine Months Ended September 30, 2023								
	Preferred Stock		Common Stock		Additional			Noncontrolling	
	Outstanding Shares	Par Value	Outstanding Shares (1)	Par Value (1)	Paid-in Capital (1)	Accumulated Deficit	Total Precipio, Inc.	Interest in Joint Venture	Total
Balance, January 1, 2023	47	$ —	1,141,013	$ 11	$ 108,588	$ (92,297)	$ 16,302	$ 65	$ 16,367
Net (loss) income	—	—	—	—	—	(6,778)	(6,778)	—	(6,778)
Issuance of common stock in connection with purchase agreements	—	—	206,250	2	1,758	—	1,760	—	1,760
Issuance of common stock in connection with at the market offering, net of issuance costs	—	—	30,852	1	484	—	485	—	485
Payment of fractional common shares in conjunction with the 1-for-20 reverse stock split, which was effected on September 21, 2023	—	—	(52)	—	—	—	—	—	—
Issuance of common stock in connection restricted stock awards	—	—	2,492	—	16	—	16	—	16
Stock-based compensation	—	—	—	—	1,152	—	1,152	—	1,152
Balance, September 30, 2023	47	$ —	1,380,555	$ 14	$ 111,998	$ (99,075)	$ 12,937	$ 65	$ 13,002

(1) The common stock and additional paid-in capital for all periods presented reflect the one-for-twenty reverse stock split, which was effected on September 21, 2023.

See notes to unaudited condensed consolidated financial statements.

PRECIPIO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)
(unaudited)

	For the Three Months Ended March 31, 2024						
	Preferred Stock		Common Stock		Additional		
	Outstanding Shares	Par Value	Outstanding Shares	Par Value	Paid-in Capital	Accumulated Deficit	Total
Balance, January 1, 2024	47	$ —	1,420,125	$ 14	$ 112,565	$ (98,150)	$ 14,429
Net loss	—	—	—	—	—	(2,079)	(2,079)
Issuance of common stock in connection with at the market offering, net of issuance costs	—	—	10,167	—	67	—	67
Stock-based compensation	—	—	—	—	357	—	357
Balance, March 31, 2024	47	$ —	1,430,292	$ 14	$ 112,989	$ (100,229)	$ 12,774

	For the Three Months Ended September 30, 2022									For the Three Months Ended					
	Preferred Stock		Common Stock		Additional			Noncontrolling		Preferred Stock		Common Stock		Additional	
	Outstanding Shares	Par Value	Outstanding Shares (1)	Par Value (1)	Paid-in Capital (1)	Accumulated Deficit	Total Precipio, Inc.	Interest in Joint Venture	Total	Outstanding Shares	Par Value	Outstanding Shares	Par Value	Paid-in Capital	Accu
Balance, July 1, 2022	47	$ —	1,135,435	$ 11	$ 107,330	$ (86,828)	$ 20,513	$ 52	$20,565						
Balance, January 1, 2023										47	$ —	1,141,013	$ 11	$ 108,588	$
Net loss	—	—	—	—	—	(3,179)	(3,179)	6	(3,173)	—	—	—	—	—	
Issuance of common stock in connection with at the market offering, net of issuance costs	—	—	4,251	—	129	—	129	—	129	—	—	27,191	—	438	

Proceeds upon issuance of common stock from exercise of warrants	—	—	1,327	—	11	—	11	—	11
Stock-based compensation	—	—	—	—	722	—	722	—	722
Balance, September 30, 2022	47	$ —	1,141,013	$ 11	$ 108,192	$ (90,007)	$ 18,196	$ 58	$18,254

Balance, March 31, 2023	47	$ —	1,168,204	$ 11	$ 109,476	$			

	For the Nine Months Ended September 30, 2022								
	Preferred Stock		Common Stock		Additional			Noncontrolling	
	Outstanding Shares	Par Value	Outstanding Shares (1)	Par Value (1)	Paid-in Capital (1)	Accumulated Deficit	Total Precipio, Inc.	Interest in Joint Venture	Total
Balance, January 1, 2022	47	$ —	1,135,422	$ 11	$ 104,647	$ (80,094)	$ 24,564	$ 40	$24,604
Net loss	—	—	—	—	—	(9,913)	(9,913)	18	(9,895)
Issuance of common stock in connection with at the market offering, net of issuance costs	—	—	4,251	—	129	—	129	—	129
Proceeds upon issuance of common stock from exercise of warrants	—	—	1,340	—	11	—	11	—	11
Stock-based compensation	—	—	—	—	3,405	—	3,405	—	3,405
Balance, September 30, 2022	47	$ —	1,141,013	$ 11	$ 108,192	$ (90,007)	$ 18,196	$ 58	$18,254

(1) The common stock shares and additional paid-in capital for all periods presented reflect the one-for-twenty reverse stock split, which took effect on September 21, 2023.

See notes to unaudited condensed consolidated financial statements

PRECIPIO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (6,778)	$ (9,895)	$ (2,079)	$ (3,030)
Adjustments to reconcile net loss to net cash flows used in operating activities:				
Depreciation and amortization	931	910	304	310
Amortization of operating lease right-of-use asset	153	139	56	49
Amortization of finance lease right-of-use asset	63	99	18	23
Amortization of deferred financing costs, debt discounts and debt premiums	2	3		
Gain on settlement of liability	—	(4)		
Stock-based compensation	1,168	3,405	357	450
Provision for losses on doubtful accounts	175	245		
Warrant revaluation	—	(578)		
Provision for credit losses			83	12
Changes in operating assets and liabilities:				
Accounts receivable	(622)	(503)	312	166
Inventories	72	(99)	(148)	162
Other assets	306	341	126	84
Accounts payable	468	235	283	141
Operating lease liabilities	(150)	(136)	(57)	(48)
Deferred revenue	(90)	(5)	83	5
Accrued expenses	629	(378)	(5)	101
Net cash used in operating activities	(3,673)	(6,221)	(667)	(1,575)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(77)	(225)	—	(22)
Net cash used in investing activities	(77)	(225)	—	(22)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on finance lease obligations	(62)	(124)	(17)	(25)
Issuance of common stock, net of issuance costs	2,245	129	67	438
Proceeds from exercise of warrants	—	11		
Principal payments on long-term debt	(316)	(94)	(109)	(120)
Net cash flows provided by (used in) financing activities	1,867	(78)		
Net cash flows (used in) provided by financing activities			(59)	293
NET CHANGE IN CASH	(1,883)	(6,524)	(726)	(1,304)
CASH AT BEGINNING OF PERIOD	3,445	11,668	1,502	3,445
CASH AT END OF PERIOD	$ 1,562	$ 5,144	$ 776	$ 2,141

See notes to unaudited condensed consolidated financial statements.

Table of Contents

PRECIPIO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS- CONTINUED
(Dollars in thousands)
(unaudited)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the period for interest	$ 29	$ 32	$ 9	$ 10
SUPPLEMENTAL DISCLOSURE OF CONSULTING SERVICES OR ANY OTHER NON-CASH COMMON STOCK RELATED ACTIVITY				
Purchases of equipment financed through accounts payable	3	34	—	7
Prepaid insurance financed with loan	372	413		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	58	92		

See notes to unaudited condensed consolidated financial statements.

Table of Contents

PRECIPIO, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

1. BUSINESS DESCRIPTION

Business Description.

Precipio, Inc., and its subsidiaries, (collectively, “we”, “us”, “our”, the “Company” or “Precipio”) is a healthcare solutions biotechnology company focused on cancer diagnostics. The Company’s business Our mission is to address the pervasive problem of cancer misdiagnoses by developing solutions to mitigate the root causes of this problem in the form of diagnostic products reagents and services. Misdiagnoses originate from outdated commercial diagnostic cancer testing technologies, lack of subspecialized expertise, and sub-optimal laboratory processes that are needed in today’s diagnostic cancer testing in order to provide accurate, rapid, and resource-effective results to treat patients. Industry studies estimate 1 in 5 blood-cancer patients are misdiagnosed. As cancer diagnostic testing has evolved from cellular to molecular (genes and exons), laboratory testing has become extremely complex, requiring even greater diagnostic precision, attention to process and a more appropriate evaluation of the abundance of genetic data to effectively gather, consider, analyze and present information for the physician for patient treatment. Precipio believes cancer diagnostics requires a holistic approach to improve the quality of diagnostic data and achieve more accurate interpretations of the patient situation, with the intent to reduce misdiagnoses. By delivering

Our products reagents and services that improve the aim to deliver higher accuracy, improved laboratory workflow, and efficiency of diagnostics, leading to fewer misdiagnoses, we believe patient outcomes can be improved through the selection of appropriate therapeutic options. Furthermore, we believe that ultimately better patient outcomes, will have a positive impact on which reduce healthcare expenses expenses. We develop innovative technologies in our laboratory where we design, test, validate, and use these products clinically. We believe these technologies improve diagnostic outcomes across various diseases within the hematologic field. We then commercialize these technologies as misdiagnoses are reduced. Better Diagnostic Results – Better Patient Outcome – Lower Healthcare Expenditures.

proprietary products that serve the global laboratory community in furtherance of our mission to eliminate or greatly reduce the prevalence of misdiagnosis. To deliver its our strategy, the Company has we have structured its our organization to develop diagnostic products. Laboratory products, including our laboratory and research and development ("R&D &D") facilities located in New Haven, Connecticut and Omaha, Nebraska, respectively, which house teams that collaborate on the development of new products and services. The Company operates We operate CLIA laboratories in both the New Haven, Connecticut and Omaha, Nebraska locations providing where we provide essential blood cancer diagnostics to office-based oncologists in many states nationwide. To deliver on our strategy of mitigating misdiagnoses we rely heavily on our CLIA laboratory to support R&D beta-testing of the products we develop, in a clinical environment.

The development of laboratory products involves a qualified facility; highly skilled laboratory staff; and access to viable patient specimens to conduct development and testing. Our CLIA laboratory in New Haven, which is operated by our pathology services division, encapsulates these components, and also generates revenue for us which covers costs associated with operating this laboratory. This structure of utilizing our clinical lab to obtain samples and utilize the equipment and staffing to develop, test and validate our products, significantly reduces the development costs and timeline for our products. This also enables us to accelerate the time to market of new product development and launch.

Furthermore, as a clinical laboratory, we are always the first user of every product we develop, which allows us to optimize important laboratory functions such as workflow, inventory management, regulatory and billing issues. As a vendor, this places us as a reputable user of our own products, and we believe gains us significant credibility with existing and prospective customers. Furthermore, because we use our products as part of our day-to-day operations, we are able to deliver a high level of hands-on, experienced support to customers, improving their experience with our products.

Our Products Division commercial team generates direct sales as well as and works with our key distributors. Global healthcare distributors, such as ThermoFisher, McKesson, and McKesson, Cardinal Health, have partnered with us to form the backbone of the Company's our go-to-market strategy and enable us to access laboratories around the country that can benefit from using our diagnostic products.

Our operating structure promotes the harnessing of our proprietary technology and genetic diagnostic expertise to bring to market the Company's our robust pipeline of innovative solutions designed to address the root causes of misdiagnoses.

Joint Venture.

The Company has determined that it holds a variable interest in a joint venture formed in April 2020 (the "Joint Venture") and is the primary beneficiary of the variable interest entity ("VIE"). See Note 2 - Summary of Significant Accounting Policies for further discussion regarding consolidation of variable interest entities.

The Joint Venture was dissolved on November 1, 2023 with an effective date of December 31, 2022.

Going Concern.

The condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America ("GAAP") applicable for a going concern, which assume that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company has incurred substantial

Table of Contents

operating losses and has used cash in its operating activities for the past several years. For the nine three months ended September 30, 2023 March 31, 2024, the Company had a net loss of $6.8 million $2.1 million and net cash used in operating activities of $3.7 million $0.7 million. As of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of $99.1 million $100.2 million and a negative working capital deficit of $1.1 million $0.7 million. The Company's ability to continue as a going concern over the next twelve months from the date of issuance of these condensed

Table of Contents

consolidated financial statements in this Quarterly Report on Form 10-Q is dependent upon a combination of achieving its business plan, including generating additional revenue and avoiding potential business disruption due to the macroeconomic environment and geopolitical instability, and raising additional financing to meet its debt obligations and paying liabilities arising from normal business operations when they come due.

To meet its current and future obligations the Company has taken the following steps to capitalize the business and successfully achieve its business plan: business:

- On April 14, 2023, the Company entered into a sales agreement with AGP, pursuant to which the Company may offer and sell its common stock having aggregate sales proceeds of up to $5.8 million, to or through AGP, as sales agent (the "AGP 2023 Sales Agreement"). The sale of our shares of common stock to or through AGP, pursuant to the AGP 2023 Sales Agreement, will be made pursuant to the registration statement (the "2023 Registration Statement") on Form S-3 (File No. 333-271277), filed by the Company with the SEC on April 14, 2023, as amended by Amendment No. 1 filed by the Company with the SEC on April 25, 2023, and declared effective on April 27, 2023. As of the date the condensed consolidated financial statements were issued, we have received less than $1 thousand $0.1 million in gross proceeds through the AGP 2023 Sales Agreement from the sale of 25 11,847 shares of common stock. The Company has approximately $3.8 million $3.7 million available for future sales pursuant to the AGP 2023 Sales Agreement. On April 8, 2024, we filed a prospectus supplement to our prospectus dated April 25, 2023 registering the offer and sale of up to $1,061,478 of shares of our common stock. We have approximately $1.0 million of remaining availability pursuant to this prospectus supplement. See Note 7 Stockholders' Equity, AGP 2023 Sales Agreement, for further discussion.
- On June 8, 2023, the Company entered into a securities purchase agreement pursuant to which it received $2.0 million in gross proceeds through the sale of 206,250 shares of common stock and warrants to purchase shares of our common stock. Issuance costs were approximately $0.2 million and the Company intends to use the net proceeds for working capital and general corporate purposes. See Note 7 Stockholders' Equity, Registered Direct Offering, for further discussion.

Notwithstanding the aforementioned circumstances, there remains substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date these condensed consolidated financial statements were issued. There can be no assurance that the Company will be able to successfully achieve its initiatives summarized above in order to continue as a going concern over the next twelve months from the date of issuance of this Quarterly Report Form 10-Q. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern as a result of the outcome of this uncertainty.

Nasdaq Compliance.

On October 28, 2022, we received a letter from the Nasdaq Stock Market LLC ("Nasdaq") notifying us that for the past 30 consecutive business days, the closing bid price per share of our common stock was below $1.00, the minimum bid price requirement for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). On April 27, 2023, Nasdaq notified us that we were eligible for an extension to comply with the Bid Price Rule until October 23, 2023, by which date we must have regained compliance with the Bid Price Rule for at least ten consecutive business days along with compliance of other Nasdaq listing rules.

On September 21, 2023 we filed a Certificate of Amendment to our Third Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, pursuant to which we effected a 1-for-20 reverse stock split (the "Reverse Stock Split") of our issued and

outstanding common stock. The Reverse Stock Split became effective as of 5:00 p.m. (Eastern Time) on September 21, 2023, and our common stock began trading on a split-adjusted basis on the Nasdaq Capital Market at the market open on September 22, 2023. On October 6, 2023, we received notification from Nasdaq that for ten consecutive business days, the closing bid price of our common stock was at least $1.00 per share, and accordingly, the Company regained compliance with the Bid Price Rule, and that the matter is now closed.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation.

The accompanying condensed consolidated financial statements are presented in conformity with GAAP. As required under GAAP, pursuant to the Reverse Stock Split, unless otherwise indicated, the Company has adjusted all share amounts, per share data, share prices, exercise prices and conversion rates set forth in these notes and the accompanying condensed consolidated financial statements. As of September 30, 2023 March 31, 2024 and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of only normal recurring adjustments) that are necessary for a fair presentation of the financial position and operating results for the interim periods. These unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2022 December 31, 2023 contained in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on March 30, 2023 March 29, 2024. The results of operations for the interim periods presented are not necessarily indicative of the results for fiscal year 2023.

The condensed consolidated financial statements include the accounts of Precipio and its wholly owned subsidiaries, and the Joint Venture which is a VIE in which we are the primary beneficiary. Refer to the section titled "Consolidation of Variable Interest Entities" for further information related to our accounting for the Joint Venture. All intercompany balances have been eliminated in consolidation.

Reclassification.

Certain reclassifications were made to the statements of cash flows related to splitting accruals and deferred revenue to separate lines in order to conform to the 2023 presentation. These reclassifications had no effect on previously reported retained earnings, net income, total assets or liabilities, or cash flows used in operating activities.*2024.*

Recently Adopted Accounting Pronouncements.

In June 2016, the FASB issued ASU 2016-13 "*Measurement of Credit Losses on Financial Instruments*", which replaces current methods for evaluating impairment of financial instruments not measured at fair value, including trade accounts receivable and certain debt securities, with a current expected credit loss model. The Company adopted this guidance on January 1, 2023. The adoption of this standard was not material to our condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted.

In June 2022, the FASB Financial Accounting Standards Board (the "FASB") issued ASU 2022-03, Fair Value Measurement (Topic 820) ("ASU 2022-03"). The amendments in ASU 2022-03 clarify that a contractual restriction on

---

Table of Contents

the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require additional disclosures for equity securities subject to contractual sale restrictions. The provisions in Company adopted this Update are effective for fiscal years beginning after December 15, 2023 guidance on January 1, 2024. Early adoption is permitted. The Company does not expect to early adopt this ASU. The Company is currently assessing the potential impact that the adoption of this ASU will have on its standard was not material to our condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06 "*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*." This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related EPS earnings per share ("EPS") guidance for both Subtopics. The Company adopted this guidance on January 1, 2024. The adoption of this standard was not material to our condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis, primarily through enhanced disclosures of significant segment expenses. The guidance will be effective for annual reporting periods fiscal years beginning after December 15, 2023, and interim periods within those annual fiscal years beginning after December 15, 2024 and requires retrospective application to all periods and presented upon adoption, with early adoption is permitted in annual reporting periods ending after December 15, 2020. permitted. The Company is currently assessing evaluating the potential impact that the adoption of this ASU guidance will have on its condensed consolidated financial statements. statements and related disclosures.

Table In December 2023, the FASB issued ASU 2023-09—Income Taxes (Topic 740)—Improvements to Income Tax Disclosures ("ASU 2023-09") which is intended to enhance the transparency and decision usefulness of Contents income tax disclosures. ASU 2023-09 requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid, both of which are disclosures required by current GAAP. The amendments improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. The amendments in ASU 2023-09 apply to all entities that are subject to Topic 740, Income Taxes. For public business entities, the amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 is effective for the Company beginning January 1, 2025. Adoption of ASU 2023-09 is expected to enhance the usefulness of income tax disclosures and is not expected to have a material impact on the Company's financial position, results of operations or cash flow.

Loss Per Share.

Basic loss per share is calculated based on the weighted-average number of common shares (including pre-funded warrants) outstanding during each period. Diluted loss per share includes shares issuable upon exercise of outstanding stock options, warrants or conversion rights that have exercise or conversion prices below the market value of our common stock. Shares of the Company's common stock underlying pre-funded warrants are included in the calculation of basic and diluted loss per share due to the negligible exercise price of the pre-funded warrants. Options, warrants and conversion rights pertaining to 705,976 695,550 and 226,434 278,576 shares of our common stock have been excluded from the computation of diluted loss per share at September 30, 2023 March 31, 2024 and 2022, 2023, respectively, because the effect is anti-dilutive due to the net loss.

Table of Contents

The following table summarizes the outstanding securities not included in the computation of diluted net loss per share:

	September 30,	
	2023	2022
Stock options	234,213	184,936
Warrants	465,888	35,623
Preferred stock	5,875	5,875
Total	705,976	226,434

Consolidation of Variable Interest Entities.

We evaluate any entity in which we are involved to determine if the entity is a VIE and if so, whether we hold a variable interest and are the primary beneficiary. We consolidate VIEs that are subject to assessment when we are deemed to be the primary beneficiary of the VIE. The process for determining whether we are the primary beneficiary of the VIE is to conclude whether we are a party to the VIE holding a variable interest that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

We have determined that we hold a variable interest in the Joint Venture, have the power to make significant operational decisions on behalf of the VIE and also have the obligation to absorb the majority of the losses from the VIE. As such we have also determined that we are the primary beneficiary of the VIE. The following table presents information about the carrying value of the assets and liabilities of the Joint Venture which we consolidate and which are included on our condensed consolidated balance sheets. Intercompany balances are eliminated in consolidation and not reflected in the following table.

(dollars in thousands)	September 30, 2023	December 31, 2022
Assets:		
Accounts receivable, net	$ 219	$ 335
Total assets	$ 219	$ 335
Liabilities:		
Accrued expenses	$ 17	$ 50
Total liabilities	$ 17	$ 50
Noncontrolling interest in Joint Venture	$ 65	$ 65
Equity attributable to Precipio, Inc.	$ 127	$ 127

	March 31,	
	2024	2023
Stock options	230,140	238,245
Warrants	459,535	34,456
Preferred stock	5,875	5,875
Total	695,550	278,576

3. LONG-TERM DEBT

Long-term debt consists of the following:

Dollars in Thousands	Dollars in Thousands

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Connecticut Department of Economic and Community Development (DECD)	$ 154	$ 176	$ 139	$ 146
DECD debt issuance costs	(13)	(15)	(12)	(12)
Financed insurance loan	306	228	105	207
Total long-term debt	447	389	232	341
Current portion of long-term debt	(334)	(255)	(133)	(235)
Long-term debt, net of current maturities	$ 113	$ 134	$ 99	$ 106

Department of Economic and Community Development.

On January 8, 2018, the Company entered into an agreement with the Connecticut Department of Economic and Community Development ("DECD") by which the Company received a loan of $300,000 secured by substantially all of the Company's assets (the "DECD 2018 Loan"). The DECD 2018 Loan is a ten-year loan due on December 31, 2027 and includes interest paid monthly at 3.25%. The maturity date of the DECD 2018 Loan was extended to May 31, 2028 and the modification did not have a material impact on the Company's cash flows.

Amortization of the debt issuance costs were less than $1 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $2 thousand and $3 thousand for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Financed Insurance Loan.

The Company finances certain of its insurance premiums (the "Financed Insurance Loans"). In July 2023, the Company financed $0.4 million with a 9.99% interest rate and is obligated to make payments on a monthly basis through June 2024. In July 2022, the Company financed $0.4 million with a 5.99% interest rate and made payments on a monthly basis through June 2023. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Financed Insurance Loan's outstanding balance of $0.3 million $0.1 million and $0.2 million, respectively, was included in current maturities of long-term debt in the Company's condensed consolidated balance sheets. A corresponding prepaid asset was included in other current assets.

Table of Contents

4**. ACCRUED EXPENSES OTHER CURRENT LIABILITIES.**

Accrued expenses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accrued expenses	$ 1,212	$ 983	$ 849	$ 764
Accrued compensation	846	491	755	754
Accrued franchise, property and sales and use taxes	136	91	196	287
Accrued interest	19	19	19	19
	$ 2,213	$ 1,584	$ 1,819	$ 1,824

The Company recorded certain settled reductions uses Change Healthcare, a healthcare technology company owned by UnitedHealth Group, to process some of its patient claims billings. In February 2024, Change Healthcare announced that it had experienced a cyberattack and as a result had to temporarily shut down some of its information technology systems. This system shut down caused delays in accrued expenses billing and accounts payable reimbursement processes to Change Healthcare's customers and, as gains which are included a result, Change Healthcare established a Temporary Funding Assistance Program to help bridge the gap in gain on settlement short-term cash flow needs for customers affected by the disruption of liability, net in its services due to the condensed consolidated statements of cyberattack. Funding distributed through this program is interest free and has no other fees or costs associated with it. Additionally, any funds provided

through the program would have to be repaid to Change Healthcare approximately 45 days after Change Healthcare's systems resume standard operations.

During the three months ended September 30, 2023 March 31, 2024, the Company received less than $0.1 million through Change Healthcare's Temporary Assistance Program. As of March 31, 2024 and 2022, December 31, 2023 the Temporary Funding Assistance Program's outstanding balance of less than $0.1 million and zero, and $3 thousand, respectively, were recorded as a gain on settlement of

Table of Contents

liability. During was included in accrued expenses in the nine months ended September 30, 2023 and 2022, zero and $4 thousand, respectively, were recorded as a gain on settlement of liability. Company's condensed consolidated balance sheets.

5**. COMMITMENTS AND CONTINGENCIES**

The Company is involved in legal proceedings related to matters, which are incidental to its business. Also, the Company is delinquent on the payment of outstanding accounts payable for certain vendors and suppliers who have taken or have threatened to take legal action to collect such outstanding amounts. See below for a discussion on these matters.

PURCHASE COMMITMENTS

The Company has entered into purchase commitments for reagents from suppliers. These agreements started in 2011 and run through 2025. The Company and the suppliers will true up the amounts on an annual basis. The future minimum purchase commitments under these and other purchase agreements are approximately $0.7 million $1.6 million and $1.3 million $1.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

LITIGATIONS

CPA Global provides us with certain patent management services. On February 6, 2017, CPA Global claimed that we owed approximately $0.2 million for certain patent maintenance services rendered. CPA Global has not filed claims against us in connection with this allegation. A liability of less than $0.1 million has been recorded and is reflected in accounts payable within the accompanying condensed consolidated balance sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

LEGAL AND REGULATORY ENVIRONMENT

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirement, reimbursement for patient services and Medicare and Medicaid fraud and abuse.

Table of Contents

Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company

is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

6**. LEASES**

The Company leases administrative facilities and laboratory equipment through operating lease agreements. In addition, we rent various equipment used in our diagnostic lab and in our administrative offices through finance lease arrangements. Our operating leases include both lease (e.g., fixed payments including rent) and non-lease components (e.g., common area or other maintenance costs). The facility leases include one or more options to renew, from 1 to 5 years or more. The exercise of lease renewal options is typically at our sole discretion, therefore, the renewals to extend the lease terms are not included in our right-of-use ("ROU") assets and lease liabilities as they are not reasonably certain of exercise. We regularly evaluate the renewal options and, when they are reasonably certain of exercise, we include the renewal period in our lease term. As our leases do not provide an implicit rate, we use our collateralized incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

Operating leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent our right to use the leased asset for the lease term and lease liabilities represent our obligation to make lease

Table of Contents

payments. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The primary leases we enter into with initial terms of 12 months or less are for equipment.

The Company also recognizes ROU assets from finance leases in connection with its HemeScreen Reagent Rental ("HSRR") program. For certain customers in the HSRR program, the Company leases diagnostic testing equipment and then subleases the equipment to the customer. Finance lease ROU assets and finance lease liabilities are recognized at the lease commencement date, and at the sublease commencement date the finance lease ROU asset is derecognized and is recorded as cost of sales in the condensed consolidated statements of operations. There were no derecognized finance lease ROU assets for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Where Precipio is the lessor, customers lease diagnostic testing equipment from the Company with the transfer of ownership to the customer at the end of the lease term at no additional cost. For these contracts, the Company accounts for the arrangements as sales-type leases. The lease asset for sales-type leases is the net investment in leased asset, which is recorded once the finance lease ROU asset is derecognized and a related gain or loss is noted. The net investment in leased assets was $0.1 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and is included in other current assets and other assets in our condensed consolidated balance sheets.

The balance sheet presentation of our operating and finance leases is as follows:

(dollars in thousands)

Classification on the Condensed Consolidated Balance Sheet	September 30, 2023	December 31, 2022
Assets:		
Operating lease right-of-use assets, net	$ 668	$ 763
Finance lease right-of-use assets, net (1)	194	257
Total lease assets	$ 862	$ 1,020
Liabilities:		
Current:		
Current maturities of operating lease liabilities	$ 222	$ 199
Current maturities of finance lease liabilities	143	162

Noncurrent:		
Operating lease liabilities, less current maturities	459	574
Finance lease liabilities, less current maturities	25	68
Total lease liabilities	$ 849	$ 1,003

(1) As of September 30, 2023 and December 31, 2022, finance lease right-of-use assets included $3 thousand and $13 thousand, respectively, of assets related to finance leases associated with the HSRR program.

As of September 30, 2023, the estimated future minimum lease payments, excluding non-lease components, are as follows:

(dollars in thousands)	**Operating Leases**	**Finance Leases**	**Total**
	September 30, 2023	**September 30, 2023**	**September 30, 2023**
2023 (remaining)	$ 68	$ 22	$ 90
2024	258	80	338
2025	224	65	289
2026	214	26	240
Total lease obligations	764	193	957
Less: Amount representing interest	(83)	(25)	(108)
Present value of net minimum lease obligations	681	168	849
Less, current portion	(222)	(143)	(365)
Long term portion	$ 459	$ 25	$ 484

Table of Contents

The balance sheet presentation of our operating and finance leases is as follows:

(dollars in thousands)

Classification on the Condensed Consolidated Balance Sheet	**March 31, 2024**	**December 31, 2023**
Assets:		
Operating lease right-of-use assets, net	$ 556	$ 612
Finance lease right-of-use assets, net (1)	156	174
Total lease assets	$ 712	$ 786
Liabilities:		
Current:		
Current maturities of operating lease liabilities	$ 215	$ 218
Current maturities of finance lease liabilities	62	132
Noncurrent:		
Operating lease liabilities, less current maturities	353	407
Finance lease liabilities, less current maturities	71	18
Total lease liabilities	$ 701	$ 775

(1) As of March 31, 2024 and December 31, 2023, finance lease right-of-use assets included zero, respectively, of assets related to finance leases associated with the HSRR program.

As of March 31, 2024, the estimated future minimum lease payments, excluding non-lease components, are as follows:

(dollars in thousands)	Operating Leases	Finance Leases	Total
	March 31, 2024	March 31, 2024	March 31, 2024
2024 (remaining)	$ 189	$ 59	$ 248
2025	224	65	289
2026	214	26	240
Total lease obligations	627	150	777
Less: Amount representing interest	(59)	(17)	(76)
Present value of net minimum lease obligations	568	133	701
Less, current portion	(215)	(62)	(277)
Long term portion	$ 353	$ 71	$ 424

Other information as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Weighted-average remaining lease term (years):				
Operating leases	3.0	3.7	2.6	2.8
Finance leases	2.3	2.8	1.8	2.0
Weighted-average discount rate:				
Operating leases	8.00%	8.00%	8.00%	8.00%
Finance leases	10.54%	10.31%	10.70%	10.63%

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, operating cash flows from operating leases was $0.2 million and $0.1 million, respectively, and operating lease ROU assets obtained in exchange for operating lease liabilities was $0.1 million, zero, respectively.

Table of Contents

Operating Lease Costs

Operating lease costs were approximately $0.1 million during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $0.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. These costs are primarily related to long-term operating leases for the Company's facilities and laboratory equipment. Short-term and variable lease costs were less than $0.1 million for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Finance Lease Costs

Finance lease amortization and interest expenses are included in the condensed consolidated statements of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. The balances within these accounts are less than $0.1 million, respectively.

7**. STOCKHOLDERS' EQUITY**

Common Stock.

Pursuant to our Third Amended and Restated Certificate of Incorporation, as amended, we currently have 150,000,000 shares of common stock authorized for issuance. On December 20, 2018, the Company's shareholders approved the proposal to authorize the

Company's Board of Directors to, in its discretion, amend the Company's Third Amended and Restated Certificate of Incorporation to increase the total number of authorized shares of common stock from 150,000,000 shares to 250,000,000 shares. The Company has not yet implemented this increase.

During the three and nine months ended September 30, 2023, the Company issued zero shares of its common stock, respectively, in connection with the exercise of warrants. During the three and nine months ended September 30, 2022, the Company 1,327 and 1,340 shares of its common stock, respectively, in connection with the exercise of 1,327 and 1,340 warrants, respectively. The warrant exercises during the three and nine months ended September 30, 2022 resulted in net cash proceeds to the Company of $11 thousand, respectively.

At The Market Offering Agreement

AGP Sales Agreement

On April 2, 2021, the Company entered into a sales agreement with A.G.P./Alliance Global Partners ("AGP"), pursuant to which the Company was permitted to offer and sell its common stock, par value $0.01 per share (the "Common Stock") (the "Shares"), having aggregate sales proceeds of up to $22.0 million. Shares can be sold either directly to or through AGP as a sales agent (the "AGP Sales Agreement"), from time to time, in an "at the market offering" (as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended) of the Shares (the "2021 ATM Offering"). The Company

Table of Contents

is limited in the number of shares it can sell in the 2021 ATM Offering due to the offering limitations currently applicable to the Company under General Instruction I.B.6. of Form S-3 and the Company's public float as of the applicable date of such sales, as well as the number of authorized and unissued shares available for issuance, in accordance with the terms of the AGP Sales Agreement.

The sale of our shares of Common Stock to or through AGP, will be made pursuant to the registration statement (the "Registration Statement") on Form S-3 (File No. 333-237445), which was declared effective by the Securities and Exchange Commission (the "SEC") on April 13, 2020, for an aggregate offering price of up to $50.0 million.

Under the AGP Sales Agreement, Shares were permitted to be sold by any method permitted by law deemed to be an "at the market offering." AGP will also be able to sell shares of Common Stock by any other method permitted by law, including in negotiated transactions with the Company's prior written consent. Upon delivery of a placement notice and subject to the terms and conditions of the AGP Sales Agreement, AGP was required to use its commercially reasonable efforts consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations, and the rules of The Nasdaq Capital Market to sell the Shares from time to time based upon the Company's instructions, including any price, time or size limits specified by the Company. AGP is not under any obligation to purchase any of the Shares on a principal basis pursuant to the AGP Sales Agreement, except as otherwise agreed by AGP and the Company in writing and expressly set forth in a placement notice. AGP's obligations to sell the Shares under the AGP Sales Agreement are subject to satisfaction of certain conditions, including customary closing conditions. The Company is not obligated to make any sales of Shares under the AGP Sales Agreement and any determination by the Company to do so will be dependent, among other things, on market conditions and the Company's capital raising needs.

Table of Contents

The Company agreed to pay AGP a cash fee of 3.0% of the aggregate gross proceeds from the sale of the Shares on the Company's behalf pursuant to the AGP Sales Agreement. The AGP Sales Agreement contains representations, warranties and covenants that are customary for transactions of this type. In addition, the Company has provided AGP with customary indemnification and contribution rights. The Company also agreed to reimburse AGP for certain specified expenses, including the expenses of counsel to AGP. The offering of the Shares pursuant to the AGP Sales Agreement terminated upon the expiration of the Company's Registration Statement on Form S-3 (File No. 333-237445).

During the three and nine months ended September 30, 2023 March 31, 2023, we received net proceeds of zero and $0.5 million $0.4 million from the sale of zero and 30,827 27,191 shares of common stock through the AGP Sales Agreement. During the three and nine months ended September 30, 2022, we received net proceeds of $0.1 million in each period from the sale of 4,251 shares of common stock through AGP, respectively.

As of the date of issuance of this Quarterly Report on Form 10-Q, we have received an aggregate of $15.6 million in net proceeds, after issuance costs of approximately $0.5 million, from the sale of 260,128 shares of common stock pursuant to the AGP Sales Agreement.

AGP 2023 Sales Agreement

On April 14, 2023, the Company entered into the AGP 2023 Sales Agreement, in an "at the market offering" (as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended) of the shares of Common Stock. AGP will be entitled to a commission at a fixed rate of 3.0% of the gross proceeds from each sale of shares of Common Stock pursuant to the AGP 2023 Sales Agreement.

The sale of our shares of Common Stock to or through AGP, pursuant to the AGP 2023 Sales Agreement, will be made pursuant to the 2023 Registration Statement on Form S-3 (File No. 333-271277), filed by the Company with the SEC on April 14, 2023, as amended by Amendment No. 1 filed by the Company with the SEC on April 25, 2023, and declared effective on April 27, 2023, for an aggregate offering price of up to $5.8 million.

During the three and nine months ended September 30, 2023 March 31, 2024, we received net proceeds of less than $1 thousand, respectively, $0.1 million from the sale of 25 10,167 shares of common stock pursuant to the AGP 2023 Sales Agreement. As of the date of issuance of this Quarterly Report on Form 10-Q, we have received an aggregate of $0.1 million in net proceeds, after issuance costs of approximately $2.0 thousand, from the sales of 11,847 shares of common stock through AGP, including less than $0.1 million in net proceeds from the sale of 1,655 shares of common stock through AGP from April 1, 2024 through the date of issuance of this Quarterly Report on Form 10-Q.

As a result of sales

Table of Contents

already made through the AGP 2023 Sales Agreement and the Registered Direct Offering, mentioned below, the Company has approximately $3.8 million $3.7 million available for future sales pursuant to the AGP 2023 Sales Agreement. On April 8, 2024, we filed a prospectus supplement to our prospectus dated April 25, 2023 registering the offer and sale of up to $1,061,478 of shares of our common stock. We have approximately $1.0 million of remaining availability pursuant to this prospectus supplement.

Registered Direct Offering

On June 8, 2023, the Company, entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors (the "Purchasers"), pursuant to which the Company agreed to issue and sell to the Purchasers, in a registered direct offering (the "Registered Direct Offering"), an aggregate of: (i) 206,250 shares (the "Shares") of its common stock, $0.01 par value (the "Common Stock"), at a price of $9.00 per share, and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 15,972 shares of Common Stock, at a price of $8.98 per Pre-Funded Warrant. The Company reviewed the provisions of the Pre-Funded Warrants to determine the balance sheet

classification and concluded that these warrants are to be classified as equity and are not subject to remeasurement on each balance sheet date. The Pre-Funded Warrants are immediately exercisable, have an exercise price of $0.02 per share, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. As All of September 30, 2023, the Pre-Funded Warrants were exercised during the year ended December 31, 2023 and no Pre-Funded Warrants have been exercised. were outstanding as of March 31, 2024.

In a concurrent private placement (the “Private Placement” and together with the Registered Direct Offering, the “Offering”), pursuant to the Purchase Agreement, the Company agreed to issue and sell to the Purchasers, for no additional

Table of Contents

consideration, warrants (the “RDO Common Warrants” and, together with the Shares and the Pre-Funded Warrants, the “Securities”) to purchase up to 444,444 shares of Common Stock. The Company reviewed the provisions of the RDO Common Warrants to determine the balance sheet classification and concluded that these warrants are to be classified as equity and are not subject to remeasurement on each balance sheet date. The RDO Common Warrants are exercisable beginning six months after the date of issuance, have an exercise price of $12.60 per share, and will expire December 12, 2028. The fair value of the RDO Common Warrants of approximately $3.5 million at the date of issuance was estimated using the Black-Scholes model which used the following inputs: term of 5 years; risk free rate of 3.89%; volatility of 143%; and share price of $9.00 per share based on the trading price of the Company’s common stock. The Company allocated $1.3 million of the issuance proceeds to the RDO Common Warrants based on the relative fair value of the RDO Common Warrants, Common Stock and Pre-Funded Warrants issued in the Offering. A holder of Pre-Funded Warrants may not exercise the warrant if the holder, together with its affiliates, would beneficially own more than 4.99% (or, at the election of the purchaser, 9.99%) of the number of shares of the Common Stock outstanding immediately after giving effect to such exercise. A holder of Pre-Funded Warrants may increase or decrease this percentage not in excess of 19.99% by providing at least 61 days’ prior notice to the Company.

The Registered Direct Offering resulted in gross proceeds to the Company of approximately $2.0 million. The net proceeds to the Company from the Registered Direct Offering are approximately $1.8 million, excluding any proceeds that may be received upon the cash exercise of the RDO Common Warrants, after deducting the financial advisor’s fees and estimated offering expenses payable by the Company. The Company intends to use the net proceeds from the Registered Direct Offering for working capital and general corporate purposes, which may include capital expenditures, research and development expenditures, regulatory affairs expenditures, clinical trial expenditures, acquisitions of new technologies and investments and others.

The Purchase Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company, other obligations of the parties, and termination provisions. Additionally, each of the directors and executive officers of the Company, pursuant to lock-up agreements (the “Lock-Up Agreements”), agreed not to sell or transfer any of the Company securities which they hold, subject to certain exceptions, during the 90-day period following the closing of the Registered Direct Offering. The Purchase Agreement also requires the Company to use commercially reasonable efforts to file a registration statement with the SEC to register the resale by the Purchasers of the shares of Common Stock issuable upon exercise of the RDO Common Warrants within thirty (30) days of the date of the Purchase Agreement. The Company filed this registration statement on Form S-1 (File No. 333-273172), which was declared effective by the SEC on July 19, 2023.

On June 7, 2023, the Company also entered into a financial advisory agreement (the “Financial Advisor Agreement”) with A.G.P./Alliance Global Partners (the “Financial Advisor”). Pursuant to the terms of the Financial Advisor Agreement, the Financial Advisor agreed to use its reasonable best efforts to arrange for the sale of the Securities.

Table of Contents

The Company paid the Financial Advisor a cash fee of $140,000 generated from the sale of the Shares and Pre-Funded Warrants.

The Financial Advisor Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Financial Advisor, including for liabilities under the Securities Act of 1933, as amended (the "Securities Act"), other obligations of the parties, and termination provisions.

Pursuant to the Purchase Agreement, the Company has agreed that, subject to certain exceptions, (i) it will not issue any shares of common stock or securities exercisable or convertible into shares of common stock or to file any registration statement or amendment or supplement thereto for a period of ninety (90) days following the closing of the Offering and that (ii) it will not enter into a variable rate transaction for a period of one hundred eighty (180) days following the closing of the Offering.

The Registered Direct Offering was made pursuant to the 2023 Registration Statement, as supplemented by a prospectus supplement dated June 9, 2023. There is $3.8 million $3.7 million of remaining availability under the 2023 Registration Statement.

Table of Contents

Preferred Stock.

The Company's Board of Directors is authorized to issue up to 15,000,000 shares of preferred stock in one or more series, from time to time, with such designations, powers, preferences and rights and such qualifications, limitations and restrictions as may be provided in a resolution or resolutions adopted by the Board of Directors.

Series B Preferred Stock.

The Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock ("Series B Preferred Stock") with the State of Delaware, which designates 6,900 shares of our preferred stock as Series B Preferred Stock. The Series B Preferred Stock has a stated value of $1 thousand per share and a par value of $0.01 per share. The Series B Preferred Stock includes a beneficial ownership blocker but has no dividend rights (except to the extent dividends are also paid on the common stock). On August 28, 2017, the Company completed an underwritten public offering consisting of the Company's Series B Preferred Stock and warrants.

The conversion price of the Series B Preferred Stock contains a down round feature. The Company will recognize the effect of the down round feature when it is triggered. At that time, the effect would be treated as a deemed dividend and as a reduction of income available to common shareholders in our basic earnings per share calculation.

There were no conversions of Series B Preferred Stock during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had 6,900 shares of Series B Preferred Stock designated and issued and 47 shares of Series B Preferred Stock outstanding. Based on the stated value of $1 thousand per share and a conversion price of $8.00 per share, the outstanding shares of Series B Preferred Stock at September 30, 2023 March 31, 2024 were convertible into 5,875 shares of common stock.

Table of Contents

Common Stock Warrants.

The following represents a summary of the warrants outstanding as of September 30, 2023 March 31, 2024:

	Issue Year	Expiration	Underlying Shares	Exercise Price	Issue Year	Expiration	Underlying Shares	Exercise Price
Warrants								
(1)	2018	November 2023	3,789	$ 108.00	2019	April 2024	7,374	$108.00
(2)	2018	December 2023	2,564	$ 108.00	2019	May 2024	7,717	$191.20
(3)	2019	April 2024	7,374	$ 108.00	2023	December 2028	444,444	$ 12.60
(4)	2019	May 2024	7,717	$ 191.20				
(5)	2023	None	15,972	$ 0.02				
(6)	2023	December 2028	444,444	$ 12.60				
			481,860				459,535	

(1)(2)

(3) These warrants were issued in connection with a 2018 securities purchase agreement, as amended.

(4) (2) These warrants were issued in connection with convertible notes issued in May 2019.

(5)(6)

(3) These warrants were issued in connection with the 2023 registered direct offering and concurrent private placement and are the pre-funded warrants and RDO common warrants discussed below.

There were 1,327 and 1,340 warrants exercised during the three and nine months ended September 30, 2022 for proceeds to the Company of $11 thousand, respectively. During the three and nine months ended September 30, 2022, the intrinsic value of the warrants exercised was $20 thousand, respectively.

During the three and nine months ended September 30, 2023, 5,593 and 13,012 warrants expired, respectively. The warrants had been issued in connection with transactions that were completed in 2018.

Pre-Funded Warrants. In connection with the Registered Direct Offering in June 2023, the Company issued 15,972 Pre-Funded Warrants to purchase up to 15,972 shares of Common Stock, at a price of $8.98 per Pre-Funded Warrant. The Pre-Funded Warrants are immediately exercisable, have an exercise price of $0.02 per share, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. Shares of the Company's common stock underlying Pre-Funded warrants are included in the calculation of basic loss per share due to the negligible exercise price of the Pre-Funded warrants.

RDO Common Warrants. In connection with the Registered Direct Offering in June 2023, the Company issued 444,444 RDO Common Warrants to purchase up to 444,444 shares of Common Stock. The RDO Common Warrants are exercisable beginning six months after the date of issuance, have an exercise price of $12.60 per share, and will expire December 12, 2028.

8**. FAIR VALUE**

FASB guidance on fair value measurements, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for our financial assets and liabilities, as well as for other assets and liabilities that are carried at fair value on a recurring basis in our condensed consolidated financial statements.

Table of Contents

FASB guidance establishes a three-level fair value hierarchy based upon the assumptions (inputs) used to price assets or liabilities. The three levels of inputs used to measure fair value are as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets; and

Table of Contents

Level 3—Unobservable inputs reflecting our own assumptions and best estimate of what inputs market participants would use in pricing the asset or liability.

Common Stock Warrant Liabilities.

Certain of our issued and outstanding warrants to purchase shares of common stock do not qualify to be treated as equity and, accordingly, are recorded as a liability. We are required to record these instruments at fair value at each reporting date and changes are recorded as a non-cash adjustment to earnings. The gains or losses included in earnings are reported in other income (expense) in our condensed consolidated statements of operations.

Bridge Note Warrant Liabilities

During 2018 and 2019, the Company issued warrants in connection with the issuance of convertible notes. All of these warrants issuances were classified as warrant liabilities (the "Bridge Note Warrant Liabilities").

The Bridge Note Warrant Liabilities are considered Level 3 financial instruments and were valued using the Black Scholes model. As of September 30, 2023 March 31, 2024, Bridge Note Warrant Liabilities outstanding were the result of convertible note issuances on various dates in 2018 and 2019. The assumptions used in the valuation of the Bridge Note Warrant Liabilities include the following ranges: remaining life to maturity of 0.25 0.04 to 0.62 0.12 years; volatility rate of 69% 48% to 85% 54%; and risk-free rate of 5.53% to 5.55% 5.49%. As of December 31, 2022 December 31, 2023, assumptions used in the valuation of the Bridge Note Warrant Liabilities include: remaining life to maturity of 0.3 to 1.4 0.4 years; volatility rate of 69% 71% to 77%; and risk free rate of 4.42 5.33 to 4.76% 5.40%.

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the changes in the fair value of the warrant liabilities measured using significant unobservable inputs (Level 3) were zero and less than $1 thousand, respectively.

The changes during the three and nine months ended September 30, 2022 were comprised of the following:

Dollars in Thousands

	Three Months Ended September 30, 2022
	Bridge Note Warrant Liabilities
Beginning balance at July 1	$ 87
Total gains:	
Revaluation recognized in earnings	(59)
Balance at September 30	$ 28

Dollars in Thousands

	Nine Months Ended September 30, 2022
	Bridge Note

	Warrant Liabilities
Beginning balance at January 1	$ 606
Total gains:	
Revaluation recognized in earnings	(578)
Balance at September 30	$ 28

9**. EQUITY INCENTIVE PLAN**

The Company currently issues stock awards under its 2017 Stock Option and Incentive Plan, as amended (the "2017 Plan") which will expire on June 5, 2027. The shares authorized for issuance under the 2017 Plan were 249,693 320,699 at September 30, 2023 March 31, 2024, of which 12,926 87,998 were available for future grant. The shares authorized under the 2017 Plan are subject to annual increases on January 1 by 5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or such lessor number of shares determined by the Company's Board of Directors

Table of Contents

or Compensation Committee. During the nine three months ended September 30, 2023 March 31, 2024, the shares authorized for issuance increased by 57,051 71,006 shares.

Stock Options.

The Company accounts for all stock-based compensation payments to employees and directors, including grants of employee stock options, at fair value at the date of grant and expenses the benefit in operating expense in the condensed consolidated statements of operations over the service period of the awards. The Company records the expense for stock-based compensation awards subject to performance-based milestone vesting over the remaining service period when management determines that achievement of the milestone is probable based on the expected satisfaction of the performance conditions as of the reporting date. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model, which requires various assumptions including estimating stock price volatility, expected life of the stock option, risk free interest rate and estimated forfeiture rate.

Table of Contents

During the nine three months ended September 30, 2023 March 31, 2024, the Company granted stock options to purchase up to 58,530 362 shares of common stock at a weighted average exercise price of $12.12 $6.52 per share. These awards have vesting periods of up to four years and had a weighted average grant date fair value of $11.60. $6.00. The fair value calculation of options granted during the nine three months ended September 30, 2023 March 31, 2024 used the following assumptions: risk free interest rate of 3.66% to 4.05% 3.94%, based on the U.S. Treasury yield in effect at the time of grant; expected life of six years; and volatility of 146% to 162% 139% based on historical volatility of the Company's common stock over a time that is consistent with the expected life of the option.

The following table summarizes stock option activity under our plans during the nine three months ended September 30, 2023 March 31, 2024:

	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at January 1, 2023	184,067	$ 56.75		
Outstanding at January 1, 2024			232,744	$ 46.56
Granted	58,530	12.12	362	6.52
Forfeited	(8,384)	24.12	(2,966)	18.07
Outstanding at September 30, 2023	234,213	$ 46.77		
Exercisable at September 30, 2023	141,908	$ 57.93		
Outstanding at March 31, 2024			230,140	$ 46.87
Exercisable at March 31, 2024			169,631	$ 52.61

As of September 30, 2023 March 31, 2024, there were 210,096 215,561 options that were vested or expected to vest with aggregate intrinsic value of zero and a remaining weighted average contractual life of 7.8 7.3 years.

Restricted Stock Awards.

Restricted stock awards are subject to vesting restrictions. If a grantee's service with the Company is terminated prior to vesting of the restricted stock, all unvested shares shall be forfeited and returned to the Company. Upon vesting, the restricted stock award shall no longer be deemed restricted.

During the three and nine months ended September 30, 2023, the Company granted 2,492 restricted stock awards to directors of the Company. The awards vested immediately and had a weighted average grant date fair value of $5.90. As of September 30, 2023 March 31, 2024, there were 2,492 and zero restricted stock awards that were vested and unvested, respectively.

There were no restricted stock awards granted during the three and nine months ended September 30, 2022, March 31, 2024 and 2023, respectively.

Table of Contents

Stock Compensation.

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, we recorded non-cash stock-based compensation expense for all stock awards of $0.4 million and $1.2 million, respectively, within operating expense in the accompanying statements of operations. Stock compensation expense for the three and nine months ended September 30, 2023, includes approximately $16,000, respectively, of expense related to restricted stock awards. For the three and nine months ended September 30, 2022, we recorded non-cash stock-based compensation expense for all stock awards of $0.7 million and $3.4 million $0.5 million, respectively, within operating expense in the accompanying statements of operations. As of September 30, 2023 March 31, 2024, the unrecognized compensation expense related to unvested stock awards was $2.5 million $1.7 million, which is expected to be recognized over a weighted-average period of 2.1 1.6 years.

10. SALES SERVICE REVENUE, NET AND ACCOUNTS RECEIVABLE

ASC Topic 606, "Revenue from contracts with customers"

The Company follows the guidance of ASC 606 for the recognition of revenue from contracts with customers to transfer goods and services. The Company performed a comprehensive review of its existing revenue arrangements following the five-step model:

Step 1: Identification of the contract with the customer. Sub-steps include determining the customer in a contract, initial contract identification and determining if multiple contracts should be combined and accounted for as a single transaction.

Step 2: Identify the performance obligation in the contract. Sub-steps include identifying the promised goods and services in the contract and identifying which performance obligations within the contract are distinct.

Step 3: Determine the transaction price. Sub-steps include variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, noncash consideration and consideration payable to a customer.

Step 4: Allocate transaction price. Sub-steps include assessing the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Satisfaction of performance obligations. Sub-steps include ascertaining the point in time when an asset is transferred to the customer and when the customer obtains control of the asset upon which time the Company recognizes revenue.

Nature of Contracts and Customers

The Company's contracts and related performance obligations are similar for its customers and the sales process for all customers starts upon the receipt of requisition forms from the customers for patient diagnostic testing and the execution of contracts for biomarker testing and clinical research. Payment terms for the services provided are 30 days, unless separately negotiated.

Diagnostic testing

Control of the laboratory testing services is transferred to the customer at a point in time. As such, the Company recognizes revenue for laboratory testing services at a point in time based on the delivery method (web-portal access or fax) for the patient's laboratory report, per the contract.

Clinical research grants

Control of the clinical research services are transferred to the customer over time. The Company will recognize revenue utilizing the "effort based" method, measuring its progress toward complete satisfaction of the performance obligation.

Biomarker testing and clinical project services

Control of the biomarker testing and clinical project services are transferred to the customer over time. The Company utilizes an "effort based" method of assessing performance and measures progress towards satisfaction of the performance obligation based upon the delivery of results.

The Company generates revenue from the provision of diagnostic testing provided to patients, biomarker testing provided to bio-pharma customers and clinical research grants funded by both bio-pharma customers and government health programs.

Reagents and other diagnostic products

Control of reagents and other diagnostic products are transferred to the customer at a point in time and, as such, the Company recognizes these revenues at a point in time based on the delivery method. These revenues include revenues from reagent sets for our HSRR program and other product sales and are included in other revenue in our condensed consolidated statements of operations.

Table of Contents

Disaggregation of Revenues by Transaction Type

We operate in one business segment and, therefore, the results of our operations are reported on a consolidated basis for purposes of segment reporting, consistent with internal management reporting. Service revenue, net for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

(dollars in thousands)	For the Three Months Ended September 30,		For the Three Months Ended March 31,	
	Diagnostic Testing		Diagnostic Testing	
	2023	2022	2024	2023
Medicaid	$ 10	$ 12	$ 5	$ 8
Medicare	1,691	936	1,091	880
Self-pay	39	109	18	80
Third party payers	1,998	1,003	1,705	1,100
Contract diagnostics and other			2	—
Service revenue, net	$ 3,738	$ 2,060	$2,821	$2,068

(dollars in thousands)	For the Nine Months Ended September 30,	
	Diagnostic Testing	
	2023	2022
Medicaid	$ 22	$ 39
Medicare	3,736	2,986
Self-pay	155	206
Third party payers	4,661	3,060
Service revenue, net	$ 8,574	$ 6,291

Revenue from the Medicare and Medicaid programs account for a portion of the Company's patient diagnostic service revenue. Laws and regulations governing those programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price using the expected value method based on historical experience. The Company does not typically enter arrangements where multiple contracts can be combined as the terms regarding services are generally found within

a single agreement/requisition form. The Company derives its revenues from the following types of transactions: diagnostic testing ("Diagnostic"), revenues from the Company's ICP technology and bio-pharma projects encompassing genetic diagnostics (collectively "Biomarker"), revenues from clinical research grants from state and federal research programs and diagnostic product sales, including revenues from equipment leases and reagent sales associated with our HSRR program.

Deferred revenue

Deferred revenue, or unearned revenue, refers to advance payments for products or services that are to be delivered in the future. The Company records such prepayment of unearned revenue as a liability, as revenue that has not yet been earned, but represents products or services that are owed to a customer. As the product or service is delivered over time, the Company recognizes the appropriate amount of revenue from deferred revenue. For the periods ended September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the deferred revenue was less than $0.1 million $0.2 million and $0.1 million, respectively.

Contractual Allowances and Adjustments

We are reimbursed by payers for services we provide. Payments for services covered by payers average less than billed charges. We monitor revenue and receivables from payers and record an estimated contractual allowance for certain revenue and receivable balances as of the revenue recognition date to properly account for anticipated differences between amounts estimated in our billing system and amounts ultimately reimbursed by payers. Accordingly, the total revenue and receivables reported in our condensed consolidated financial statements are recorded at the amounts expected to be received from these payers. For service revenue, the contractual allowance is estimated based on several criteria, including unbilled claims, historical trends based on actual claims paid, current contract and reimbursement terms and changes in customer base and payer/product mix. The billing functions for the remaining portion of our revenue are contracted and fixed fees for specific services and are recorded without an allowance for contractual discounts. The following table presents our revenues initially recognized for each associated payer class during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023.

(dollars in thousands)	For the Three Months Ended September 30,						For the Three Months Ended March 31,					
	Gross Revenues		Contractual Allowances and adjustments		Revenues, net of Contractual Allowances and adjustments		Gross Revenues		Contractual Allowances and adjustments		Revenues, net of Contractual Allowances and adjustments	
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Medicaid	$ 10	$ 12	$ —	$ —	$ 10	$ 12	$ 5	$ 8	$ —	$ —	$ 5	$ 8
Medicare	1,693	936	(2)	—	1,691	936	1,091	880	—	—	1,091	880
Self-pay	39	109	—	—	39	109	18	80	—	—	18	80
Third party payers	6,956	3,486	(4,958)	(2,483)	1,998	1,003	5,968	3,835	(4,263)	(2,735)	1,705	1,100
Contract diagnostics and other							2	—	—	—	2	—
	8,698	4,543	(4,960)	(2,483)	3,738	2,060	7,084	4,803	(4,263)	(2,735)	2,821	2,068
Other	831	235	—	—	831	235	657	761	—	—	657	761
	$9,529	$4,778	$ (4,960)	$ (2,483)	$ 4,569	$ 2,295	$7,741	$5,564	$ (4,263)	$ (2,735)	$ 3,478	$ 2,829

(dollars in thousands)	For the Nine Months Ended September 30,					
	Gross Revenues		Contractual Allowances and adjustments		Revenues, net of Contractual Allowances and adjustments	
	2023	2022	2023	2022	2023	2022
Medicaid	$ 22	$ 39	$ —	$ —	$ 22	$ 39
Medicare	3,738	2,986	(2)	—	3,736	2,986
Self-pay	155	206	—	—	155	206
Third party payers	16,233	10,664	(11,572)	(7,604)	4,661	3,060
	20,148	13,895	(11,574)	(7,604)	8,574	6,291
Other	2,469	977	—	—	2,469	977
	$ 22,617	$ 14,872	$ (11,574)	$ (7,604)	$ 11,043	$ 7,268

Table of Contents

Allowance for Doubtful Accounts Credit Losses

The Company provides for a general allowance for collectability of services when recording net sales. The Company has adopted the policy of recognizing net sales to the extent it expects to collect that amount. Reference is made to FASB 954-605-45-5 and ASU 2011-07, Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt, Credit Loss, and the Allowance for Doubtful Accounts. Credit Losses. The change in the allowance for doubtful accounts credit losses is directly related to the increase in patient service revenues. The following table presents our reported revenues net of the collection allowance and adjustments for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

(dollars in thousands)	For the Three Months Ended September 30,						For the Three Months Ended March 31,					
	Revenues, net of Contractual Allowances and adjustments		Allowances for doubtful accounts		Total		Revenues, net of Contractual Allowances and adjustments		Allowances for credit losses		Total	
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Medicaid	$ 10	$ 12	$ (4)	$ (6)	$ 6	$ 6	$ 5	$ 8	$ (2)	$ (4)	$ 3	$ 4
Medicare	1,691	936	(20)	(24)	1,671	912	1,091	880	(16)	—	1,075	880
Self-pay	39	109	(3)	—	36	109	18	80	(2)	(8)	16	72
Third party payers	1,998	1,003	(24)	(50)	1,974	953	1,705	1,100	(26)	—	1,679	1,100
Contract diagnostics and other							2	—	—	—	2	—
	3,738	2,060	(51)	(80)	3,687	1,980	2,821	2,068	(46)	(12)	2,775	2,056
Other	831	235	—	—	831	235	657	761	—	—	657	761
	$ 4,569	$ 2,295	$ (51)	$ (80)	$ 4,518	$ 2,215	$ 3,478	$ 2,829	$ (46)	$ (12)	$ 3,432	$ 2,817

(dollars in thousands)	For the Nine Months Ended September 30,					
	Revenues, net of Contractual Allowances and adjustments		Allowances for doubtful accounts		Total	
	2023	2022	2023	2022	2023	2022

Medicaid	$ 22	$ 39	$ (10)	$ (19)	$ 12	$ 20
Medicare	3,736	2,986	(43)	(75)	3,693	2,911
Self-pay	155	206	(15)	—	140	206
Third party payers	4,661	3,060	(107)	(153)	4,554	2,907
	8,574	6,291	(175)	(247)	8,399	6,044
Other	2,469	977	—	—	2,469	977
	$ 11,043	$ 7,268	$ (175)	$ (247)	$ 10,868	$ 7,021

Costs to Obtain or Fulfill a Customer Contract

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in operating expenses in the condensed consolidated statements of operations.

Shipping and handling costs are comprised of inbound and outbound freight and associated labor. The Company accounts for shipping and handling activities related to contracts with customers as fulfillment costs which are included in cost of sales in the condensed consolidated statements of operations.

Accounts Receivable

The Company has provided an allowance for potential credit losses, which has been determined based on management's industry experience. The Company grants credit without collateral to its patients, most of who are insured under third party payer agreements.

The following summarizes the mix of receivables outstanding related to payer categories:

(dollars in thousands)	March 31, 2024	December 31, 2023
Medicaid	$ 20	$ 25
Medicare	1,579	1,561
Self-pay	203	229
Third party payers	1,476	1,641
Contract diagnostic services and other	283	417
	$ 3,561	$ 3,873
Less allowance for credit losses	(2,655)	(2,572)
Accounts receivable, net	$ 906	$ 1,301

Table of Contents

The following summarizes the mix of receivables outstanding related to payer categories:

(dollars in thousands)	September 30, 2023	December 31, 2022
Medicaid	$ 26	$ 34
Medicare	1,671	1,124
Self-pay	258	291
Third party payers	1,495	1,888
Contract diagnostic services and other	562	53
	$ 4,012	$ 3,390
Less allowance for doubtful accounts	(2,529)	(2,354)
Accounts receivable, net	$ 1,483	$ 1,036

The following table presents the roll-forward of the allowance for doubtful accounts credit losses for the nine three months ended September 30, 2023 March 31, 2024.

(dollars in thousands)		Allowance for Doubtful Credit Accounts Losses
Balance, January 1, 2023 January 1, 2024		$ (2,354) (2,572)
Collection Allowance: Provision for credit losses:		
Medicaid	$ (10) (2)	
Medicare	(43) (16)	
Self-pay	(15) (2)	
Third party payers	(107) (26)	
	(175) (46)	
Bad debt Credit loss expense	$ — (37)	
Total charges		(175) (83)
Balance, September 30, 2023 March 31, 2024		$ (2,529) (2,655)

Customer Revenue and Accounts Receivable Concentration

Our customers are oncologists, hospitals, reference laboratories, physician-office laboratories, and pharma and biotech companies. Customers that accounted for 10% or greater of our net sales or accounts receivable for the identified periods is as follows:

	Net sales		Net sales		Accounts receivable, as of		Net sales		Accounts receivable, as of	
	Three Months Ended September 30,		Nine Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	2023	2022	September 30, 2023	December 31, 2022	2024	2023	March 31, 2024	December 31, 2023
Customer A	13 %	*	14 %	*	25 %	*	11 %	18 %	*	*
Customer B	12 %	*	*	*	11 %	*	*	*	17 %	13 %
Customer C	*	*	*	*	*	12 %	10 %	*	*	*
* represents less than 10%										

11. SUBSEQUENT EVENTS

The Company has evaluated events and transactions subsequent to September 30, 2023 March 31, 2024 through the date of this Quarterly Report on Form 10-Q, and there any material subsequent events are no other events to report other than what has been disclosed in the condensed consolidated financial statements. reported below.

On April 30, 2024, the Company terminated a receivables factoring agreement with Culain Capital Funding, LLC, dated March 23, 2023 (the "Factoring Agreement"). Precipio did not incur any early termination penalties in connection with the termination of the Factoring Agreement

On May 1, 2024, the Company entered into a Business Loan and Security Agreement (the "Loan Agreement"), by and between the Company, as borrower, and Altbanq Lending LLC., as lender (the "Lender") pursuant to which the Company obtained a loan from the Lender in the principal amount of $250,000, which includes origination fees of $3,750 (the "Loan"). According to the Loan Agreement, the Company granted the Lender a continuing security interest in certain collateral (as defined in the Loan Agreement). Furthermore, the Company's Chief Executive Officer, provided a personal guaranty for the Secured Loan. Under the Loan Agreement, the Company received the Loan net of fees of $5,000. The Loan has an interest rate of 20%, such that pursuant to the Loan Agreement, the Company is obligated to pay the Lender 52 weekly payments of approximately $6,000 for a total repayment amount of $300,000 in principal and interest (not including any fees). If the

Company defaults on payments then a default fee of $15,000.00 shall be payable to the Lender. The Company has the right, at its discretion to request the Lender to loan an additional amount of up to $250,000 on the same terms and conditions, provided that there has been no material change in the Company's finances.

Table of Contents

From April 1, 2024 through the date of issuance of this Quarterly Report on Form 10-Q, the Company received additional proceeds through Change Healthcare's Temporary Assistance Program of approximately $0.6 million.

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

Forward-Looking Information

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis, contains forward-looking statements. statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. These statements are based on management's current views, assumptions or beliefs of future events and financial performance and are subject to uncertainty and changes in circumstances. Readers of this report should understand that these statements are not guarantees of performance or results. Many factors could affect our actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements. These factors include, among other things: our expected revenue, income (loss), receivables, operating expenses, the effects of the recent Change Healthcare cyberattack on us or our operations, supplier pricing, availability and prices of raw materials, insurance reimbursements, product pricing, foreign currency exchange rates, sources of funding operations and acquisitions, our ability to raise funds, sufficiency of available liquidity, future interest and inflation costs, future economic circumstances, business strategy, industry conditions and key trends, our ability to execute our operating plans, the success of our cost savings initiatives, competitive environment and related market conditions, our ability to comply with the listing requirements of the Nasdaq Capital Market, expected financial and other benefits from our organizational restructuring activities, geopolitical uncertainties including the ongoing Russia and Ukraine conflict and the Israel-Hamas war, actions of governments and regulatory factors affecting our business, including a potential U.S. federal government shutdown, projections of future earnings, revenues, synergies, accretion or other financial items, any statements of the plans, strategies and objectives of management for future operations, retaining key employees and other risks as described in our reports filed with the Securities and Exchange Commission (the "SEC"). In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" or the negative of such terms and other similar expressions.

You are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements that we make for a number of reasons, including those described in Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q and our prior filings with the Securities and Exchange Commission.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The following discussion should be read together with our condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q and with the financial statements, related notes and Management's Discussion and Analysis included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, which we filed with the Securities and Exchange Commission on March 30, 2023 March 29, 2024. Results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of results that may be attained in the future.

Overview

We are Precipio, Inc., and its subsidiaries, (collectively, “we”, “us”, “our”, the “Company” or “Precipio”) is a healthcare solutions biotechnology company focused on cancer diagnostics. Our business mission is to address the pervasive problem of cancer misdiagnoses by developing solutions to mitigate the root causes of this problem in the form of diagnostic products reagents and services. Misdiagnoses originate from outdated commercial diagnostic cancer testing

Our products and services aim to deliver higher accuracy, improved laboratory workflow, and ultimately better patient outcomes, which reduce healthcare expenses. We develop innovative technologies lack of subspecialized expertise, in our laboratory where we design, test, validate, and sub-optimal laboratory processes that are needed in today’s diagnostic cancer testing in order to provide accurate, rapid, and resource-effective results to treat patients. Industry studies estimate 1 in 5 blood-cancer patients are misdiagnosed. As cancer diagnostic testing has evolved from cellular to molecular (genes and exons), laboratory testing has become extremely complex, requiring even greater diagnostic precision, attention to process and a more appropriate evaluation of the abundance of genetic data to effectively gather, consider, analyze and present information for the physician for patient treatment. use these products clinically. We believe cancer diagnostics requires a holistic approach to these technologies improve the quality of diagnostic data and achieve more accurate interpretations of the patient situation, with the intent to reduce misdiagnoses. By delivering products, reagents and services that improve the accuracy and efficiency of diagnostics, leading to fewer misdiagnoses, we believe patient outcomes can be improved through the selection of across

---

Table of Contents

appropriate therapeutic options. Furthermore, we believe various diseases within the hematologic field. We then commercialize these technologies as proprietary products that better patient outcomes will have a positive impact on healthcare expenses as misdiagnoses are reduced. Better diagnostic results – Better Patient Outcome – Lower Healthcare Expenditures.

serve the global laboratory community in furtherance of our mission to eliminate or greatly reduce the prevalence of misdiagnosis. To deliver our strategy, we have structured our organization to develop diagnostic products. Laboratory products, including our laboratory and research and development (“R&D &D”) facilities located in New Haven, Connecticut and Omaha, Nebraska, respectively, which house teams that collaborate on the development of new products and services. The Company operates We operate CLIA laboratories in both the New Haven, Connecticut and Omaha, Nebraska locations providing where we provide essential blood cancer diagnostics to office-based oncologists in many states nationwide. To deliver on our strategy of mitigating misdiagnoses we rely heavily on our CLIA laboratory to support R&D beta-testing of the products we develop, in a clinical environment.

The development of laboratory products involves a qualified facility; highly skilled laboratory staff; and access to viable patient specimens to conduct development and testing. Our CLIA laboratory in New Haven, which is operated by our pathology services division, encapsulates these components, and also generates revenue for us which covers costs associated with operating this laboratory. This structure of utilizing our clinical lab to obtain samples and utilize the equipment and staffing to develop, test and validate our products, significantly reduces the development costs and timeline for our products. This also enables us to accelerate the time to market of new product development and launch.

Furthermore, as a clinical laboratory, we are always the first user of every product we develop, which allows us to optimize important laboratory functions such as workflow, inventory management, regulatory and billing issues. As a vendor, this places us as a reputable user of our own products, and we believe gains us significant credibility with existing and prospective customers. Furthermore, because we use our products as part of our day-to-day operations, we are able to deliver a high level of hands-on, experienced support to customers, improving their experience with our products.

Our Products Division commercial team generates direct sales as well as and works with our key distributors. Global healthcare distributors, such as ThermoFisher, McKesson, and McKesson, Cardinal Health, have partnered with us to form the backbone of the Company’s our go-to-market strategy and enable us to access laboratories around the country that can benefit from using our diagnostic products.

In April 2020, we formed a Joint Venture with Poplar. Poplar provides specialized laboratory testing services Our operating structure promotes the harnessing of our proprietary technology and genetic diagnostic expertise to a nationwide client base bring to market our robust

pipeline of gastroenterologists, dermatologists, oncologists, urologists, gynecologists and their patients. The business purpose innovative solutions designed to address the root causes of the Joint Venture is to facilitate and capitalize on the combined capabilities, resources and healthcare industry relationships of its members by partnering, promoting and providing oncology services to office based physicians, hospitals and medical centers. Under the terms of the Joint Venture, Precipio SPV has a 49% ownership interest in the Joint Venture, with Poplar having a 51 % ownership. We have determined that we hold a variable interest in the Joint Venture and that we are the primary beneficiary of the Joint Venture. Due to this determination, we consolidate the Joint Venture. See Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements appearing elsewhere in this report for further discussion. The Joint Venture was dissolved on November 1, 2023 with an effective date of December 31, 2022.

misdiagnoses.

Going Concern

The condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America ("GAAP") applicable for a going concern, which assume that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company has incurred substantial operating losses and has used cash in its operating activities for the past several years. For the nine three months ended September 30, 2023 March 31, 2024, the Company had a net loss of $6.8 million $2.1 million and net cash used in operating activities of $3.7 million $0.7 million. As of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of $99.1 million $100.2 million and negative a working capital deficit of $1.1 million $0.7 million. The Company's ability to continue as a going concern over the next twelve months from the date the condensed consolidated financial statements were issued is dependent upon a combination of achieving its business plan, including generating additional revenue, and raising additional financing to meet its debt obligations and paying liabilities arising from normal business operations when they come due.

To meet its current and future obligations the Company has taken the following steps to capitalize the business and successfully achieve its business plan: business:

- On April 14, 2023, the Company entered into a sales agreement with AGP, pursuant to which the Company may offer and sell its common stock having aggregate sales proceeds of up to $5.8 million, to or through AGP, as sales agent (the "AGP 2023 Sales Agreement"). The sale of our shares of common stock to or through AGP, pursuant to the AGP 2023 Sales Agreement, will be made pursuant to the registration statement (the "2023 Registration Statement") on Form S-3 (File No. 333-271277), filed by the Company with the SEC on April 14, 2023, as amended by Amendment No. 1 filed by the Company with the SEC on April 25, 2023, and declared effective on April 27, 2023. As of the date the condensed consolidated financial statements were issued, we have received less than $1 thousand $0.1 million in gross proceeds through the AGP 2023 Sales Agreement from the sale of 25 11,847 shares of common stock. The Company approximately $3.8 million available for future sales pursuant to the AGP 2023 Sales Agreement.

Table of Contents

approximately $3.7 million available for future sales pursuant to the AGP 2023 Sales Agreement. On April 8, 2024, we filed a prospectus supplement to our prospectus dated April 25, 2023 registering the offer and sale of up to $1,061,478 of shares of our common stock. We have approximately $1.0 million of remaining availability pursuant to this prospectus supplement.

- On June 8, 2023, the Company entered into a securities purchase agreement pursuant to which it received $2.0 million in gross proceeds through the sale of 206,250 shares of common stock and warrants to purchase shares of our common stock. Issuance costs were approximately $0.2 million and the Company intends to use the net proceeds for working capital and general corporate purposes.

Notwithstanding the aforementioned circumstances, there remains substantial doubt about the Company's ability to continue as a going concern over the next twelve months from the date of issuance of this Quarterly Report on Form 10-Q. There can be no assurance that the Company will be able to successfully achieve its initiatives summarized above in order to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern as a result of the outcome of this uncertainty.

Results of Operations for the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Net Sales. Net sales were as follows:

	Dollars in Thousands				Dollars in Thousands			
	Three Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	2022	$	%	2024	2023	$	%
Service revenue, net, less allowance for doubtful accounts	$ 3,687	$ 1,980	$ 1,707	86 %				
Service revenue, net, less allowance for credit loss					$2,775	$2,056	$ 719	35 %
Other	831	235	596	254 %	657	761	(104)	(14)%
Net Sales	$ 4,518	$ 2,215	$ 2,303	104 %	$3,432	$2,817	$ 615	22 %

Net sales for the three months ended September 30, 2023 March 31, 2024 were approximately $4.5 million $3.4 million, an increase of $2.3 million $0.6 million as compared to the same period in 2022. 2023. During the three months ended September 30, 2023 March 31, 2024, patient diagnostic service revenue increased $1.7 million $0.7 million as compared to the same period in 2022. 2023. This increase was due to a greater number of cases processed in the current year period. We processed 2,105 2,062 cases during the three months ended September 30, 2023 March 31, 2024 as compared to 1,031 1,196 cases during the same period in 2022, 2023, or a 104% 72% increase in cases. Other revenue increased by $0.6 million for The benefit of the three months ended September 30, 2023 increase in cases billed during the first quarter of 2024 as compared to the same period in 2022. The other revenues were primarily related to increased sales of our HemeScreen product 2023 was partially offset by a lower average price per case during the current year as a result of a greater number of customers purchasing reagents during different product mix. Other revenue decreased by $0.1 million for the current year period. three months ended March 31, 2024 as compared to the same period in 2023.

Cost of Sales. Cost of sales includes material and supply costs for the patient tests performed, costs related to HSRR products and other direct costs (primarily personnel costs, pathologist interpretation costs and rent) associated with the operations of our laboratory. Cost of sales increased by $0.9 million $0.4 million for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in 2022. 2023.

Gross Profit. Gross profit and gross margins were as follows:

	Dollars in Thousands				Dollars in Thousands			
	Three Months Ended September 30,		Margin %		Three Months Ended March 31,		Margin %	
	2023	2022	2023	2022	2024	2023	2024	2023
Gross Profit	$ 1,885	$ 436	42 %	20 %	$920	$749	27 %	27 %

Gross margin was 42% 27% of total net sales, for the three months ended September 30, 2023, as compared to 20% of total net sales for the same period in 2022. March 31, 2024 and 2023, respectively. Gross profit was approximately $1.9 million $0.9 million and $0.4 million $0.7 million during the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The gross profit increased during the three months ended September 30, 2023 March 31, 2024, as compared to the prior year period, as a result of increases in case volume and revenue. We operate a fully staffed CLIA and CAP certified clinical

Table of Contents

pathology and molecular laboratory. As such, it is necessary to maintain appropriate staffing levels to provide industry standard laboratory processing and reporting to ordering physicians. An increase in case volume will enable our laboratory to yield economies of scale and to leverage fixed expenses.

Table of Contents

Operating Expenses. Operating expenses primarily consist of personnel costs, professional fees, travel costs, facility costs, stock-based compensation costs and depreciation and amortization. Our operating expenses decreased by $0.3 million to $3.3 million for the three months ended September 30, 2023 as compared to the same period in 2022. The decreases included a decrease of $0.4 million in stock-based compensation expense for the three months ended September 30, 2023 and a decrease in research and development expenses of $0.1 million. These decreases were partially offset by an increase of $0.1 million in general and administrative expenses, which was due to an increase in personnel costs and legal and professional fee expenses, and an increase of $0.1 million in sales and marketing expenses due mainly to increased personnel costs associated with the increased revenue for the three months ended September 30, 2023.

Other (Expense) Income. We recorded net other expense of $7 thousand for the three months ended September 30, 2023 which was related to net interest expense. During the three months ended September 30, 2022, we recorded net other income of $0.1 million which was primarily attributable to non-cash income recorded on warrant revaluations and was partially offset by $6 thousand of net interest expense.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

Net Sales. Net sales were as follows:

	Dollars in Thousands			
	Nine Months Ended September 30,		Change	
	2023	2022	$	%
Service revenue, net, less allowance for doubtful accounts	$ 8,399	$ 6,044	$ 2,355	39 %
Other	2,469	977	1,492	153 %
Net Sales	$ 10,868	$ 7,021	$ 3,847	55 %

Net sales for the nine months ended September 30, 2023 were approximately $10.9 million, an increase of $3.8 million as compared to the same period in 2022. During the nine months ended September 30, 2023, patient diagnostic service revenue increased $2.4 million as compared to the same period in 2022. This increase was due to a greater number of cases processed in the current year period. We processed 4,915 cases during the nine months ended September 30, 2023 as compared to 3,037 cases during the same period in 2022, or a 62% increase in cases. Other revenue increased by $1.5 million for the nine months ended September 30, 2023 as compared to the same period in 2022. The other revenues were primarily related to increased sales of our HemeScreen product as a result of a greater number of customers purchasing reagents during the current year period.

Cost of Sales. Cost of sales includes material and supply costs for the patient tests performed, costs related to HSRR products and other direct costs (primarily personnel costs, pathologist interpretation costs and rent) associated with the operations of our laboratory. Cost of sales increased by $1.8 million for the nine months ended September 30, 2023 as compared to the same period in 2022.

Gross Profit. Gross profit and gross margins were as follows:

	Dollars in Thousands			
	Nine Months Ended September 30,		Margin %	
	2023	2022	2023	2022
Gross Profit	$ 4,005	1,912	37 %	27 %

Gross margin was 37% of total net sales, for the nine months ended September 30, 2023, as compared to 27% of total net sales for the same period in 2022. Gross profit was approximately $4.0 million and $1.9 million during the nine months ended September 30, 2023 and 2022, respectively. The gross profit increased during the nine months ended September 30, 2023, as compared to the prior year period, as a

result of increases in case volume and revenue. We operate a fully staffed CLIA and CAP certified clinical pathology and molecular laboratory. As such, it is necessary to maintain

Table of Contents

appropriate staffing levels to provide industry standard laboratory processing and reporting to ordering physicians. An increase in case volume will enable our laboratory to yield economies of scale and to leverage fixed expenses.

Operating Expenses. Operating expenses primarily consist of personnel costs, professional fees, travel costs, facility costs, stock-based compensation costs and depreciation and amortization. Our operating expenses decreased by $1.6 million $0.8 million to $10.8 million $3.0 million for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in 2022. 2023. The decrease included was attributable to: (1) a decrease of $0.2 million in general and administrative expenses, which was due to a decreases of $0.1 million in personnel costs and $0.1 million in legal and professional fee expenses, and stock-based compensation expense, (2) a decrease of $2.2 million in stock-based compensation expenses for the nine months ended September 30, 2023. These decreases were partially offset by a $0.8 million increase $0.6 million in sales and marketing expenses due mainly to increased decreases in personnel costs as we expanded our product sales force starting in the second half a result of 2022, a lower headcount, and an increase (3) a decrease of $0.1 million in research and development expenses of less than $0.1 million. expenses.

Other (Expense) Income. We recorded net other expense $12 $5 thousand and $4 thousand for the nine three months ended September 30, 2023 March 31, 2024 and 2023, respectively, which was related to net interest expense. During the nine months ended September 30, 2022, we recorded net other income of $0.6 million which was primarily attributable to non-cash income recorded on warrant revaluations and was partially offset by $6 thousand of net interest expense.

Liquidity and Capital Resources

Our working capital positions were as follows:

	September 30, 2023	December 31, 2022	Change	March 31, 2024	December 31, 2023	Change
Current assets (including cash of $1,562 and $3,445 respectively)	$ 4,309	$ 5,710	$ (1,401)			
Current assets (including cash of $776 and $1,502 respectively)				$ 2,595	$ 3,682	$(1,087)
Current liabilities	5,454	4,361	1,093	3,327	3,141	186
Working capital	$ (1,145)	$ 1,349	$ (2,494)	$ (732)	$ 541	$(1,273)

During the nine three months ended September 30, 2023 March 31, 2024 we received net proceeds of $2.2 million $0.1 million from sale of 237,102 10,167 shares of our common stock through purchase agreements and at the market offerings. The Company has approximately $3.8 million $3.7 million available for future sales pursuant to the AGP 2023 Sales Agreement.

Analysis of Cash Flows – Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

	Nine Months Ended September 30,			Three Months Ended March 31,		
	2023	2022	Change	2024	2023	Change
Net cash used in operating activities	$ (3,673)	$ (6,221)	$ 2,548	$ (667)	$(1,575)	$ 908
Net cash used in investing activities	(77)	(225)	148	—	(22)	22
Net cash provided by (used in) financing	1,867	(78)	1,945	(59)	293	(352)
Net change in cash	$ (1,883)	$ (6,524)	$ 4,641	$ (726)	$(1,304)	$ 578

Cash Flows Used in Operating Activities. The cash flows used in operating activities of approximately $3.7 million $0.7 million during the nine three months ended September 30, 2023 March 31, 2024 included a net loss of $6.8 million $2.1 million, an increase in accounts

receivables inventories of $0.6 million $0.1 million and a decrease in operating lease liabilities and deferred revenue accrued expenses of $0.3 million $0.1 million. These were partially offset by a decrease in inventories accounts receivables of $0.1 million $0.3 million, a decrease in other assets of $0.3 million $0.1 million, an increase in accounts payable of $0.5 million $0.3 million, an increase in accrued expenses deferred revenues of $0.6 million $0.1 million, and non-cash adjustments of $2.5 million $0.8 million. The non-cash adjustments included $0.2 million $0.1 million for the change in provision for losses on doubtful accounts. credit losses. We routinely provide a reserve for doubtful accounts credit losses as a result of having limited in-network payer contracts. The other non-cash adjustments to net loss of approximately $2.3 million $0.7 million include, among other things, depreciation and amortization, and stock-based compensation. The cash flows used in operating activities of approximately $6.2 million $1.6 million during the nine three months ended September 30, 2022 March 31, 2023 included a net loss of $9.9 million, an increase in accounts receivables of $0.5 million, a decrease accrued expenses and other liabilities of $0.4 million, an increase in inventories of $0.1 million $3.0 million and a decrease in operating lease liabilities of less than $0.1 million. These were partially offset by a decrease in accounts receivables of $0.2 million, a decrease in inventories of $0.2 million, a decrease in other assets of $0.4 million $0.1 million, an increase in accounts payable of $0.2 million $0.1 million, an increase in accrued expenses of $0.1 million, and non-cash adjustments of $4.2 million $0.8 million.

Table of Contents

Cash Flows Used In Investing Activities. Cash flows used in investing activities were $0.1 million zero and $0.2 million less than $0.1 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, resulting from purchases of property and equipment.

Cash Flows Used in or Provided by Financing Activities. Cash flows used in financing activities totaled $0.1 million for the three months ended March 31, 2024, which included $0.1 million in payments on our long-term debt and finance lease obligations partially offset by less than $0.1 million of proceeds from the issuance of common stock. Cash flows provided by financing activities totaled $1.9 million $0.3 million for the nine three months ended September 30, 2023 March 31, 2023, which included $2.2 million $0.4 million of proceeds from the issuance of common stock partially offset by payments on our long-term debt and finance lease obligations of $0.3 million $0.1 million. Cash flows used by financing activities totaled $0.1 million for the nine months ended September 30, 2022, which included payments on our long-term debt and finance lease obligations of $0.2 million partially offset by $0.1 million of proceeds from the issuance of common stock.

For further information regarding the Company's future funding requirements, see the Going Concern disclosure in Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements included with this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

At each of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, other than certain purchase commitments of approximately $0.7 million $1.6 million and $1.3 million $1.9 million, respectively, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. The purchase commitments are mostly for laboratory reagents used in our normal operating business.

Contractual Obligations and Commitments

No significant changes to contractual obligations and commitments occurred during the nine three months ended September 30, 2023 March 31, 2024, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission on March 30, 2023 March 29, 2024.

Critical Accounting Policies and Estimates

Accounting policies used in the The preparation of our financial statements may involve in conformity with U.S. generally accepted accounting principles ("GAAP") requires the use of Company's management judgments and estimates. Certain of our accounting policies are considered critical as they are both important to the portrayal of our financial statements and require significant or complex judgments on the part of management. Our judgments and make estimates are based on experience and assumptions that we believe are reasonable

under affect the circumstances. Further, we evaluate our judgments reported amounts of assets and estimates from time to time as circumstances change. liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual financial results based on judgments or estimates may vary under different assumptions or circumstances. Our critical accounting policies estimates are discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, 2023, filed with the Securities and Exchange Commission on March 30, 2023 March 29, 2024.

Recently Issued Accounting Pronouncements

See the accompanying unaudited condensed consolidated financial statements and Note 2 - “Summary of Significant Accounting Policies” in the Notes to unaudited condensed consolidated financial statements for additional information regarding recently issued accounting pronouncements.

Impact of Inflation

Inflation generally affects us with increased cost of labor and operating supplies. We do not believe that price inflation had a material adverse effect on our financial condition or results of operations during the periods presented.

Table of Contents

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, as amended, and are not required to provide the information required under this item.

Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, management performed, with the participation of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”), and that such information is accumulated and communicated to management including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the 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 no evaluation of controls and procedures can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2023 March 31, 2024.

Changes in Internal Control over Financial Reporting

We have evaluated the changes in our internal control over financial reporting that occurred during the three months ended September 30, 2023 March 31, 2024 and concluded that there have not been any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirement, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The outcome of legal proceedings and claims brought against us are subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against us in the same reporting period for amounts in excess of management's expectations, our financial statements for such reporting period could be materially adversely affected. In general, the resolution of a legal matter could prevent us from offering our services or products to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results.

The Company is involved in legal proceedings related to matters, which are incidental to its business and is delinquent on the payment of outstanding accounts payable for certain vendors and suppliers who have taken or have threatened to take legal action to collect such outstanding amounts. See below for a discussion on these matters.

CPA Global provides us with certain patent management services. As previously reported, on February 6, 2017, CPA Global claimed that we owed approximately $0.2 million for certain patent maintenance services rendered. CPA Global has not filed claims against us in connection with this allegation. A liability of less than $0.1 million has been recorded and is reflected in accounts payable within the accompanying condensed consolidated balance sheets at September 30, 2023 and December 31, 2022.

Item 1A. Risk Factors

As disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, there are a number of risks and uncertainties that may have a material effect on the operating results of our business and our financial condition. The following information updates, and should be read in conjunction with, the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, and other filings we make with the Securities and Exchange Commission, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

We have incurred losses since our inception and expect to incur losses for the foreseeable future. We cannot be certain that we will achieve or sustain profitability.

We have incurred losses since our inception and expect to incur losses in the future. At September 30, 2023 March 31, 2024, we had a working capital deficit of negative $1.1 million $0.7 million. For the nine three months ended September 30, 2023 March 31, 2024, we had an operating cash flow deficit of $3.7 million $0.7 million and a net loss of $6.8 million $2.1 million. For the period ended September 30, 2023 March 31, 2024, we have experienced negative cash flow from development of our diagnostic technology, as well as from the costs associated with establishing a laboratory and building a sales force to market our products and services. We expect to incur substantial net losses through at least 2023 2024 as we further develop and commercialize our diagnostic technology. We also expect that our selling,

---

Table of Contents

general and administrative expenses will continue to increase due to the additional costs associated with market development activities and expanding our staff to sell and support our products. Our ability to achieve or, if achieved, sustain profitability is based on numerous factors, many of which are beyond our control, including the market acceptance of our products, competitive product development and our market penetration and margins. We may never be able to generate sufficient revenue to achieve or, if achieved, sustain profitability.

Table of Contents

We may need to raise substantial additional capital to commercialize our diagnostic technology, and our failure to obtain funding when needed may force us to delay, reduce or eliminate our product development programs or collaboration efforts or force us to restrict or cease operations.

As of September 30, 2023 March 31, 2024, we had cash of $1.6 million $0.8 million and our a working capital was negative $1.1 million deficit of $0.7 million. Due to our recurring losses from operations and the expectation that we will continue to incur losses in the future, we may be required to raise additional capital to complete the development and commercialization of our current product candidates and to pay off our obligations. To date, to fund our operations and develop and commercialize our products, we have relied primarily on equity and debt financings. In future periods, when we seek additional capital, we may seek to sell additional equity and/or debt securities or to obtain a credit facility, which we may not be able to do on favorable terms, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates, restrict or cease our operations or obtain funds by entering into agreements on unattractive terms.

If we fail to satisfy Nasdaq listing requirements and other rules, our securities may be delisted, which could negatively impact the price of our securities and hinder our ability to raise capital. terms

On October 28, 2022, we received a letter from the Nasdaq Capital Market (“Nasdaq”) notifying us that for the past 30 consecutive business days, the closing bid price per share of our common stock was below $1.00, the minimum bid price requirement for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”). As a result, Nasdaq notified us that we were not in compliance with the Bid Price Rule. The notice from Nasdaq had no immediate effect on the listing of the shares of our common stock. Nasdaq provided us until April 26, 2023 to regain compliance with the Bid Price Rule.

On April 27, 2023, Nasdaq notified us that we were eligible for an extension to comply with the Bid Price Rule until October 23, 2023, by which date we must regain compliance with the Bid Price Rule for at least ten consecutive business days along with compliance of other

Nasdaq listing rules.

On September 21, 2023 we filed a Certificate of Amendment to our Third Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, pursuant to which we effected a 1-for-20 reverse stock split (the "Reverse Stock Split") of our issued and outstanding common stock. The Reverse Stock Split became effective as of 5:00 p.m. (Eastern Time) on September 21, 2023, and our common stock began trading on a split-adjusted basis on Nasdaq at the market open on September 22, 2023. On October 6, 2023, we received notification from Nasdaq that for ten consecutive business days, the closing bid price of our common stock was at least $1.00 per share, and accordingly, we regained compliance with the Bid Price Rule, and that the matter is now closed.

However, we cannot guarantee continued satisfaction of the Nasdaq listing requirements and other rules in the future. If we fail to satisfy these requirements and rules and Nasdaq were to delist our securities, we could face significant consequences, including:

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is a "penny stock," which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in reduced trading;
- reduced activity in the secondary trading market for our common stock;
- reduced or limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Table of Contents

These factors could result in lower prices and larger spreads in the bid and ask prices for our common stock and would substantially impair our ability to raise additional funds and could result in a loss of institutional investor interest and fewer development opportunities for us.

Our internal control over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur.

The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. Our current controls and any new controls that we develop may become inadequate, and weaknesses in our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting, which we may be required to include in our periodic reports that we file with the SEC under Section 404 of the Sarbanes-Oxley Act, and could harm our operating results, cause us to fail to meet our reporting obligations, or result in a restatement of our prior period financial statements. If we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results, and the price of our common stock could decline.

We are required to comply with certain of the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. This assessment needs to include the disclosure of any material weaknesses in our internal control over financial reporting identified by our management or our independent registered public accounting firm. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting or if we are unable to complete our evaluation, testing, and any required remediation in a timely fashion, we will be unable to assert that our internal control over financial reporting is effective.

These developments could make it more difficult for us to retain qualified members of our Board of Directors, or qualified executive officers. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs

we may incur as a result. To the extent these costs are significant, our general and administrative expenses are likely to increase.

The sale or issuance of our common stock to, or through, AGP, or otherwise, may cause significant dilution and the sale of the shares of common stock acquired by AGP or others, or the perception that such sales may occur, could cause the price of our common stock to fall.

On April 14, 2023, we entered into a sales agreement with AGP, pursuant to which we may offer and sell our Common Stock, having aggregate sales proceeds of up to $5.8 million, to or through AGP, from time to time, in an at-the-market offering (the "2023 ATM Offering"). We are limited in the number of shares we can sell in the 2023 ATM Offering due to the offering limitations currently applicable to the Company under General Instruction I.B.6. of Form S-3 and the Company's public float as of the applicable date of such sales, as well as the number of authorized and unissued shares available for issuance, in accordance with the terms of the AGP 2023 Sales Agreement. Sales to, or through, AGP by us could result in substantial dilution to the interests of other holders of our common stock. Additionally, the sale of a substantial number of shares of our common stock, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

Table of Contents

From April 14, 2023 through September 30, 2023, the date of issuance of this Quarterly Report on From 10-Q, we received less than $1 thousand $0.1 million in gross proceeds through the AGP 2023 Sales Agreement from the sale of 25 11,847 shares of Common Stock. The Company has an additional $3.8 million $3.7 million available for future sales pursuant to the AGP 2023 Sales Agreement. On January 8, 2024, we filed a prospectus supplement to our prospectus dated April 25, 2023 registering the offer and sale of up to $1,061,478 of shares of our common stock. We have approximately $1.0 million of remaining availability pursuant to this prospectus supplement.

We have issued a substantial number of warrants and equity awards from our equity plans which are exercisable into shares of our common stock which could result in substantial dilution to the ownership interests of our existing stockholders.

As of September 30, 2023 March 31, 2024, approximately 481,860 459,535 shares of our common stock were reserved for issuance upon exercise or conversion of outstanding warrants. Additionally, 234,213 230,140 shares of our common stock were reserved for issuance upon exercise of outstanding stock options. The exercise or conversion of these securities will result in a significant increase in the number of outstanding shares and substantially dilute the ownership interests of our existing stockholders. The shares underlying the equity awards from our equity plans are registered on a Form S-8 registration statement. As a result, upon vesting these shares can be freely exercised and sold in the public market upon issuance, subject to volume limitations applicable to affiliates. The exercise of options and the subsequent sale of the underlying common stock could cause a decline in our stock price. As of September 30, 2023,

Cybersecurity risks could compromise our outstanding warrants included 15,972 shares of our common stock reserved for issuance upon exercise of pre-funded warrants, information and expose us to liability, which are already included in our calculation of our weighted average common shares outstanding.

Sales of a substantial number of shares of our common stock in the public market after the registered direct offering and concurrent private placement of June 2023 could cause our stock price to fall.

We sold 206,250 shares of common stock, pre-funded warrants to purchase 15,972 shares of common stock and warrants to purchase 444,444 shares of common stock in our June 2023 registered direct offering and concurrent private placement. The sales of a substantial number of the shares and/or the exercise and sale of a substantial number of the pre-funded warrants and common warrants in the public market or the perception that these sales might occur could depress the market price of our common stock and could impair may harm our ability to raise capital through the sale of additional equity securities. We are unable operate effectively and may cause our business and reputation to predict the effect that sales may have on the prevailing market price of our common stock. In addition, the sale of substantial amounts of our common stock could adversely impact the price of our common stock. The sale, or the availability for sale, of a large number of shares of our common stock in the public market could cause the price of our common stock to decline. suffer.

We may become subject ***Cybersecurity refers*** *to the* ***Anti-Kickback Statute, Stark Law, False Claims Act, Civil Monetary Penalties Law*** ***combination of technologies, processes*** *and* ***may be subject*** ***procedures established*** *to* ***analogous provisions of applicable state laws*** ***protect information technology systems*** *and* ***could face substantial penalties if we fail to comply with such laws.***

There are several federal laws addressing fraud and abuse that apply to businesses that receive reimbursement data from a federal health care program. There are also a number of similar state laws covering fraud and abuse with respect to, for example, private payers, self-pay and insurance. Currently, we receive a substantial percentage of our revenue from private payers and from Medicare. Accordingly, our business is subject to federal fraud and abuse laws, such as the Anti-Kickback Statute, the Stark Law, the False Claims Act, the Civil Monetary Penalties Law and other similar laws. Moreover, we are already subject to similar state laws. unauthorized access, misuse, attack, or damage. We believe we have operated, and intend to continue to operate, our business in compliance with these laws. However, these laws are subject to modification and changes in interpretation, and are enforced by authorities vested with broad discretion. Federal and state enforcement entities have significantly increased their scrutiny of healthcare companies and providers which has led to investigations, prosecutions, convictions and large settlements. We continually monitor developments in this area. If these laws are interpreted in a manner contrary to our interpretation or are reinterpreted or amended, or if new legislation is enacted with respect to healthcare fraud and abuse, illegal remuneration, or similar issues, we may be required to restructure our affected operations to maintain compliance with applicable law. There can be no assurances that any such restructuring will be possible or, if possible, would not have a material adverse effect rely on our results of operations, financial position, or cash flows.

For more information see *"Risk Factors – Reimbursement and Regulatory Risk Relating systems to Our Business – We may become subject to the Anti-Kickback Statute, Stark Law, False Claims Act, Civil Monetary Penalties Law and may be*

Table of Contents

subject provide security for processing, transmission and storage of confidential information about our patients, customers and personnel, such as names, addresses and other individually identifiable information protected by the Health Insurance Portability and Accountability Act, ("HIPAA"), other privacy laws. We rely on our third-party providers to analogous provisions implement effective security measures and identify and correct for any such failures, deficiencies or incidents. We also rely on our employees and consultants to safeguard their security credentials and follow our policies and procedures regarding use and access of applicable state laws computers and could face substantial penalties if other devices that may contain our sensitive information. If we or our third-party providers fail to comply maintain or protect our information technology systems and data integrity effectively or fail to anticipate, plan for or manage significant disruptions to our information technology systems, we or our third-party providers could have difficulty preventing, detecting and controlling such cyberattacks and any such attacks could result in losses described above, as well as disputes with such laws" physicians, patients and our partners, regulatory sanctions or penalties, increases in our Annual Report on Form 10-K for the year ended December 31, 2022.

Disruptions at the FDA and operating expenses, expenses or lost revenues or other government agencies caused by funding shortages could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner, or otherwise prevent those agencies from performing normal business functions, which could negatively impact our business.

The ability adverse consequences, any of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of government agencies on which our operations may rely is subject to the impacts of political events, which are inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which could adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our submissions, which could have a material adverse effect on our business, results of operations, financial condition, prospects and cash flows. Any failure by such third parties to prevent or mitigate security breaches or improper access to, misuse of, or disclosure of such information could have similarly adverse consequences for us. For example, our vendor, Change Healthcare, disclosed a

security incident in February 2024 which resulted in temporary inaccessibility of certain of its information technology systems. While the Change Healthcare incident did not materially adversely affect our business, financial condition or operating results, it did result in temporary delays in our ability to complete our typical billing and reimbursement processes. If, in the future, we are unable to prevent or mitigate the impact of such security or data privacy breaches or other incidents, we could be exposed to litigation and governmental investigations, which could lead to a potential disruption to our business.

Cyberattacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyberattacks could include wrongful conduct by hostile foreign governments, industrial espionage, wire fraud and other forms of cyber fraud, the deployment of harmful malware, denial-of-service, social engineering fraud or other means to threaten data security, confidentiality, integrity and availability. A successful cyberattack could cause serious negative consequences for us, including, without limitation, the disruption of operations, the misappropriation of confidential business information, including financial information, trade secrets, financial loss and the disclosure of corporate strategic plans. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and changing requirements. Compliance with changes in privacy and information security laws and with rapidly evolving industry standards may result in our incurring significant expense due to increased investment in technology and the development of new operational processes.

We have not experienced any known attacks on our information technology systems that compromised any confidential information. We maintain our information technology systems with safeguards designed to protect against cyberattacks including passive intrusion protection, firewalls and virus detection software. However, these safeguards do not ensure that a significant cyberattack could not occur. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems' improper functioning or damage or the improper access or disclosure of personally identifiable information such as in the event of cyberattacks.

Security incidents, including physical or electronic break-ins, computer viruses, attacks by hackers and similar incidents can create system disruptions or shutdowns or the unauthorized disclosure of, access to, or misuse of confidential information. If personal information or protected health information is improperly accessed, tampered with, misused or disclosed as a result of a security breach, we may incur significant costs to notify and mitigate potential harm to the affected individuals, and we may be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under HIPAA or other similar federal or state laws protecting confidential personal information. In addition, a security breach of or other incident affecting our information systems could damage our reputation, subject us to liability claims or regulatory penalties for compromised personal information and could have a material adverse effect on our business, financial condition and results of operations

There have been no other material changes from the risk factors disclosed in "Part I, Item 1A—Risk Factors" of our most recent Annual Report. The above risk factor should be read in conjunction with the risk factors disclosed therein.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2023 March 31, 2024, we did not have any sales of unregistered securities.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None of our directors or "officers," as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, adopted or terminated a Rule 10b5-1 trading plan or arrangement or a non-Rule 10b5-1 trading plan or arrangement, as defined in Item 408(c) of Regulation S-K, during the fiscal quarter covered by this report.

Table of Contents

Item 6. Exhibits

(a) Exhibits

10.1	Business Loan and Security Agreement dated May 1, 2024 by and between the Company and Altbanq Lending LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on May 6, 2024).
31.1	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.
31.2	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.
32.1*	Certification of Principal Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.
32.2*	Certification of Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.
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.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates it by reference.

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.

PRECIPIO, INC.

Date: November 13, 2023 May 14, 2024

By: /S/ ILAN DANIELI
Ilan Danieli
Chief Executive Officer (Principal Executive Officer)

Date: November 13, 2023 May 14, 2024

By: /S/ MATTHEW GAGE
Matthew Gage
Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Ilan Danieli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Precipio, Inc. (the Registrant);
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 my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiary, is made known to me 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 internal control over financial reporting to be designed under my 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 my 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 function):

   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.

/s/ ILAN DANIELI

Ilan Danieli
Chief Executive Officer (Principal Executive Officer)

Date: November 13, 2023 May 14, 2024

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Matthew Gage, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Precipio, Inc. (the Registrant);

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 we 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 subsidiary, 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 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 function):

   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.

/s/ MATTHEW GAGE

Matthew Gage
Chief Financial Officer (Principal Financial and Accounting

Date: November 13, 2023 May 14, 2024

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, I, Ilan Danieli, Chief Executive Officer of Precipio, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) Such Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, 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 such Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of Precipio, Inc.

/s/ ILAN DANIELI
Ilan Danieli
Chief Executive Officer (Principal Executive Officer)

Date: November 13, 2023 May 14, 2024

A signed original of the certification required by Section 906 has been provided to Precipio, Inc. and will be retained by Precipio, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, I, Matthew Gage, Chief Financial Officer of Precipio, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) Such Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, 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 such Quarterly Report on Form 10-Q of Precipio, Inc. for the period ended September 30, 2023 March 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of Precipio, Inc.

/s/ MATTHEW GAGE
Matthew Gage
Chief Financial Officer (Principal Financial and Accounting Officer)

Date: November 13, 2023 May 14, 2024

A signed original of the certification required by Section 906 has been provided to Precipio, Inc. and will be retained by Precipio, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

DISCLAIMER

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

REFINITIV