

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2023**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **001-38148**

**CO-DIAGNOSTICS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Utah**

(State or other jurisdiction  
of incorporation or organization)

**46-2609396**

(I.R.S. Employer  
Identification Number)

**2401 S. Foothill Drive, Suite D, Salt Lake City, Utah 84109**

(Address of principal executive offices and zip code)

**(801) 438-1036**

(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	CODX	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 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 and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

As of November 8, 2023, there were 30,580,904 shares of common stock, par value \$0.001 per share, outstanding.

**CO-DIAGNOSTICS, INC. AND SUBSIDIARIES**

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### CO – DIAGNOSTICS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 10,239,898	\$ 22,973,803
Marketable investment securities	53,188,999	58,289,066
Accounts receivable, net	806,704	3,453,723
Inventory, net	4,520,430	5,310,473
Income taxes receivable	1,245,854	1,870,419
Prepaid expenses and other current assets	1,290,146	761,187
Note receivable	18,750	75,000
Total current assets	71,310,781	92,733,671
Property and equipment, net	2,808,339	2,539,483
Deferred tax asset	4,272,002	-
Operating lease right-of-use asset	3,032,337	372,115
Intangible assets, net	26,479,333	26,768,333
Investment in joint venture	778,943	672,679
Total assets	\$ 108,681,735	\$ 123,086,281
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 1,416,435	\$ 952,296
Accrued expenses, current	1,826,639	934,447
Operating lease liability, current	794,516	297,209
Contingent consideration liabilities, current	710,651	1,689,471
Deferred revenue	349,499	-
Total current liabilities	5,097,740	3,873,423
Long-term liabilities		
Income taxes payable	1,359,725	1,181,284
Deferred tax liability	-	2,417,987
Operating lease liability	2,250,393	50,708
Contingent consideration liabilities	484,332	1,042,885
Total long-term liabilities	4,094,450	4,692,864
Total liabilities	9,192,190	8,566,287
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' equity</b>		
Convertible preferred stock, \$0.001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized; 35,367,100 shares issued and 30,658,580 shares outstanding as of September 30, 2023 and 34,754,265 shares issued and 30,872,607 shares outstanding as of December 31, 2022	35,367	34,754
Treasury stock, at cost; 4,708,520 and 3,881,658 shares held as of September 30, 2023 and December 31, 2022, respectively	(15,416,122)	(14,211,866)
Additional paid-in capital	94,983,030	88,472,935
Accumulated other comprehensive income	612,649	293,140
Accumulated earnings	19,274,621	39,931,031
Total stockholders' equity	99,489,545	114,519,994
Total liabilities and stockholders' equity	\$ 108,681,735	\$ 123,086,281

**CO – DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Product revenue	\$ 136,533	\$ 5,094,456	\$ 936,296	\$ 32,816,726
Grant revenue	2,320,565	-	2,320,565	-
Total revenue	2,457,098	5,094,456	3,256,861	32,816,726
Cost of revenue	255,772	767,936	1,217,108	4,965,319
Gross profit	2,201,326	4,326,520	2,039,753	27,851,407
Operating expenses				
Sales and marketing	1,904,395	1,889,907	5,343,692	6,014,280
General and administrative	3,147,753	3,622,273	9,875,613	9,012,888
Research and development	5,788,789	5,037,461	16,783,892	12,698,632
Depreciation and amortization	296,340	312,494	917,596	984,100
Total operating expenses	11,137,277	10,862,135	32,920,793	28,709,900
(Loss) from operations	(8,935,951)	(6,535,615)	(30,881,040)	(858,493)
Other income, net				
Interest income	322,877	298,184	717,141	371,248
Realized gain on investments	425,446	-	1,254,718	-
Gain (loss) on disposition of assets	(2,578)	4,044	(2,578)	(138,117)
Gain on remeasurement of acquisition contingencies	140,296	2,886,734	1,537,373	7,079,446
Gain (loss) on equity method investment in joint venture	(45,865)	(129,047)	106,264	(256,911)
Total other income, net	840,176	3,059,915	3,612,918	7,055,666
Income (loss) before income taxes	(8,095,775)	(3,475,700)	(27,268,122)	6,197,173
Income tax (benefit)	(2,113,581)	(2,114,638)	(6,611,712)	(1,470,058)
Net income (loss)	\$ (5,982,194)	\$ (1,361,062)	\$ (20,656,410)	\$ 7,667,231
Other comprehensive income (loss)				
Change in net unrealized gains on marketable securities, net of tax	\$ 33,522	\$ -	\$ 319,509	\$ -
Total other comprehensive income	\$ 33,522	\$ -	\$ 319,509	\$ -
Comprehensive income (loss)	\$ (5,948,672)	\$ (1,361,062)	\$ (20,336,901)	\$ 7,667,231
Earnings (loss) per common share:				
Basic	\$ (0.20)	\$ (0.04)	\$ (0.70)	\$ 0.24
Diluted	\$ (0.20)	\$ (0.04)	\$ (0.70)	\$ 0.23
Weighted average shares outstanding:				
Basic	29,361,300	31,321,368	29,306,572	32,109,213
Diluted	29,361,300	31,321,368	29,306,572	33,002,539

See accompanying notes to unaudited condensed consolidated financial statements

**CO – DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (20,656,410)	\$ 7,667,231
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation and amortization	917,596	984,100
Stock-based compensation expense	6,510,708	5,138,815
Change in fair value of acquisition contingencies	(1,537,373)	(7,079,446)
Non-cash lease expense	36,770	17,193
Realized gain on investments	(1,254,718)	-
(Gain) loss from equity method investment	(106,264)	256,911
Loss on disposition of assets	2,578	138,117
Deferred income taxes	(6,689,989)	(3,431,286)
Bad debt expense	326,647	338,057
Changes in assets and liabilities:		
Accounts receivable	2,320,372	12,539,461
Prepaid expenses and other assets	151,858	441,786
Inventory	790,716	(3,656,463)
Deferred revenue	349,499	(150,000)
Income taxes payable	178,441	(1,822,977)
Accounts payable, accrued expenses and other liabilities	1,356,330	(802,955)
Net cash (used in) provided by operating activities	(17,303,239)	10,578,544
<b>Cash flows from investing activities</b>		

Purchases of property and equipment	(900,704)	(1,134,208)
Proceeds from maturities of marketable investment securities	90,279,227	6,223,740
Purchases of marketable securities	(83,604,933)	(9,950,824)
Net cash (used in) provided by investing activities	<u>5,773,590</u>	<u>(4,861,292)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options and warrants	-	177,870
Repurchases of common stock	(1,204,256)	(12,994,373)
Net cash (used in) financing activities	<u>(1,204,256)</u>	<u>(12,816,503)</u>
Net (decrease) in cash and cash equivalents	(12,733,905)	(7,099,251)
Cash and cash equivalents at beginning of period	<u>22,973,803</u>	<u>88,607,234</u>
Cash and cash equivalents at end of period	<u>\$ 10,239,898</u>	<u>\$ 81,507,983</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 49,197	\$ 4,496,239
<b>Supplemental disclosure of non-cash investing and financing transactions</b>		
Inventory moved to property, plant and equipment	\$ 673	\$ 218,906
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,063,782	\$ 681,327
Business acquisition measurement period adjustments	\$ -	\$ 681,728

See accompanying notes to unaudited condensed consolidated financial statements

**CO – DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

	Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2022	-	\$ -	34,754,265	\$ 34,754	\$(14,211,866)	\$88,472,935	\$ 293,140	\$ 39,931,031	\$ 114,519,994
Stock-based compensation	-	-	68,750	69	-	2,168,673	-	-	2,168,742
Repurchases of common stock	-	-	-	-	(482,196)	-	-	-	(482,196)
Other comprehensive income, net of tax	-	-	-	-	-	-	178,621	-	178,621
Net loss	-	-	-	-	-	-	-	(5,755,391)	(5,755,391)
Balance as of March 31, 2023	-	-	34,823,015	34,823	(14,694,062)	90,641,608	471,761	34,175,640	110,629,770
Stock-based compensation	-	-	525,335	525	-	2,169,276	-	-	2,169,801
Repurchases of common stock	-	-	-	-	(555,734)	-	-	-	(555,734)
Other comprehensive income, net of tax	-	-	-	-	-	-	107,366	-	107,366
Net loss	-	-	-	-	-	-	-	(8,918,825)	(8,918,825)
Balance as of June 30, 2023	-	-	35,348,350	35,348	(15,249,796)	92,810,884	579,127	25,256,815	103,432,378
Stock-based compensation	-	-	18,750	19	-	2,172,146	-	-	2,172,165
Repurchases of common stock	-	-	-	-	(166,326)	-	-	-	(166,326)
Other comprehensive income, net of tax	-	-	-	-	-	-	33,522	-	33,522
Net loss	-	-	-	-	-	-	-	(5,982,194)	(5,982,194)
Balance as of September 30, 2023	-	\$ -	<u>35,367,100</u>	<u>\$ 35,367</u>	<u>\$(15,416,122)</u>	<u>\$94,983,030</u>	<u>\$ 612,649</u>	<u>\$ 19,274,621</u>	<u>\$ 99,489,545</u>

  

	Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2021	-	\$ -	33,819,862	\$ 33,820	\$ -	\$80,271,999	\$ -	\$ 54,169,279	\$ 134,475,100
Common stock issued for option exercises	-	-	45,456	45	-	49,956	-	-	50,001
Common stock issued for warrant exercises	-	-	50,000	50	-	99,950	-	-	100,000
Stock-based compensation	-	-	68,750	69	-	1,375,028	-	-	1,375,097
Net income	-	-	-	-	-	-	-	11,714,595	11,714,595
Balance as of March 31, 2022	-	-	33,984,068	33,984	-	81,796,933	-	65,883,874	147,714,793
Common stock issued for option exercises	-	-	25,335	25	-	27,844	-	-	27,869

Stock-based compensation	-	-	215,583	215	-	1,533,069	-	-	1,533,284
Common stock issued for acquisitions	-	-	88,446	89	-	480,687	-	-	480,776
Repurchases of common stock	-	-	-	-	(2,599,478)	-	-	-	(2,599,478)
Net loss	-	-	-	-	-	-	-	(2,686,304)	(2,686,304)
Balance as of June 30, 2022	-	-	34,313,432	34,313	(2,599,478)	83,838,533	-	63,197,570	144,470,940
Stock-based compensation	-	-	18,750	19	-	2,230,415	-	-	2,230,434
Repurchases of common stock	-	-	-	-	(10,394,895)	-	-	-	(10,394,895)
Net loss	-	-	-	-	-	-	-	(1,361,062)	(1,361,062)
Balance as of September 30, 2022	-	\$	34,332,182	\$ 34,332	\$(12,994,373)	\$86,068,948	\$	61,836,508	\$ 134,945,417

See accompanying notes to unaudited condensed consolidated financial statements

**CO – DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 – Overview and Basis of Presentation**

**Description of Business**

Co-Diagnostics, Inc., a Utah corporation (the “Company” or “CODX”), develops, manufactures and sells reagents used for diagnostic tests that function via the detection and/or analysis of nucleic acid molecules (DNA or RNA), including robust and innovative molecular tools for detection of infectious diseases and agricultural applications. In connection with the sale of our tests we may sell diagnostic equipment from other manufacturers as self-contained lab systems (which we refer to as the “MDx Device”). We are also developing a unique, groundbreaking portable PCR device and proprietary test cups (the “Co-Dx™ PCR platform”) that have been designed to bring affordable, reliable polymerase chain reaction (“PCR”) to patients in point-of-care and at-home settings. This platform is subject to U.S. Food and Drug Administration (“FDA”) review and is not available for sale at the time of this filing. There is no guarantee the Co-Dx PCR platform will receive the necessary regulatory approvals for commercialization, or that, if regulatory approval is received, we will be able to successfully commercialize this platform.

**Unaudited Condensed Consolidated Financial Statements**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q as they are prescribed for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to make the financial statements not misleading have been included. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. These statements should be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2023.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates include receivables and other long-lived assets, legal contingencies, income taxes, share based arrangements, and others. These estimates and assumptions are based on management's best estimates and judgments. Actual amounts and results could differ from those estimates.

**Note 2 – Summary of Significant Accounting Policies**

**Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact on the previously reported results.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, money market funds and highly liquid investments with an original maturity date of 90 days or less from the date of purchase. The fair value of cash equivalents approximated their carrying value as of September 30, 2023 and December 31, 2022. The Company has its cash and cash equivalents with large creditworthy financial institutions and the balance exceeded federally insured limits. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Marketable Investment Securities**

The Company's marketable investment securities are comprised of investments in certificates of deposit and U.S. Treasury bills and notes. The Company designates investments in debt securities as available-for-sale. Available-for-sale debt securities with original maturities of three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt securities with original maturities longer than three months are available to fund current operations and are classified as marketable investment securities, within current assets on the condensed consolidated balance sheets. The Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. Available-for-sale debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity, net of tax. Realized gains and losses on the sale of marketable investment securities are determined using the average cost method on a first-in, first-out basis and recorded in total other income (expense), net in the condensed consolidated statements of operations and comprehensive income (loss).

The available-for-sale debt securities are subject to a periodic impairment review. For investments in an unrealized loss position, the Company writes down the amortized cost basis of the investment if it is more likely than not that the Company will be required or will intend to sell the investment before recovery of its amortized cost basis. For investments not likely to be sold before recovery of the amortized cost basis, the Company determines whether a credit loss exists by considering information about the collectability of the instrument, current market conditions, and reasonable and supportable forecasts of economic conditions. The Company recognizes an allowance for credit losses up to the amount of the unrealized loss when appropriate. Allowances for credit losses and write-downs are recognized in total other income (expense), net, and unrealized losses not related to credit losses are recognized in accumulated other comprehensive income (loss). There are no allowances for credit losses recorded for the periods presented.

## **Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount less estimates for credit losses. Management determines the allowance for credit losses by specifically identifying troubled accounts and by using historical write off experience, adjusted for current market conditions, customers' financial condition and payment patterns, and reasonable supportable forecasts of future economic conditions, applied to an aging of all other accounts. Account balances are written off against the allowance once the receivable is deemed uncollectible. Recoveries of trade receivables previously written off are recorded when collected. At September 30, 2023, total accounts receivable was \$4,231,877 with an allowance for credit losses of \$ 3,425,173 resulting in a net amount of \$806,704. At December 31, 2022, total accounts receivable was \$ 6,552,249 with an allowance for credit losses of \$ 3,098,526 resulting in a net amount of \$3,453,723.

## **Equity-Method Investments**

The Company's equity method investments are initially recorded at cost and are included in other long-term assets in the accompanying condensed consolidated balance sheet. The Company adjusts the carrying value of its investment based on our share of the earnings or losses in the periods which they are reported by the investee until the carrying amount is zero. The earnings or losses are included in other income (expense) in the accompanying condensed consolidated statements of operations.

## **Inventory**

Inventory is stated at the lower of cost or net-realizable value. Inventory cost is determined on a first-in first-out basis that approximates average cost in accordance with ASC 330-10-30-12. At September 30, 2023, the Company had \$4,520,430 in inventory, comprised of \$ 788,104 of finished goods, and \$3,732,326 of raw materials. At December 31, 2022, the Company had \$ 5,310,473 in inventory, of which \$1,327,264 was finished goods and \$3,983,209 was raw materials. The Company establishes reserves to reduce slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values.

## **Intangible Assets**

Indefinite-lived intangible assets are not amortized, but rather tested for impairment at least annually on December 31, or more often if and when circumstances indicate that the carrying value may not be recoverable. Finite-lived intangible assets are amortized over their useful lives.

## **Long-lived Assets**

Long-lived assets, such as property and equipment, are stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the property, generally from three to five years. Repairs and maintenance costs are expensed as incurred except when such repairs significantly add to the useful life or productive capacity of the asset, in which case the repairs are capitalized.

The Company reviews its long-lived assets, including property and equipment, finite-lived intangible assets, and right-of-use (ROU) assets, for impairment whenever an event or change in facts and circumstances indicates that their carrying amounts may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated. If the carrying amount exceeds the undiscounted cash flows, the assets are determined to be impaired and an impairment charge is recognized as the amount by which the carrying amount exceeds fair value.

## **Business Combinations**

The Company estimates the fair value of assets acquired and liabilities assumed in a business combination. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates.

## **Leases**

The Company adopted ASC 842, Leases ("ASC 842") effective January 1, 2022. Under ASC 842, the Company determines if an arrangement is or contains a lease at inception by assessing whether the arrangement contains an identified asset and whether it has the right to control the identified asset. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. ROU assets are based on the measurement of the lease liability and also include any lease payments made prior to or on lease commencement and exclude lease incentives and initial direct costs incurred, as applicable.

As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The Company considers its credit risk, term of the lease, total lease payments and adjusts for the impacts of collateral, as necessary, when calculating its incremental borrowing rates. The Company evaluates renewal options at lease inception and on an ongoing basis and includes renewal options that it is reasonably certain to exercise in its expected lease terms when classifying leases and measuring lease liabilities. Lease costs for the Company's operating leases are recognized on a straight-line basis within operating expenses and cost of revenue over the reasonably assured lease term.

The Company has elected to not separate lease and non-lease components for leases of office space and, as a result, accounts for any lease and non-lease components for office space as a single lease component, to the extent they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments. The Company's office leases typically include non-lease components such as common-area maintenance costs. The Company has also elected to not apply the recognition requirement to any leases within its existing classes of assets with a term of 12 months or less.

## **Revenue Recognition**

The Company generates revenue from customers from product and license sales. The Company recognizes revenue from customers when all of the following criteria are satisfied: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or

services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when, or as the Company satisfies each performance obligation.

The Company constrains revenue by giving consideration to factors that could otherwise lead to a probable reversal of revenue. The Company records any payments received from customers prior to the Company fulfilling its performance obligation(s) as deferred revenue.

### **Grant Funding**

The Company may submit applications to receive grant funding from governmental and non-governmental entities. The Company accounts for grants by analogizing to the contribution accounting model under ASC 958-605, Not-for-Profit Entities ("ASC 958"). Revenues from grants, contracts, and awards provided by governmental and non-governmental agencies are recorded based upon the terms of the specific agreements. The Company recognizes grant funding without conditions or continuing performance obligations as revenue in the condensed consolidated statements of operations and comprehensive income (loss).

The Company recognizes grant funding with conditions or continuing performance obligations as deferred revenue in the condensed consolidated balance sheets if the conditions or performance obligations have not yet been met.

The Company recognized grant funding revenue of \$ 2.3 million during the three and nine months ended September 30, 2023. At September 30, 2023, the Company has also recorded \$0.3 million of deferred revenue related to grant funding for which the underlying conditions or performance obligations have not yet been met. Cash received from federal grants, contracts, and awards can be subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required.

### **Deferred Revenue**

Deferred revenue primarily consists of payments received from customers related to product sales or from granting agencies for services to be rendered under research and development grants, prior to the Company fulfilling its performance obligation of providing the product or performing research and development activities under the grant agreement. When this occurs, the Company records a contract liability as deferred revenue. Deferred revenue is recognized as revenue as the related performance obligations are satisfied.

### **Research and Development**

Research and development costs are expensed when incurred. For the three and nine months ended September 30, 2023, the Company expensed \$5,788,789 and \$16,783,892 of research and development costs, respectively. For the three and nine months ended September 30, 2022, the Company expensed \$5,037,461 and \$12,698,632, respectively.

### **Stock-based Compensation**

The Company has granted stock-based awards, including restricted stock, stock options, stock warrants and restricted stock units ("RSUs"), to its employees, certain consultants and members of its board of directors. The Company records stock-based compensation based on the grant date fair value of the awards and recognizes the fair value of those awards as expense using the straight-line method over the requisite service period of the award. The Company estimates the grant date fair value of stock options using the Black-Scholes option-pricing model. When an award is forfeited prior to the vesting date, the Company recognizes an adjustment for the previously recognized expense in the period of the forfeiture.

### **Income Taxes**

The Company accounts for income taxes in accordance with the liability method of accounting for income taxes. Under this method, deferred income tax assets and deferred income tax liabilities represent the tax effect of temporary differences between financial reporting and tax reporting measured at enacted tax rates in effect for the year in which the differences are expected to reverse. The Company recognizes only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority.

Valuation allowances are provided when it is more-likely-than-not that some or all of the deferred income tax assets may not be realized. In assessing the need for a valuation allowance, the Company has considered its historical levels of income, expectations of future taxable income and ongoing tax planning strategies.

Developing the provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred income tax assets and liabilities and any estimated valuation allowances deemed necessary to value deferred income tax assets. Judgments and tax strategies are subject to audit by various taxing authorities. The Company has uncertain income tax positions in the condensed consolidated financial statements, and adverse determinations by these taxing authorities could have a material adverse effect on the condensed consolidated financial positions, result of operations, or cash flows.

### **Net Income (Loss) per Share**

Basic net income or loss per common share is computed by dividing net income or loss applicable to common shareholders by the weighted average number of shares outstanding during each period.

Diluted net income or loss per share is computed by dividing net income or loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period increased by common shares that could be issued upon conversion or exercise of other outstanding securities to the extent those additional common shares would be dilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net income or loss per share by application of the treasury stock method. During periods when the Company is in a net loss position, basic net loss per share is the same as diluted net loss per share as the effects of potentially dilutive securities are anti-dilutive.

### **Comprehensive Income (Loss)**

Comprehensive income is comprised of unrealized gains and losses on marketable investment securities, net of income taxes.

### **Concentrations Risk and Significant Customers**

The Company had certain customers which were each responsible for generating 10% or more of the total revenue for the three and nine months ended September 30, 2023. Three customers accounted for approximately 47% of product revenue for the three months ended September 30, 2023, and two customers accounted for approximately 28% of product revenue for the nine months ended September 30, 2023. One granting agency accounted for approximately 94% of grant revenue for the three and nine months ended September 30, 2023. One customer accounted for approximately 52% of



product revenue for the three months ended September 30, 2022, and two customers accounted for approximately 47% of product revenue for the nine months ended September 30, 2022.

Two customers accounted for more than 10% of accounts receivable at September 30, 2023 and three customers accounted for more than 10% of accounts receivable at December 31, 2022. These customers together accounted for approximately 71% and 37% of accounts receivable at September 30, 2023 and December 31, 2022, respectively.

### Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

### Note 3 - Cash, Cash Equivalents, and Financial Instruments

The following table shows the Company's cash, cash equivalents, and marketable investment securities by significant investment category:

September 30, 2023						
	Adjusted Cost	Allowance for Credit Losses	Total Unrealized Gains / (Losses)	Fair Value	Cash and Cash Equivalents	Marketable Investment Securities
Cash and cash equivalents	\$ (222,480)	\$ -	\$ -	\$ (222,480)	\$ (222,480)	\$ -
Level 1:						
Money market funds	10,462,378	-	-	10,462,378	10,462,378	-
Subtotal	10,462,378	-	-	10,462,378	10,462,378	-
Level 2:						
U.S. treasury securities	52,375,675	-	813,324	53,188,999	-	53,188,999
Subtotal	52,375,675	-	813,324	53,188,999	-	53,188,999
Total	\$ 62,615,573	\$ -	\$ 813,324	\$ 63,428,897	\$ 10,239,898	\$ 53,188,999
December 31, 2022						
	Adjusted Cost	Allowance for Credit Losses	Total Unrealized Gains / (Losses)	Fair Value	Cash and Cash Equivalents	Marketable Investment Securities
Cash and cash equivalents	\$ 12,834,444	\$ -	\$ -	\$ 12,834,444	\$ 12,834,444	\$ -
Level 1:						
Money market funds	146,359	-	-	146,359	146,359	-
Subtotal	146,359	-	-	146,359	146,359	-
Level 2:						
U.S. treasury securities	67,892,825	-	389,241	68,282,066	9,993,000	58,289,066
Subtotal	67,892,825	-	389,241	68,282,066	9,993,000	58,289,066
Total	\$ 80,873,628	\$ -	\$ 389,241	\$ 81,262,869	\$ 22,973,803	\$ 58,289,066

Marketable investment securities held as of September 30, 2023 mature over the next 12 months.

### Note 4 – Intangible Assets, Net

Intangible assets, net consisted of the following:

September 30, 2023				
	Weighted-Average Useful Life (1) (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-process research and development	Indefinite	\$ 26,101,000	\$ -	\$ 26,101,000
Non-competition agreements	2.7	1,094,000	(715,667)	378,333
Total intangible assets		\$ 27,195,000	\$ (715,667)	\$ 26,479,333
December 31, 2022				
	Weighted-Average Useful Life (1) (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-process research and development	Indefinite	\$ 26,101,000	\$ -	\$ 26,101,000
Non-competition agreements	2.7	1,094,000	(426,667)	667,333
Total intangible assets		\$ 27,195,000	\$ (426,667)	\$ 26,768,333

(1) Based on weighted-average useful life established as of the acquisition date.



The expected future annual amortization expense of the Company's intangible assets held as of September 30, 2023 is as follows:

Year Ending December 31,	Amortization Expense
2023 (remainder)	75,665
2024	302,668
<b>Total</b>	<b>\$ 378,333</b>

#### Note 5 – Fair Value Measurements

The Company measures and records certain financial assets and liabilities at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following three levels of inputs are used to measure the fair value of financial assets and liabilities:

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

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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The following table summarizes the assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022, by level within the fair value hierarchy:

	September 30, 2023			
	(Level 1)	(Level 2)	(Level 3)	Total
<b>Assets:</b>				
Cash equivalents	\$ 9,722,890	\$ -	\$ -	\$ 9,722,890
Marketable securities (U.S. treasury bills and notes)	-	53,188,999	-	53,188,999
<b>Total assets measured at fair value</b>	<b>\$ 9,722,890</b>	<b>\$ 53,188,999</b>	<b>\$ -</b>	<b>\$ 62,911,889</b>
<b>Liabilities:</b>				
Contingent consideration - common stock	\$ -	\$ -	\$ 1,051,229	\$ 1,051,229
Contingent consideration - warrants	-	-	143,754	143,754
<b>Total liabilities measured at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,194,983</b>	<b>\$ 1,194,983</b>

  

	December 31, 2022			
	(Level 1)	(Level 2)	(Level 3)	Total
<b>Assets:</b>				
Cash equivalents	\$ 186,667	\$ 9,993,000	\$ -	\$ 10,179,667
Marketable securities (U.S. treasury bills and notes)	-	58,289,066	-	58,289,066
<b>Total assets measured at fair value</b>	<b>\$ 186,667</b>	<b>\$ 68,282,066</b>	<b>\$ -</b>	<b>\$ 68,468,733</b>
<b>Liabilities:</b>				
Contingent consideration - common stock	\$ -	\$ -	\$ 2,499,147	\$ 2,499,147
Contingent consideration - warrants	-	-	233,209	233,209
<b>Total liabilities measured at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,732,356</b>	<b>\$ 2,732,356</b>

The Company's financial instruments that are measured at fair value on a recurring basis consist of U.S. treasury bills and notes as of September 30, 2023 and December 31, 2022.

In connection with the acquisitions of Idaho Molecular, Inc. (IdMo) and Advanced Conceptions, Inc. (ACI) on December 31, 2021, the Company recorded a liability for contingent consideration in the form of shares of common stock and warrants to purchase common stock. The fair value of contingent consideration is calculated using a discounted probability weighted valuation model. Discount rates used in such calculations are a significant assumption that are not observed in the market, and therefore, the resulting fair value represents a Level 3 measurement.

The changes for Level 3 items measured at fair value on a recurring basis are as follows:

Fair value as of December 31, 2022	\$ 2,732,356
Change in fair value of contingent consideration issued for business acquisitions	(1,537,373)
<b>Fair value as of September 30, 2023</b>	<b>\$ 1,194,983</b>

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The fair value of the contingent consideration is based on the fair value of the contingent consideration-common stock and contingent consideration-warrants. The fair value of the contingent consideration-common stock is equal to the probability-adjusted value of the Company's common stock as of the valuation date. The fair value of the contingent consideration-warrants is equal to the probability adjusted value of a call option with terms consistent with the terms of the warrants as of the valuation date. Prior to the probability adjustments, the warrants were valued based on the following inputs:

	September 30, 2023	December 31, 2022
Stock price	\$ 1.06	\$ 2.52
Strike price	\$ 9.13	\$ 9.13
Volatility	125.00%	75.00%
Risk-free rate	4.70%	4.10%

Expected term (years)	3.3	4.0
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## Fair Value of Other Financial Instruments

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, notes receivable, accounts payable, accrued liabilities, and other liabilities approximate fair value due to their short-term maturities and are excluded from the fair value tables above.

## Note 6 – Revenue

The following table sets forth revenue by geographic area:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>United States</b>				
Product revenue	\$ 88,107	\$ 4,699,444	\$ 618,491	\$ 23,425,186
Grant revenue	2,320,565	-	2,320,565	-
Total United States	2,408,672	4,699,444	2,939,056	23,425,186
<b>Rest of World</b>				
Product revenue	48,426	395,012	317,805	9,391,540
Grant revenue	-	-	-	-
Total Rest of World	48,426	395,012	317,805	9,391,540
<b>Total</b>	<u>\$ 2,457,098</u>	<u>\$ 5,094,456</u>	<u>\$ 3,256,861</u>	<u>\$ 32,816,726</u>
Percentage of revenue by area:				
United States	98%	92%	90%	71%
Rest of World	2%	8%	10%	29%

## Deferred Revenue

Changes in the Company's deferred revenue balance for the nine months ended September 30, 2023 were as follows:

Balance as of December 31, 2022	\$ -
Increase due to prepayments from customers	19,620
Increase due to grant funding awarded	329,879
Balance as of September 30, 2023	<u>\$ 349,499</u>

## Note 7 – Earnings (Loss) Per Share

The following table reconciles the numerator and the denominator used to calculate basic and diluted earnings (loss) per share for three and nine months ended September 30, 2023 and 2022, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Numerator</b>				
Net income (loss), as reported	<u>\$ (5,982,194)</u>	<u>\$ (1,361,062)</u>	<u>\$ (20,656,410)</u>	<u>\$ 7,667,231</u>
<b>Denominator</b>				
Weighted average shares, basic	29,361,300	31,321,368	29,306,572	32,109,213
Dilutive effect of stock options, warrants and RSUs	-	-	-	893,326
Shares used to compute diluted earnings per share	<u>29,361,300</u>	<u>31,321,368</u>	<u>29,306,572</u>	<u>33,002,539</u>
Basic earnings (loss) per share	\$ (0.20)	\$ (0.04)	\$ (0.70)	\$ 0.24
Diluted earnings (loss) per share	\$ (0.20)	\$ (0.04)	\$ (0.70)	\$ 0.23

For the three and nine months ended September 30, 2022, potentially dilutive securities of 2,631,642 and 1,385,869 were excluded from the calculation because their effect would have been anti-dilutive. The computation of basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2023 and 2022, respectively, also excludes the approximately 1,400,000 shares of common stock and approximately 465,000 warrants to purchase shares of common stock that are contingent upon the achievement of certain milestones.

As a result of incurring a net loss for the three and nine months ended September 30, 2023, no potentially dilutive securities are included in the calculation of diluted earnings (loss) per share because such effect would be anti-dilutive. The Company had potentially dilutive securities as of September 30, 2023, consisting of: (i) 2,750,302 restricted stock units and (ii) 512,112 options.

## Note 8 – Stock-Based Compensation

### Stock Incentive Plans

The Company's board of directors adopted, and shareholders approved, the Co-Diagnostics, Inc. Amended and Restated 2015 Long Term Incentive Plan (the "Incentive Plan") providing for the issuance of stock-based incentive awards to employees, officers, consultants, directors and independent contractors. On August 31, 2022, the shareholders approved an increase in the number of awards available for issuance under the Incentive Plan to an aggregate of 12,000,000 shares of common stock. The number of awards available for issuance under the Incentive Plan was 4,361,861 at September 30, 2023.

### Stock Options

The following table summarizes option activity during the nine months ended September 30, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2022	1,040,572	\$ 2.19	\$ 1.37	5.88
Granted	-	-	-	-
Expired	-	-	-	-
Forfeited/Cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2023	1,040,572	\$ 2.19	\$ 1.37	5.13
Exercisable at September 30, 2023	1,040,572	\$ 2.19	\$ 1.37	5.13

The aggregate intrinsic value of outstanding options at September 30, 2023 was approximately \$ 0.1 million.

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Stock-based compensation cost is measured at the grant date based on the fair value of the award granted and recognized as expense over the vesting period using the straight-line method. The Company uses the Black-Scholes model to value options granted. As of September 30, 2023, there were no unvested options and no unrecognized stock-based compensation expense related to options.

### Restricted Stock Units

The grant date fair value of RSUs granted is determined using the closing market price of the Company's common stock on the grant date with the associated compensation expense amortized over the vesting period of the awards. The following table sets forth the outstanding RSUs and related activity for the nine months ended September 30, 2023:

	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022	2,426,725	\$ 6.95
Granted	1,918,750	1.93
Vested	(612,835)	7.24
Forfeited/Cancelled	(69,821)	6.20
Unvested at September 30, 2023	3,662,819	\$ 4.29

As of September 30, 2023, there was approximately \$ 11.5 million of unrecognized stock-based compensation expense related to outstanding RSUs which is expected to be recognized over a weighted-average period of 1.9 years.

### Warrants

The Company has issued warrants related to financings, acquisitions and as compensation to third parties for services provided. The Company estimates the fair value of issued warrants on the date of issuance as determined using a Black-Scholes pricing model. The Company amortizes the fair value of issued warrants using a vesting schedule based on the terms and conditions of each warrant if granted for services.

The following table summarizes warrant activity during the nine months ended September 30, 2023:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2022	485,000	\$ 8.81	\$ 2.43	4.0
Granted	-	-	-	-
Expired	-	-	-	-
Forfeited/Cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2023	485,000	\$ 8.81	\$ 0.92	3.2

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There were no warrants exercised during the nine months ended September 30, 2023. The intrinsic value of warrants exercised during the nine months ended September 30, 2022 was approximately \$0.3 million. The aggregate intrinsic value of outstanding warrants at September 30, 2023 was approximately \$0.

The total number of warrants exercisable at September 30, 2023 is 20,000. The ability to exercise the approximately 465,000 warrants issued in connection with acquisitions in prior years is contingent upon the achievement of certain development and revenue milestones on or before January 1, 2027. There was no unrecognized stock-based compensation expense related to warrants.

### Stock-Based Compensation Expense

The Company recognized stock-based compensation expense as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 12,075	\$ 18,836	\$ 36,140	\$ 45,290
Sales and marketing	564,962	526,159	1,666,868	1,340,716
General and administrative	1,278,674	1,218,211	3,732,398	2,831,371
Research and development	316,454	467,228	1,075,302	921,438
Total stock-based compensation expense	\$ 2,172,165	\$ 2,230,434	\$ 6,510,708	\$ 5,138,815

#### Note 9 – Income Taxes

For the three months ended September 30, 2023, the Company recognized a benefit from income taxes of \$ 2,113,581, representing an effective tax rate of 26.1%. For the nine months ended September 30, 2023, the Company recognized a benefit from income taxes of \$ 6,611,712, representing an effective tax rate of 24.2%. The Company's effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0% due to state taxes, permanent items, and discrete items. For the three months ended September 30, 2022, the Company recognized a benefit from income taxes of \$2,114,638. For the nine months ended September 30, 2022, the Company recognized a benefit from income taxes of \$ 1,470,058.

#### Note 10 – Commitments and Contingencies

##### Lease Obligations

The Company leases office space under non-cancellable operating leases and leases cancellable with one month notice. The Company expenses the cancellable leases in the period incurred in accordance with the practical expedient elected. During the nine months ended September 30, 2023, the Company amended two operating leases to extend the lease term and entered into one new operating lease. As a result, the Company recognized additional operating lease liabilities and corresponding operating right-of-use assets of \$3,063,782.

For the three and nine months ended September 30, 2023, components of lease expense are summarized as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Operating lease costs	\$ 244,941	\$ 529,089
Short-term lease costs	38,110	192,261
Total lease costs	\$ 283,051	\$ 721,350

As of September 30, 2023, the maturities of the Company's lease liabilities are as follows:

	Year Ending December 31,
2023 (remainder)	\$ 233,826
2024	966,451
2025	987,252
2026	682,806
Thereafter	542,512
Total lease payments	3,412,847
Less: imputed interest	367,938
Present value of operating lease liabilities	3,044,909
Less: current portion	794,516
Long-term portion	\$ 2,250,393

Other information related to operating leases was as follows:

	Nine Months Ended September 30, 2023
Cash paid for operating leases included in operating cash flows	\$ 680,580
Remaining lease term of operating leases	4 years
Discount rate of operating leases	6.2%

#### Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

The Company is a defendant in two class action claims and three derivative actions claiming that the Company promulgated false and misleading press releases to increase the price of our stock to improperly benefit the officers and directors of the Company. The plaintiffs demand compensatory damages sustained as a result of the Company's alleged wrongdoing in an amount to be proven at trial. The Company is also a party to two commercial litigation lawsuits in which plaintiffs are claiming they are owed certain remuneration based on alleged agreements with the Company. The Company believes these lawsuits are without merit and intends to defend the cases vigorously. The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in these cases. As of the date of this report, the Company does not believe it is probable that these cases will result in an unfavorable outcome; however, if an unfavorable outcome were to occur in these cases, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

#### Note 11 – Share Repurchase Program

In March 2022, the Company's Board of Directors authorized a share repurchase program that would allow the Company to repurchase up to \$ 30.0 million of CODX common stock. The repurchase program does not obligate the Company to acquire any particular number of common shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. The timing and amount of any share repurchases under the share repurchase program will be determined by Co-Diagnostics' management at its discretion based on ongoing assessments of the capital needs of the business, the market price of the Company's common stock, corporate and regulatory requirements, and general market conditions.

For accounting purposes, common stock repurchased under the stock repurchase program is recorded based upon the transaction date of the applicable trade. Such repurchased shares are held in treasury and are presented using the cost method. These shares are not retired and are considered issued but not outstanding. The following table shows the changes in treasury stock (in shares) for the periods presented:

	<b>Nine Months Ended September 30, 2023</b>
Balance, beginning of period	3,881,658
Repurchases of common stock	826,862
Balance, end of period	<u>4,708,520</u>

## **Note 12 – Subsequent Events**

In October 2023, the Company was awarded additional grant funding of approximately \$ 9.0 million from one of the granting entities from whom the Company had previously been awarded grant funding during the three months ended September 30, 2023. The first \$3.5 million of funding under this grant was received by the Company in October 2023.

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

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties. All statements other than statements of historical fact contained in this Quarterly Report and the documents incorporated by reference herein, including statements regarding future events, our future financial performance, business strategy, and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors and the documents incorporated by reference herein, which may affect our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a highly regulated, very competitive, and rapidly changing environment. New risks emerge from time to time, and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the heading "Risk Factors" in other documents we file with the SEC, including our Annual Report on form 10-K for the year ended December 31, 2022. The following discussion should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 16, 2023, and the audited financial statements and notes included therein.

As used in this Quarterly Report, the terms "we", "us", "our", and "Co-Diagnostics" means Co-Diagnostics, Inc., a Utah corporation and its consolidated subsidiaries (the "Company"), unless otherwise indicated.

### **Executive Overview**

The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition. This discussion should be read in conjunction with the accompanying unaudited financial statements and notes thereto included elsewhere in this report. The information contained in this discussion is subject to a number of risks and uncertainties. We urge you to review carefully the section of this report entitled "**Cautionary Note Regarding Forward-Looking Statements.**"

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### **Business Overview**

Co-Diagnostics, Inc., a Utah corporation (the "Company" or "CODX"), develops, manufactures and sells reagents used for diagnostic tests that function via the detection and/or analysis of nucleic acid molecules (DNA or RNA), including robust and innovative molecular tools for detection of infectious diseases and agricultural applications. In connection with the sale of our tests we may sell diagnostic equipment from other manufacturers as self-contained lab systems (which we refer to as the "MDx Device"). We are also developing a unique, groundbreaking portable PCR device and proprietary test cups (the "Co-Dx PCR platform") that have been designed to bring affordable, reliable polymerase chain reaction ("PCR") to patients in point-of-care and at-home settings. This platform is subject to U.S. Food and Drug Administration ("FDA") review and is not available for sale at the time of this filing. There is no guarantee that our Co-Dx PCR platform will receive the necessary regulatory approvals for commercialization, or that, if regulatory approval is received, we will be able to successfully commercialize this platform.

Our diagnostics systems enable dependable, low-cost, molecular testing for organisms and genetic diseases by automating or simplifying historically complex procedures in both the development and administration of tests. CODX's technical advance involves a novel, patented approach to PCR test design of primer and probe structure ("Co-Primers™") that eliminates one of the key vexing issues of PCR amplification: the exponential growth of primer-dimer pairs (false positives and false negatives) which adversely interferes with identification of the target DNA/RNA.

We believe our proprietary molecular diagnostics technology is paving the way for innovation in disease detection and life sciences research through our enhanced detection of genetic material. For various reasons, including owning our own platform, we believe we will be able to accomplish this faster and more economically than some competitors, allowing for significant margins while still positioning ourselves as a low-cost provider of molecular diagnostics

and screening services.

In addition, continued development has demonstrated the unique properties of our Co-Primer technology that we believe makes it ideally suited for a variety of applications where specificity is key to optimal results, including multiplexing several targets, enhanced Single Nucleotide Polymorphism ("SNP") detection and enrichment for next generation sequencing.

Our scientists use the complex mathematics of DNA/RNA PCR test design to engineer and optimize PCR tests and to automate algorithms that rapidly screen millions of possible options to pinpoint the optimum design. Dr. Brent Satterfield, our founder, developed the intellectual property we use in our business, consisting of the predictive mathematical algorithms and patented molecular structure used in the testing process, which together represent a major advance in PCR testing systems. Our flagship CoPrimers technology is covered by U.S. patents titled "Cooperative primers, probes, and applications thereof" as well as by granted and pending foreign counterparts. We have other U.S. patents directed to our earlier work in primer and assay designs. For more recent works, we have filed international and U.S. patent applications directed to "Methods and Compositions for Next Generation Sequencing (NGS) Library Preparation," "Allele-Specific Design of Cooperative Primers for Improved Nucleic Acid Variant Genotyping," "Methods and Compositions Related to Cooperative Primers and Reverse Transcription," and "Systems, Methods, and Apparatus for Automated Self-Contained Biological Analysis" which is the basis of our Co-Dx Platform. We intend to continue building our patent portfolio as development continues and resources are available. Ownership of our proprietary platform permits us the advantage of avoiding payment of patent royalties required by other PCR test systems, which may allow the sale of diagnostic PCR tests at a lower price than competitors, while enabling us to maintain profit margins.

Our proprietary test design process involves identifying the optimal locations on the target genes for amplification and pair the locations with the optimized primer and probe structure to achieve outputs that meet the design input requirements identified from market research. This is done by following planned and documented processes, procedures and testing. In other words, we use the data resulting from our tests to verify whether we succeeded in designing what we intended. Verification involves a series of testing that concludes that the product is ready to proceed to validation in an evaluation either in our laboratory or in an independent laboratory setting using initial production tests to confirm that the product as designed meets the user needs.

We may either sell or lease the MDx Device to labs and diagnostic centers, through sale or lease agreements, and sell the reagents that comprise our proprietary tests to those laboratories and testing facilities.

Using our proprietary test design system and proprietary reagents, we have designed and obtained regulatory approval in the United States, the European Community and/or in India. In the United States, we are regulated by the FDA and our products must be approved, cleared, or authorized by the FDA before we are allowed to sell our tests in the United States as in vitro diagnostics. The FDA granted us an EUA to manufacture and sell our Logix Smart COVID-19 test to CLIA labs in the United States. We are ISO 13485:2016 certified, relating to the design and manufacture of our medical device products. Being ISO certified greatly facilitates our applications for CE-Marking, which allows us to sell any CE Marked test in most countries in Europe, South America and Asia, depending on the country and following that country's registration process. We currently have CE Markings issued for our Logix Smart COVID-19 test, tuberculosis test, our Zika virus test, a triplex test that tests for Zika, dengue, and chikungunya simultaneously, a triplex "ABC" test that identifies and distinguishes between Flu A, Flu B and Covid-19, our SARS-CoV-2 2-gene multiplex test, and our DS (Direct Saliva, extraction-free) COVID-19 test. In addition, our Logix Smart COVID-19 has received the required license to manufacture and sell in India from India's CDSCO, and The National Epidemiology Institute in Mexico evaluated our Logix Smart COVID-19 and ABC tests and approved them for sale in Mexico. We have also received approval to sell our Logix Smart COVID-19 test in Australia. We are in the process of registering for sale our Logix Smart COVID-19 and other tests in a number of major countries around the world.

In addition to testing for infectious disease, the technology lends itself to identifying any section of a DNA or RNA strand that describes any type of genetic trait, which creates several significant applications. We, in conjunction with our customers, are active in designing and licensing tests that identify genetic traits in plant and animal genomes. We also have three multiplexed tests developed to test mosquitos for the identification of diseases carried by the mosquitos to enable municipalities to concentrate their efforts in managing mosquito populations on the specific areas known to be breeding the mosquitos that carry deadly viruses.

## **RESULTS OF OPERATIONS**

### **The Three Months Ended September 30, 2023 Compared to the Three Months ended September 30, 2022**

#### **Revenues**

For the three months ended September 30, 2023, we generated revenues of \$2,457,098, compared to revenues of \$5,094,456 for the three months ended September 30, 2022. Grant funding awarded to the Company accounted for \$2,320,565 of revenue for the three months ended September 30, 2023. The decrease in total revenue of \$2,637,358 was primarily due to lower sales of our Logix Smart COVID-19 test developed in response to the COVID-19 pandemic.

#### **Cost of Revenues**

We recorded cost of revenues of \$255,772 for the three months ended September 30, 2023, compared to \$767,936 for the three months ended September 30, 2022. The decrease in revenues combined with a larger percentage of fixed product production costs, as well as costs related to expired inventory, resulted in a lower cost of revenues and lower gross margin percentage, after adjusting for the effect of the grant revenue awarded.

#### **Expenses**

We incurred total operating expenses of \$11,137,277 for the three months ended September 30, 2023, compared to total operating expenses of \$10,862,135 for the three months ended September 30, 2022. The increase in operating expenses was primarily due to increased personnel expenses, including stock-compensation expense, and additional investment in research and development. These increases were partially offset by decreased expenses experienced in conjunction with our decrease in revenues, such as third-party sales commissions, reflected in sales and marketing and variable compensation.

Our sales and marketing expenses for the three months ended September 30, 2023 were \$1,904,395, compared to \$1,889,907 for the three months ended September 30, 2022. The increase was primarily a result of increased stock-based compensation expense and professional services expense, partially offset by decreased variable compensation, such as bonuses and commissions, decreased third-party sales commissions, and tradeshow and travel expenses.

General and administrative expenses decreased from \$3,622,273 for the three months ended September 30, 2022 to \$3,147,753 for the three months ended September 30, 2023. The decrease in general and administrative expenses was primarily due to decreased bad debt expense, insurance

expense, variable compensation expense, and professional services expenses, partially offset by increased stock-based compensation expense.

Our research and development expenses increased from \$5,037,461 for the three months ended September 30, 2022 to \$5,788,789 for the three months ended September 30, 2023. The primary increase in expenses was a result of increases in personnel related expenses and increases in expenses related to development and clinical trials of the Co-Dx PCR platform.

#### ***Other Income (expense)***

For the three months ended September 30, 2023 we had total other income of \$840,176, compared to total other income of \$3,059,915 for the three months ended September 30, 2022. The primary components of other income include a change in the fair value of contingent consideration liabilities recorded in conjunction with the acquisitions of IdMo and ACI and interest income and realized gains from investments in marketable securities.

#### ***Net Income (loss)***

We realized a net loss for the three months ended September 30, 2023 of \$5,982,194, compared to a net loss for the three months ended September 30, 2022 of \$1,361,062. The larger net loss was primarily the result of a decrease in revenues, combined with an increase of operating expenses, partially offset by changes in the fair value of acquisition contingencies and income related to investments in marketable securities. Additionally, we recorded an income tax benefit of \$2,113,581 for the three months ended September 30, 2023, compared to an income tax benefit of \$2,114,638 for the three months ended September 30, 2022.

#### **The Nine Months Ended September 30, 2023 Compared to the Nine Months ended September 30, 2022**

#### ***Revenues***

For the nine months ended September 30, 2023, we generated revenues of \$3,256,861, compared to revenues of \$32,816,726 for the nine months ended September 30, 2022. The decrease in revenue of \$29,559,865 was primarily due to lower sales of our Logix Smart COVID-19 test developed in response to the COVID-19 pandemic.

#### ***Cost of Revenues***

We recorded cost of revenues of \$1,217,108 for the nine months ended September 30, 2023, compared to \$4,965,319 for the nine months ended September 30, 2022. The decrease in revenues combined with a larger percentage of fixed product production costs, as well as costs related to expired inventory, resulted in a lower cost of revenues and lower gross margin percentage.

#### ***Expenses***

We incurred total operating expenses of \$32,920,793 for the nine months ended September 30, 2023, compared to total operating expenses of \$28,709,900 for the nine months ended September 30, 2022. The increase in operating expenses was primarily due to increased personnel expenses, including stock-compensation expense, and additional investment in research and development. These increases were partially offset by decreased expenses experienced in conjunction with our decrease in revenues, such as third-party sales commissions reflected in sales and marketing, and variable compensation.

Our sales and marketing expenses for the nine months ended September 30, 2023 were \$5,343,692, compared to \$6,014,280 for the nine months ended September 30, 2022. The decrease was primarily a result of decreased variable compensation, such as bonuses and commissions, and decreased third-party sales commissions, partially offset by increased stock-based compensation expense, tradeshow and travel expenses, and professional services expense.

General and administrative expenses increased from \$9,012,888 for the nine months ended September 30, 2022 to \$9,875,613 for the nine months ended September 30, 2023. The increase in general and administrative expenses was primarily due to increased professional, legal, and advisory fees expenses, increased stock-based compensation expense, and increased bad debt expense, partially offset by decreased variable compensation expense and decreased insurance expense.

Our research and development expenses increased from \$12,698,632 for the nine months ended September 30, 2022 to \$16,783,892 for the nine months ended September 30, 2023. The primary increase in expenses was a result of increases in personnel related expenses, increases in expenses related to development and clinical trials of the Co-Dx PCR platform, and increased stock-based compensation expense.

#### ***Other Income (expense)***

For the nine months ended September 30, 2023 we had total other income of \$3,612,918, compared to total other income of \$7,055,666 for the nine months ended September 30, 2022. The primary components of other income include a change in the fair value of contingent consideration liabilities recorded in conjunction with the acquisitions of IdMo and ACI and interest income and realized gains from investments in marketable securities.

#### ***Net Income (loss)***

We realized a net loss for the nine months ended September 30, 2023 of \$20,656,410, compared with net income for the nine months ended September 30, 2022 of \$7,667,231. The shift from net income to net loss was primarily the result of a decrease in revenues, combined with an increase of operating expenses, partially offset by changes in the fair value of acquisition contingencies and income related to investments in marketable securities. Additionally, we recorded an income tax benefit of \$6,611,712 for the nine months ended September 30, 2023, compared to an income tax benefit of \$1,470,058 for the nine months ended September 30, 2022.

#### **Liquidity and Capital Resources**

At September 30, 2023, we had cash and cash equivalents of \$10,239,898. Additionally, we had \$53,188,999 of marketable investment securities that could readily be converted into cash if needed. Additionally, our total current assets of September 30, 2023, were \$71,310,781 compared to total current



liabilities of \$5,097,740.

Net cash used in operating activities during the nine months ended September 30, 2023 was \$17,303,239, compared to cash provided by operating activities of \$10,578,544 for the nine months ended September 30, 2022. The decrease in cash from operating activities was primarily due to decreased revenues and the impact of non-cash items.

Net cash provided by investing activities during the nine months ended September 30, 2023 was \$5,773,590, primarily from maturities of marketable investment securities, compared to cash used in investing activities of \$4,861,292 during the nine months ended September 30, 2022.

Net cash used in financing activities was \$1,204,256 for the nine months ended September 30, 2023, compared to net cash used in financing activities of \$12,816,503 for the same period in the prior year. This decrease is due to the repurchase of fewer outstanding common shares during the first nine months of the year, compared to the same period of the prior year.

Since commencing sales of our Logix Smart COVID-19 test in March 2020, we have used cash generated from those sales to fund the procurement and production of inventory and to pay our operating expenses. We have increased our work force primarily in the area of research and development to develop the Co-Dx PCR platform and complete development of additional tests to enable us to use our distributor network to sell other products throughout the world and become profitable in the future. In March 2022 our board of directors authorized the repurchase of up to \$30.0 million of the company's outstanding common stock. We have no obligation to repurchase any shares under the repurchase program and may suspend or discontinue it at any time without prior notice. As of September 30, 2023 we have repurchased 4,708,520 outstanding common shares under the repurchase program for a total of \$15.4 million.

Additionally, in March 2023, we filed a shelf registration statement on Form S-3 (the "Shelf Registration Statement") with the SEC registering the sale, from time-to-time of up to \$150 million of our securities. In connection with the Shelf Registration Statement, we filed an equity distribution agreement prospectus covering the offering, issuance and sale of up to a maximum of \$50 million shares of our common stock that may be issued and sold under an equity distribution agreement with Piper Sandler & Co. We are under no obligation to sell any securities under the Shelf Registration Statement or the equity distribution agreement with Piper Sandler & Co. We have not sold any shares under the equity distribution agreement with Piper Sandler & Co.

We believe that our existing capital resources and the cash generated from future sales will be sufficient to meet our projected operating requirements for the next 12 months. However, our available capital resources may be consumed more rapidly than currently expected and we may need or want to raise additional financing for strategic opportunities.

If needed, we expect additional investment capital to come from (i) additional issuances of our common stock with existing and new investors or (ii) the private placement of other securities with investors similar to those that have provided funding in the past. We may not be able to secure such financing in a timely manner or on favorable terms, if at all.

The foregoing estimates, expectations and forward-looking statements are subject to change as we make strategic operating decisions from time to time and as our revenue and expenses fluctuate from period to period.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not required under Regulation S-K for "smaller reporting companies."

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

We maintain "disclosure controls and procedures," as defined in Rules 13a-15l and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls were effective.

##### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2023, that have materially affected or, are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

*Co-Diagnostics, Inc. v. Hukui Technology, Inc., et al. (Third Judicial District Court, Salt Lake County, State of Utah, Civil No. 210902131, filed on April 21, 2021).*

The Company previously disclosed that it had filed a complaint against Defendants Hukui Technology, Inc., Hukui Tech, Inc., and Hukui Bio Co., Ltd (collectively, "Hukui") seeking a declaratory judgment that the Company is not obligated to any of them in any amount. On August 24, 2021, Hukui filed

their Answer and Counterclaim seeking damages on a number of theories, including breach of contract for letter agreements, breach of oral agreement, promissory estoppel, unjust enrichment, and interference with economic relations. On June 1, 2023 the Company filed a Motion for Summary Judgment asking the court for summary judgment on its sole claim for declaratory relief and for summary judgment with respect to all Hukui counterclaims. On November 7, 2023, the Court issued its decision and granted the Company summary judgment on its sole claim for declaratory relief and on all Hukui counterclaims.

There have been no other developments to the legal proceedings previously disclosed under Part I. Item 3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and under Part II. Item 1. of our Quarterly Reports on form 10-Q previously filed with the SEC.

#### Item 1A. Risk Factors.

Not required under Regulation S-K for "smaller reporting companies."

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

None.

#### Dividends

We have never declared or paid any cash dividends on our capital stock. The payment of dividends on our common stock in the future will depend on our earnings, capital requirements, operating and financial condition and such other factors as our Board of Directors may consider appropriate. We currently expect to use all available funds to finance the future development and expansion of our business and do not anticipate paying dividends on our common stock in the foreseeable future.

Pursuant to Section 16-10a-640 of the Utah Revised Business Corporation Act, no distribution may be made if, after giving it effect:

- (a) the corporation would not be able to pay its debts as they become due in the usual course of business; or
- (b) the corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

#### Share Repurchase Program

Period	(a) Total number of shares purchased (1)	(b) Average price paid per share (1)	(c) Total number of shares purchased as part of publicly announced plans or programs (1)	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1)
07/01/23 – 07/31/23	-	\$ -	-	\$ 14,750,204
08/01/23 – 08/31/23	-	\$ -	-	\$ 14,750,204
09/01/23 – 09/30/23	149,041	\$ 1.12	149,041	\$ 14,583,878
Total	149,041	\$ 1.12	149,041	\$ 14,583,878

- (1) In March 2022 the company announced that its board of directors authorized the repurchase of up to \$30.0 million of the company's outstanding common stock. The extent to which the company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including trading volume, market conditions, legal requirements, business conditions and other factors. The repurchase program may be discontinued at any time, and the program does not obligate the company to acquire any specific number of shares of its common stock.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

None.

#### Item 6. Exhibits

##### Exhibit Index

(a) Exhibits

Exhibit	Number Description
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10.1*	<a href="#">Commercial Lease Agreement, dated September 18, 2023, between Ge Estate, LLC and Co-Diagnostics, Inc.</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance 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

\* Filed herewith.

# Management Contract or Compensatory Plan or Arrangement

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### SIGNATURES

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

#### CO-DIAGNOSTICS, INC.

Date: November 9, 2023

By: /s/ Dwight H. Egan

Name: Dwight H. Egan

Title: Chief Executive Officer, President and Principal Executive Officer

Date: November 9, 2023

By: /s/ Brian Brown

Name: Brian Brown

Title: Chief Financial Officer and Principal Financial and Accounting Officer

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**COMMERCIAL LEASE AGREEMENT**

This Commercial Lease Agreement (hereinafter, the "Lease") is a legal and binding contract. Before signing, read the entire document, including the general printed provisions and any attachments. If you have any questions, consult your attorney before signing.

This Lease is made and entered into as of the 18th day of September, 2023, by and between the following parties:

**Landlord(s):** Ge Estate, LLC ("Landlord")  
Address for Notices: 1405 Siesta Drive Sandy, Utah 84093

**Tenant(s):** Co-Diagnostics, Inc.  
Address for Notices: 2401 South Foothill Drive  
Unit D  
Salt Lake City, Utah 84109

In consideration of the rents, covenants and agreements hereinafter set forth. Landlord and Tenant mutually agree as follows:

1. Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the following property: 3215 S 300 W, Salt Lake City, Utah (the "Premises") comprising the entire building of approximately 3,200 square footage and the entire parcel including all parking and adjacent lot areas. The Premises consists of approximately 3,200 square feet of space and this estimate of square footage shall be used for all calculations under this Lease. In addition, for the term of this Lease, Landlord grants Tenant a non-exclusive easement for ingress and egress by vehicular and pedestrian traffic, including a right of use and access, through the gate located on the East side of the adjacent property that provides access to the 3222 South Washington Building that Landlord owns and Tenant leases from Landlord. Landlord also grants Tenant a non-exclusive easement for ingress and egress by vehicular and pedestrian traffic to access said gate through the property of 3211 South 300 West to the gate. Gate and easement are identified as marked in Exhibit A.

2. Term of Lease. This Lease shall begin October 1, 2023 and shall be for an initial term of thirty-nine (39) months ("Initial Term") beginning October 1, 2023 and ending December 31<sup>st</sup> 2026.

3. Extension of Lease Term. Tenant may extend the lease for 1 additional 2-year term by giving notice to Landlord no later than May 1<sup>st</sup>, 2024. If Tenant extends the lease the rent shall increase by 3% for each extension lease year over the previous year.

4. Delivery of Possession. Tenant shall be entitled to possession of the Premises on October 1, 2023, provided that Tenant has (a) executed this Lease; and (b) paid to Landlord the sum of \$ 5,000.00, consisting of Rent for October, 2023, Landlord shall remove existing landlord owned equipment and personal effects prior to possession. Tenant acknowledges that it has examined the Premises and accepts the same in as-is condition and as being in the condition called for by this Lease.

5. Monthly Rent. Tenant shall pay "Monthly Rent" to Landlord, in advance and without prior demand, invoice or notice on or before the first day of each calendar month during the Term of this Lease, as follows:

Lease Year 1 Months 1-12	\$	2,500
Lease Year 2	\$	2,575
Lease Year 3	\$	2,652

Payment shall be made by direct bank deposit, and Landlord shall provide Tenant with information needed to set up the direct bank deposit.

6. Triple Net (NNN) Expenses. This lease is a gross lease. Landlord shall be responsible for all Property Tax, Building Insurance and Utilities paid directly by the Landlord.

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7. Late Charges. If Tenant fails to pay any amounts or charges of any character which are payable under this Lease, Landlord, at Landlord's election, may assess and collect a late fee charge equal to 10% of each payment of rent not received within five business days from the date such rent payment is due. In addition, Landlord shall be eligible to charge interest at a rate of 18% per annum on any payments later than 30 days.

8. Security Deposit. Upon execution of this Lease, Tenant shall deposit with Landlord a deposit in the amount of Two-Thousand Five-Hundred Dollars (\$2,500.00) as security for the performance by Tenant of all of the terms, covenants, and conditions required to be performed by it hereunder. Such sum shall be returned to Tenant within 30 days after the expiration of the Term and delivery of possession of the Premises to Landlord if, at such time, Tenant has performed all such terms, covenants, and conditions of this Lease. If an event of default (as defined in Section 19) by Tenant with respect to any of its obligations under this Lease shall occur, including but not limited to, the payment of Rent or utilities, Landlord may use, apply, or retain all or any part of the security deposit for the payment of any unpaid Rent or utilities, or any amounts Landlord may be required to expend by reason of the occurrence of the event of default by Tenant, including any damages or deficiency in the reletting of the Premises, regardless of whether the accrual of such damages or deficiency occurs before or after an eviction. If all or a portion of the security deposit is so used or applied, Tenant shall, upon ten (10) days' written demand, deposit immediately available funds with Landlord in an amount sufficient to restore the security deposit to its original amount.

9. Utilities. Unless stated to the contrary elsewhere in this Lease, Tenant shall directly pay for all utilities used by Tenant on the Premises ( i.e., telephone, internet, electricity, etc.).

10. Landlord's Responsibility for Maintenance and Repairs. Landlord shall, during the term of this Lease, keep in good order condition, and repair, the exterior walls, foundations and roof unless such repairs are caused by gross negligence of the Tenant. Landlord shall incur no expense nor have any obligation of any kind whatsoever in connection with maintenance of the Premises other than specifically set forth in this paragraph, and Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Tenant the right to make repairs at Landlord expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition, and repair.

11. Tenant's Responsibility for Maintenance and Repairs. Tenant shall, during the term of this Lease, keep in good order condition, and repair, any part of the Premises not specifically included within Landlord's responsibility above. Tenant's responsibility shall include, for example and not limited to: (a) the interior of the Premises and every part thereof, structural or nonstructural; (b) repair of HVAC system that require repair and replacement; (c) interior plumbing and electrical; (d) landscaping (e) all other items not specifically listed as Landlord Responsibility in item 12 above.

12. Alterations and Improvements. Tenant may make any alterations, improvements additions, or utility installations (including power panels) in or about the Premises required to operate the Tenant's business. Tenant shall bear all costs and expenses associated with any Alterations or Improvements to the premise that they perform.

13. Initial Alterations and Improvements. Landlord agrees to perform the following Repairs to the premise:

a. NONE

Tenant shall be responsible for all other Alterations and Improvements they deem necessary for the operation of the business.

14. Signage. Tenant shall be allowed to install city permitted signage, any sign authorized by Landlord shall be removed and the sign space restored to its original condition upon termination of the Lease.

15. Tenant's Insurance. Tenant, at its own expense, shall provide and keep in force liability insurance in the commercial general liability form (or reasonable equivalent thereto) covering the Premises and Tenant's use thereof against claims for personal injury or death, property damage and product liability occurring upon, in or about the Premises, such insurance to be written on an occurrence basis (not a claims made basis), with combined single limit coverage of not less than \$1,000,000.00 and with a general aggregate limit of not less than \$2,000,000.00 for each policy year. Tenant shall furnish Landlord with a certificate of such policy and whenever required shall satisfy Landlord that such policy is in full force and effect. Such policy shall name Landlord as an additional insured and shall be primary and non-contributing with any insurance carried by Landlord. The policy shall further provide that it shall not be cancelled or altered without 30 days prior written notice to Landlord. Tenant shall furnish evidence of renewal of such insurance policies within 10 days before expiration of any such policy.

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16. Permitted and Prohibited Use. Tenant shall use the Property as office, production and warehouse space for its existing biotechnology business and such related uses as required for the Tenant's operations.

17. Assignment and Sublease. Tenant may, with Landlord's written consent, assign, mortgage or hypothecate this Lease or any interest in this Lease or permit the use of the Premises by any person or persons other than Tenant, or sublet the Premises, or any part of the Premises. Assignment of the Lease to another party shall not relieve the Tenant of any of its obligations under this Lease.

18. Quiet Enjoyment. Landlord hereby covenants to Tenant that, subject to Tenant's compliance with the terms and provisions of this Lease, Tenant shall peaceably and quietly hold and enjoy the full possession and use of the Premises during the term of this Lease.

19. Default by Tenant. Upon the occurrence of any of the following events, Tenant shall be in default of its obligations under this Lease (a) Tenant fails to pay any sum due hereunder on or before the date the same is due and such failure continues for five (5) calendar days after said due date; (b) Tenant fails to perform any other material term, condition or covenant to be performed by it pursuant to this Lease within 10 days after written notice of such default has been given to Tenant by Landlord; (c) Tenant becomes bankrupt or insolvent or files a petition in bankruptcy court as a debtor (which, in the case of an involuntary proceeding, is not permanently discharged, dismissed, stayed, or vacated, as the case may be, within sixty (60) days of commencement); (d) Tenant abandons or vacates the Premises; or (e) Tenant assigns or subleases the Premises or encumbers its interest in this Lease without written consent of Landlord (collectively "Events of Default"). Upon the occurrence of any Event of Default, Landlord, in addition to all other rights and remedies provided by law or in equity or otherwise provided in this Lease, may, without further notice or demand of any kind to Tenant or any other person, retake the Premises, accelerate all payments due under this Lease and collect by suit or otherwise, all such amounts due and terminate this Lease. Tenant's payment obligations shall survive any such termination.

20. Chronic Default by Tenant. In order to discourage chronic non-compliance with any provision of this Lease, Tenant shall be conclusively deemed to have incurably defaulted under this Lease at such time as Tenant has triggered an Event of Default for the third time during any twelve-month period, regardless of whether any such Event of Default is or has been cured by Tenant.

21. Default by Landlord. Landlord will not be in default under this Lease unless Landlord fails to perform an obligation required of it within 30 days after written Notice by Tenant to Landlord specifying the respects in which Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than 30 days are reasonably required for performance or cure, Landlord will not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant's rights in case of Landlord's default are limited to reimbursement of its actual damages directly incurred as a result of such default. In no event will Tenant have the right to terminate this Lease or to withhold the payment of Rent or other charges provided for herein as a result of Landlord's default.

22. Independent Obligations. Notwithstanding anything to the contrary in this Lease, Tenant's obligation to pay is independent from any of Landlord's obligations under this Lease. Tenant will pay amounts due hereunder without any deduction, diminution, abatement, counterclaim or offset for any reason whatsoever. Acceptance of a lower amount than due shall not be deemed an accord or satisfaction, and Landlord reserves all rights to receive full payment of the amount owed.

23. Construction of Lease. This Lease shall be construed without regard to the identity of the person who drafted it or the party who caused it to be drafted. It shall be deemed their joint work product, and each and every provision of this Lease shall be construed as though all parties hereto participated equally in the drafting hereof. As a result of the foregoing, any rule of construction that a document is to be construed against the drafting party shall not be applicable.

24. Attorney's Fees to Prevailing Party. In the event either Landlord or Tenant commences litigation to enforce any of the terms and conditions of this Lease, the unsuccessful party to the litigation will pay all costs and expenses, including reasonable attorney's fees and actual costs of litigation, incurred by the successful party. In the case where Landlord recovers some, but not all, of any claimed damages from Tenant, Landlord shall still be deemed the successful party for the purposes of this paragraph.

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25. Complete Agreement. This Lease contains all of the agreements and conditions made between the parties to the Lease related to the Premises in any way. There are no oral agreements that supplement the provisions of this Lease. All oral agreements not incorporated herein are cancelled and superseded by this Lease. This Lease may not be modified orally or in any other manner than by an agreement in writing signed by all the parties to this Lease.

26. Conflict of Laws. This Lease shall be governed by and construed solely pursuant to the laws of the State of Utah, without giving effect to choice of law principles thereunder.

27. Force Majeure. If either Landlord or Tenant is delayed, hindered in or prevented from the performance of any act required under this Lease

by reason of strikes, lock-outs, labor troubles, inability to procure standard materials, failure of power, restrictive governmental laws, regulations or orders or governmental action or inaction (including failure, refusal or delay in issuing permits, approvals and/or authorizations which is not the result of the action or inaction of the party claiming such delay), riots, civil unrest or insurrection, war, fire, earthquake, flood or other natural disaster, unusual and unforeseeable delay which results from an interruption of any public utilities (e.g., electricity, gas, water, telephone), pandemic, or other unusual and unforeseeable delay not within the reasonable control of the party delayed in performing work or doing acts required under the provisions of this Lease, then performance of such act will be excused for the period of the delay and the period for the performance of any such act will be extended for a period equivalent to the period of such delay.

ACCEPTED AND AGREED:

Tenant: Co-Diagnostics, Inc.	Landlord:
By: _____	By: _____
Brian Brown, CFO for Tenant	Jim Gurr Agent for Landlord
Date: _____	Date: _____

**Exhibit A**  
**Easement and Gate location**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002  
AND RULE 13a-14 OF THE EXCHANGE ACT OF 1934**

I, Dwight H. Egan, certify that:

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

Date: November 9, 2023

By: /s/ Dwight H. Egan

Dwight H. Egan  
Chief Executive Officer, President and Principal Executive Officer

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002  
AND RULE 13a-14 OF THE EXCHANGE ACT OF 1934**

I, Brian Brown, certify that:

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

Date: November 9, 2023

By: /s/ Brian Brown

Brian Brown  
Chief Financial Officer and Principal Financial and Accounting Officer

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

In connection with the Quarterly Report of Co-Diagnostics, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Dwight H. Egan, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023

By: /s/ Dwight H. Egan

Dwight H. Egan

Chief Executive Officer, President and Principal Executive Officer

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

In connection with the Quarterly Report of Co-Diagnostics, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Brian Brown, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023

By: /s/ Brian Brown

Brian Brown  
Chief Financial Officer and Principal Financial and Accounting Officer

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