U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024
or

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT**

For the Transition Period from to

Commission file number 1-13463

BIO-KEY INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**41-1741861**
(State or Other Jurisdiction of Incorporation of Organization)	(IRS Employer Identification Number)

101 CRAWFORDS CORNER ROAD, SUITE 4116, HOLMDEL, NJ 07733

(Address of Principal Executive Offices) (Zip Code)

(732) 359-1100
(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	BKYI	Nasdaq Capital Market

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

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

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

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

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

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

Number of shares of Common Stock, $.0001 par value per share, outstanding as of November 13, 2024 is 3,127,049

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 1,801,137	$ 511,400
Accounts receivable, net	1,930,258	1,201,526
Due from factor	49,018	99,320
Inventory	386,944	445,740
Prepaid expenses and other	382,866	364,171
Total current assets	4,550,223	2,622,157
Equipment and leasehold improvements, net	162,551	220,177
Capitalized contract costs, net	430,596	229,806
Deposits and other assets	7,975	-
Operating lease right-of-use assets	73,637	36,905
Intangible assets, net	1,174,721	1,407,990
Total non-current assets	1,849,480	1,894,878
TOTAL ASSETS	$ 6,399,703	$ 4,517,035
LIABILITIES		
Accounts payable	$ 1,564,654	$ 1,316,014
Accrued liabilities	1,254,415	1,305,848
Note payable	2,164,693	-
Government loan – BBVA Bank, current portion	141,854	138,730
Deferred revenue, current	719,846	414,968
Operating lease liabilities, current portion	24,545	37,829
Total current liabilities	5,870,007	3,213,389
Deferred revenue, long term	240,664	28,296
Deferred tax liability	22,998	22,998
Government loan – BBVA Bank – net of current portion	83,901	188,787
Operating lease liabilities, net of current portion	49,091	-
Total non-current liabilities	396,654	240,081
TOTAL LIABILITIES	6,266,661	3,453,470
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common stock — authorized, 170,000,000 shares; issued and outstanding; 3,109,288 and 1,032,777 of $.0001 par value at September 30, 2024 and December 31, 2023, respectively	311	103
Additional paid-in capital	127,981,436	126,047,851
Accumulated other comprehensive loss	74,699	22,821
Accumulated deficit	(127,923,404)	(125,007,210)
TOTAL STOCKHOLDERS' EQUITY	133,042	1,063,565
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,399,703	$ 4,517,035

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

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BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenues				
Services	$ 267,371	$ 587,893	$ 764,062	$ 1,740,880
License fees	1,441,011	950,015	4,165,669	3,764,342
Hardware	436,422	279,200	537,562	424,582
Total revenues	2,144,804	1,817,108	5,467,293	5,929,804
Costs and other expenses				
Cost of services	110,723	125,039	322,957	639,996
Cost of license fees	146,732	253,891	443,384	1,022,919
Cost of hardware	207,655	97,674	260,684	240,074
Cost of hardware - reserve	-	1,000,000	-	2,500,000
Total costs and other expenses	465,110	1,476,604	1,027,025	4,402,989
Gross profit	1,679,694	340,504	4,440,268	1,526,815
Operating Expenses				
Selling, general and administrative	1,607,925	1,776,305	5,332,764	5,851,201
Research, development and engineering	652,174	529,757	1,850,929	1,778,097
Total Operating Expenses	2,260,099	2,306,062	7,183,693	7,629,298
Operating loss	(580,405)	(1,965,558)	(2,743,425)	(6,102,483)
Other income (expense)				
Interest income	2	5,917	53	5,944
Loss on foreign currency transactions	-	-	-	(15,000)
Loan fee amortization	(60,000)	-	(64,000)	-
Change in fair value of convertible note	-	167,283	-	264,706
Interest expense	(98,556)	(45,655)	(108,823)	(159,380)
Total other income (expense), net	(158,554)	127,545	(172,770)	96,270
Loss before provision for income tax	(738,959)	(1,838,013)	(2,916,195)	(6,006,213)
Provision for (income tax) tax benefit	-	189	-	(142,811)
Net loss	$ (738,959)	$ (1,837,824)	$ (2,916,195)	$ (6,149,024)
Comprehensive loss:				
Net loss	$ (738,959)	$ (1,837,824)	$ (2,916,195)	$ (6,149,024)
Other comprehensive income (loss) – Foreign currency translation adjustment	89,933	35,364	51,878	127,394
Comprehensive loss	$ (649,026)	$ (1,802460)	$ (2,864,317)	$ (6,021,630)
Basic and Diluted Loss per Common Share	$ (0.39)	$ (3.22)	$ (1.69)	$ (10.79)
Weighted Average Common Shares Outstanding:				
Basic and diluted	1,889,694	570,753	1,726,716	569,882

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

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BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance as of January 1, 2024	**1,032,777**	**$ 103**	**$126,047,851**	**$ 22,821**	**$(125,007,210)**	**$ 1,063,565**
Issuance of common stock for directors' fees	4,287	-	9,003	-	-	9,003
Issuance of common stock to employees	-	-	-	-	-	-
Restricted stock forfeited	(316)	-	-	-	-	-
Exercise of warrants	777,666	78	1,322	-	-	1,400
Foreign currency translation adjustment	-	-		(62,275)	-	(62,275)
Share-based compensation	-	-	47,790	-	-	47,790
Issuance costs	-	-	(13,470)	-	-	(13,470)
Net loss	-	-	-	-	(510,285)	(510,285)
Balance as of March 31, 2024	**1,814,414**	**$ 181**	**$126,092,496**	**$ (39,454)**	**$(125,517,495)**	**$ 535,728**
Restricted stock forfeited	(186)	-	-	-	-	-
Issuance of common stock for Employee stock purchase plan	1,390	1	1,938	-	-	1,939
Share based compensation for employee stock plan	-	-	456	-	-	456
Share-based compensation	48,315	48,315				
Foreign currency translation adjustment	-	-	-	24,220	-	24,220
Net loss	-	-	-	-	(1,666,950)	(1,666,950)
Balance as of June 30, 2024	**1,815,618**	**$ 182**	**$126,143,205**	**$ (15,234)**	**$(127,184,445)**	**$(1,056,292)**
Restricted stock forfeited	(849)	-	-	-	-	-
Issuance of restricted common stock to employees and directors	168,963	17	(17)	-	-	-
Foreign currency translation adjustment	-	-	-	89,933	-	89,933
Share-based compensation	-	-	66,053	-	-	66,053
Exercise of prefunded warrants	95,000	9	162			171
Exercise of warrants	1,030,556	103	1,906,425			1,906,528
Issuance costs	(134,392)	(134,392)				
Net loss	-	-	-	-	(738,959)	(738,959)
Balance as of September 30, 2024	**3,109,288**	**$ 311**	**$127,981,436**	**$ 74,699**	**$(127,923,404)**	**$ 133,042**

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance as of January 1, 2023	**552,739**	$ **55**	$**122,029,476**	$ **(242,602)**	$**(116,485,373)**	$ **5,301,556**
Issuance of common stock for directors' fees	855	-	12,002	-	-	12,002
Issuance of common stock to employees	2,222	-	4	-	-	4
Restricted stock forfeited	(1,102)	-	(3,105)	-	-	(3,105)
Foreign currency translation adjustment	-	-	-	72,146	-	72,146
Share-based compensation	-	-	62,474	-	-	62,474
Net loss	-	-	-	-	(1,688,322)	(1,688,322)
Balance as of March 31, 2023	**554,714**	$ **55**	$**122,100,851**	$ **(170,456)**	$**(118,173,695)**	$ **3,756,755**
Issuance of common stock for directors' fees	1,286	-	16,002	-	-	16,002
Restricted stock forfeited	(799)	-	-	-	-	-
Issuance of common stock for Employee stock purchase plan	1,557	-	13,934	-	-	13,934
Share based compensation for employee stock plan	-	-	3,563	-	-	3,563
Foreign currency translation adjustment	-	-	-	19,884	-	19,884
Share-based compensation	-	-	57,831	-	-	57,831
Net loss	-	-	-	-	(2,622,878)	(2,622,878)
Balance as of June 30, 2023	**556,758**	$ **55**	$**122,192,181**	$ **(150,572)**	$**(120,796,573)**	$ **1,245,091**
Issuance of common stock for directors' fees	937	-	11,002	-	-	11,002
Restricted stock forfeited	(1,852)	-	(3)	-	-	(3)
Issuance of restricted common stock to employees	14,183	2	(2)	-	-	-
Foreign currency translation adjustment	-	-	-	35,364	-	35,364
Share-based compensation	-	-	60,821	-	-	60,821
Net loss	-	-	-	-	(1,837,824)	(1,837,824)
Balance as of September 30, 2023	**570,026**	$ **57**	$**122,263,999**	$ **(115,208)**	$**(122,634,397)**	$ **(485,549)**

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (2,916,195)	$ (6,149,024)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	69,115	38,213
Amortization of intangible assets	233,269	217,978
Change in fair value of convertible note	-	(264,706)
Amortization of capitalized contract costs	128,953	126,057
Amortization of Note Payable	64,000	-
Reserve for inventory	(98,875)	2,500,000
Operating leases right-of-use assets	(58,950)	146,890
Share and warrant-based compensation for employees and consultants	162,614	163,584
Stock based directors' fees	9,003	39,006
Deferred income tax benefit	-	(20,000)
Bad debts	-	550,000
Change in assets and liabilities:		
Accounts receivable	(398,753)	(434,989)
Due from factor	50,302	(13,072)
Capitalized contract costs	(329,743)	(107,336)
Deposits	(7,975)	-
Inventory	58,796	145,156
Prepaid expenses and other	(18,695)	(51,831)
Accounts payable	248,640	488,417
Accrued liabilities	(51,433)	327,131
Income taxes payable	-	62,811
Deferred revenue	517,246	128,253
Operating lease liabilities	(60,827)	(154,460)
Net cash used in operating activities	(2,399,508)	(2,261,922)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(23,047)	-
Net cash used in investing activities	(23,047)	-
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Note Payable	2,000,000	-
Offering costs	(147,862)	(25,434)
Proceeds for exercise of warrants	1,908,099	-
Receipt of cash from Employee stock purchase plan	1,939	13,934
Repayment of government loan	(101,762)	(113,885)
Net cash used in financing activities	3,660,414	(125,385)
Effect of exchange rate changes	51,878	58,871
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,289,737	(2,328,436)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	511,400	2,635,522
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,801,137	$ 307,086

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

	Nine Months Ended September 30,	
	2024	**2023**
Cash paid for:		
Interest	$ 8,130	$ 159,379

All BIO-key shares issued and outstanding for all periods reflect BIO-key's 1-for-18 reverse stock split, which was effective December 21, 2023.
See accompanying notes to the condensed consolidated financial statements.

BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2024 (Unaudited)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

The Company, founded in 1993, develops and markets proprietary fingerprint identification biometric technology and software solutions enterprise-ready identity access management solutions to commercial, government and education customers throughout the United States and internationally. The Company was a pioneer in developing automated, finger identification technology that supplements or compliments other methods of identification and verification, such as personal inspection identification, passwords, tokens, smart cards, ID cards, PKI, credit cards, passports, driver's licenses, OTP or other form of possession or knowledge-based credentialing. Additionally, advanced BIO-key® technology has been, and is, used to improve both the accuracy and speed of competing finger-based biometrics.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of BIO-key International, Inc. and its wholly-owned subsidiaries (collectively, the “Company” or “BIO-key”) and are stated in conformity with accounting principles generally accepted in the United States of America (“GAAP”), pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted. Intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all necessary adjustments, consisting only of those of a recurring nature, and disclosures to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. The balance sheet at September 30, 2024 was derived from the audited financial statements, but does not include all of the disclosures required by GAAP. These unaudited interim condensed consolidated financial statements should be read in conjunction with the financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on June 5, 2024.

Foreign Currencies

The Company accounts for foreign currency transactions pursuant to ASC 830, *Foreign Currency Matters* ("ASC 830”). The functional currency of the Company is the U.S. dollar, which is the currency of the primary economic environment in which it operates. In accordance with ASC 830, all assets and liabilities are translated into U. S. dollars using the current exchange rate at the end of each fiscal period. Revenues and expenses are translated using the average exchange rates prevailing throughout the respective periods. All transaction gains and losses from the measurement of monetary balance sheet items denominated in Euros are reflected in the statement of operations as appropriate. Translation adjustments are included in accumulated other comprehensive income (loss).

Recently Issued Accounting Pronouncements

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses* (Topic 326), referred to herein as ASU 2016-13, which significantly changes how entities will account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaces the existing incurred loss model with an expected credit loss model that requires entities to estimate an expected lifetime credit loss on most financial assets and certain other instruments. Under ASU 2016-13 credit impairment is recognized as an allowance for credit losses, rather than as a direct write-down of the amortized cost basis of a financial asset. The impairment allowance is a valuation account deducted from the amortized cost basis of financial assets to present the net amount expected to be collected on the financial asset. Once the new pronouncement is adopted by the Company, the allowance for credit losses must be adjusted for management's current estimate at each reporting date. The new guidance provides no threshold for recognition of impairment allowance. Therefore, entities must also measure expected credit losses on assets that have a low risk of loss. For instance, trade receivables that are either current or not yet due may not require an allowance reserve under currently generally accepted accounting principles, but under the new standard, the Company will have to estimate an allowance for expected credit losses on trade receivables under ASU 2016-13. The adoption of ASU 2016-13 had a material effect on the consolidated financial statements of the Company.

In August 2020, the Financial Accounting Standards Board issued ASU 2020-06, Debt - *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06") to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 was effective for the Company on January 1, 2024 and should be applied on a full or modified retrospective basis. The adoption of ASU 2016-13 did not have a material effect on the consolidated financial statements of the Company.

Management does not believe that any other recently issued, but not yet effective, accounting standard, if currently adopted, would have a material effect on the accompanying consolidated financial statements.

2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern, and assumes continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has suffered substantial net losses and negative cash flows from operations in recent years and is dependent on debt and equity financing to fund its operations all of which raise substantial doubt about the Company's ability to continue as a going concern. Recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon the Company's ability to increase its revenue and meet its financing requirements on a continuing basis and become profitable in its future operations. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

As of the date of this report, the Company does not have enough cash for twelve months of operations. The history of significant losses, the negative cash flow from operations, the limited cash resources on hand and the dependence by the Company on its ability to obtain additional financing to fund its operations after the current cash resources are exhausted raises substantial doubt about the Company's ability to continue as a going concern. In recent periods, the Company has reduced its marketing, research and development, and rent expenses. In addition, the Company has purchased inventory for projects in Nigeria, which have been delayed in deployment, and is currently exploring other markets and opportunities to sell or return the product to generate additional cash.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the three month periods ended September 30, 2024 and September 30, 2023:

	North America	Africa	EMESA*	Asia	September 30, 2024
Services	$ 188,181	$ 34,753	$ 44,437	$ -	$ 267,371
License fees	738,838	223,703	478,470	-	1,441,011
Hardware	52,897	-	361,525	22,000	436,422
Total Revenues	$ 979,916	$ 258,456	$ 884,432	$ 22,000	$ 2,144,804

	North America	Africa	EMESA*	Asia	September 30, 2023
Services	$ 294,581	$ 26,009	$ 267,303	$ -	$ 587,893
License fees	426,059	-	523,956	-	950,015
Hardware	48,057	-	231,143	-	279,200
Total Revenues	$ 768,697	$ 26,009	$ 1,022,402	$ -	$ 1,817,108

The following table summarizes revenue from contracts with customers for the nine month periods ended September 30, 2024 and September 30, 2023:

	North America	Africa	EMESA*	Asia	September 30, 2024
Services	$ 618,421	$ 98,430	$ 47,211	$ -	$ 764,062
License fees	1,797,707	1,490,255	877,707	-	4,165,669
Hardware	140,598	-	361,764	35,200	537,562
Total Revenues	$ 2,556,726	$ 1,588,685	$ 1,286,682	$ 35,200	$ 5,467,293

	North America	Africa	EMESA*	Asia	September 30, 2023
Services	$ 840,045	$ 75,806	$ 812,654	$ 12,375	$ 1,740,880
License fees	1,614,971	552,630	1,526,091	70,650	3,764,342
Hardware	134,390	-	278,292	11,900	424,582
Total Revenues	$ 2,589,406	$ 628,436	$ 2,617,037	$ 94,925	$ 5,929,804

*EMESA – Europe, Middle East, South America

Deferred Revenue

Deferred revenue includes customer advances and amounts that have been paid by customer for which the contractual maintenance terms have not yet occurred. The majority of these amounts are related to maintenance contracts for which the revenue is recognized ratably over the applicable term, which generally is 12-60 months. Contracts greater than 12 months are segregated as long term deferred revenue. Maintenance contracts include provisions for unspecified when-and-if available product updates and customer telephone support services. At September 30, 2024 and December 31, 2023, amounts in deferred revenue were approximately $961,000 and $443,000, respectively. Revenue recognized during the three and nine-months ended September 30, 2024 from amounts included in deferred revenue at the beginning of the period was approximately $ 51,000 and $482,000, respectively. Revenue recognized during the three and nine-months ended September 30, 2023 from amounts included in deferred revenue at the beginning of the period was approximately $67,000 and $402,000, respectively.

4. ACCOUNTS RECEIVABLE

Accounts receivable are carried at original amount less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, current economic conditions and other relevant factors, including specific reserves for certain accounts. Accounts receivable are written off when deemed uncollectible.

Accounts receivable at September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Accounts receivable	$ 2,606,064	$ 2,207,311
Allowance for credit losses	(675,806)	(1,005,785)
Accounts receivable, net of allowances for credit losses	$ 1,930,258	$ 1,201,526

Bad debt expenses are recorded in selling, general, and administrative expense.

5. SHARE BASED COMPENSATION

The following table presents share-based compensation expenses included in the Company's unaudited condensed interim consolidated statements of operations:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Selling, general and administrative	$ 53,117	$ 56,414
Research, development and engineering	12,936	48,758
	$ 66,053	$ 105,172

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Selling, general and administrative	$ 140,142	$ 171,833
Research, development and engineering	31,475	48,758
	$ 171,617	$ 220,591

6. INVENTORY

Inventory is stated at the lower of cost, determined on a first in, first out basis, or realizable value. The Company periodically evaluates inventory items and establishes reserves for obsolescence accordingly. The Company also reserves for excess quantities, slow moving goods, and for other impairment of value based upon assumptions of future demand and market conditions. Approximately $3,200,000 of the reserve on inventory is due to slow moving inventory purchased for projects in Nigeria, and the balance for other slow-moving inventory. The Company has been selling units in small quantities and continues to explore other markets and opportunities to sell the product. Inventory is comprised of the following as at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Finished goods	$ 4,220,416	$ 4,373,056
Fabricated assemblies	54,153	59,184
Reserve on finished goods	(3,887,625)	(3,986,500)
Total inventory	$ 386,944	$ 445,740

7. COMMITMENTS AND CONTINGENCIES

Distribution Agreement

Swivel Secure has a distribution agreement with Swivel Secure Limited ("SSL"). Terms of the agreement include the following:

1. The initial term of the agreement ends on January 31, 2027 and will be automatically extended for additional one-year terms thereafter unless either party provides written notice to the other party not later than 30 days before the end of the term that it does not wish to extend the term.

2. SSL appoints Swivel Secure as the exclusive distributor of SSL's products, to market, sell and distribute in the EMEA (Europe, Middle East and Africa), excluding the United Kingdom and Republic of Ireland, for a defined discount on the sale price.

3. Swivel Secure is expected to generate a certain minimum level of orders of SSL products each year during the term of the agreement. If Swivel Secure fails to meet such minimum level of orders in any year, the exclusive distribution rights will terminate and Swivel Secure will serve as a non-exclusive distributer of SSL Products.

The Company expects the revenue targets to continue to be met based on historical performance and increasing distribution by Swivel Secure.

Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of September 30, 2024, the Company was not a party to any pending lawsuits.

8. LEASES

The Company's leases office space in New Jersey, Minnesota, New Hampshire, Madrid and Hong-Kong with lease termination dates in 2024. On August 11, 2023, the Company signed a new one-year lease starting September 1, 2023 for office space in New Jersey. The property leased in China is paid monthly as used, without a formal agreement. The following tables present the components of lease expense and supplemental balance sheet information related to the operating leases were:

	3 Months ended September 30, 2024	3 Months ended September 30, 2023
Lease cost		
Total lease cost	$ 9,702	$ 34,145

	9 Months ended September 30, 2024	9 Months ended September 30, 2023
Lease cost		
Total lease cost	$ 38,808	$ 145,828

Balance sheet information	September 30, 2024	December 31, 2023
Operating right-of-use assets	$ 73,636	$ 36,905
Operating lease liabilities, current portion	$ 24,545	$ 37,829
Operating lease liabilities, non-current portion	49,091	0
Total operating lease liabilities	$ 73,636	$ 37,829
Weighted average remaining lease term (in years) – operating leases	3.00	0.67
Weighted average discount rate – operating leases	5.50%	5.50%
Cash paid for amounts included in the measurement of operating lease liabilities for the nine months ended September 30, 2024 and 2023:	$ 51,950	$ 213,783

Maturities of operating lease liabilities were as follows as of September 30, 2024:

2024 (3 months remaining)	$ 6,978
2025	28,191
2026	29,262
2027	22,473
Total future lease payments	$ 86,904
Less: imputed interest	(13,268)
Total	$ 73,636

9. NOTE PAYABLE

Note Purchase Agreement dated June 24, 2024

On June 24, 2024, the Company entered into and closed a note purchase agreement (the "Purchase Agreement") which provided for the issuance of a $2,360,000 principal amount senior secured promissory note (the "2024 Note"). The 2024 Note carries an original issue discount of $350,000 and the Company agreed to pay $10,000 to the Lender to cover its transaction costs, which were deducted from the proceeds of the 2024 Note resulting in a total of $2,000,000 being funded to the Company at closing. The proceeds will be used for general working capital.

The principal amount of the 2024 Note is due eighteen months (18) following the date of issuance. Interest under the 2024 Note accrues at a rate of nine percent (9%) per annum. All repayments of principal due under the 2024 Note will be subject to an exit fee of seven percent (7%) of the principal amount being repaid (the "Exit Fee"). Commencing six months after the date of issuance of the Note (the "Redemption Start Date"), Lender shall have the right to redeem up to $270,000 of principal amount under the 2024 Note each month which amount plus the Exit Fee will be due and payable three (3) business days after Lender's delivery of a redemption notice to the Company. At the end of each month following the Redemption Start Date, if the Company has not reduced the outstanding balance under the 2024 Note by at least $270,000, then by the fifth (5th) day of the following month, the Company must either pay to Lender the difference between $270,000 and the amount, if any, redeemed in such month plus the Exit Fee, or the outstanding balance due under the Note will automatically increase by one percent (1%).

The 2024 Note is secured by a lien on substantially all of the Company's assets and properties and the Company's obligations under the Note are guaranteed by Pistol Star, Inc., a wholly owned subsidiary of the Company. The 2024 Note can be prepaid in whole or in part without penalty at any time. In the event that the Company receives any proceeds in connection with any fundraising or financing transaction (including any warrant exercises), it will be required to make a mandatory prepayment equal to the lesser of (i) forty percent (40%) of the amount raised in such transaction and (ii) the full amount due under the 2024 Note.

The 2024 Note provides for customary events of default, including, among other things, the event of non-payment of principal, interest, fees or other amounts, a representation or warranty proving to have been incorrect when made, failure to perform or observe covenants within a specified period of time, the bankruptcy or insolvency of the Company or of all or a substantial part of its property, and monetary judgment defaults of a specified amount. Upon the occurrence of an Event of Default, Lender may (i) cause interest on the outstanding balance to accrue at an interest rate equal to the lesser of twenty two (22%) or the maximum rate permitted under applicable law, and (ii) accelerate all amounts due under the 2024 Note plus an amount equal to (a) fifteen percent (15%) of the amount due under the 2024 Note for each default that is considered a major trigger event (as defined), and (b) five percent (5%) of the amount due under the 2024 Note for each occurrence of any default that is considered a minor trigger event (as defined), in any case not to exceed twenty five percent (25%).

The Company received gross proceeds of approximately $ 1.9 million in connection with a financing transaction (see Note 12. 3. Warrants). In accordance with the terms of the 2024 Note, on October 1, 2024, 40% of the proceeds received, or approximately $ 762,600, was used to prepay amounts due under the 2024 Note.

10. CONVERTIBLE NOTE PAYABLE

Securities Purchase Agreement dated December 22, 2022

On December 22, 2022, the Company entered into and closed a securities purchase agreement (the “Purchase Agreement”) and issued a $ 2,200,000 principal amount senior secured promissory note (the “Note”). At closing, a total of $2,002,000 was funded, with the proceeds to be used for general working capital.

The principal amount of the Note was due six months following the date of issuance, subject to one six-month extension by the Company. Interest under the Note accrues at a rate of 10% per annum, payable monthly through month six and at the rate of 12% per annum in months seven through twelve, payable monthly. The Note was secured by a lien on substantially all of the Company’s assets and properties can be prepaid in whole or in part without penalty at any time.

In connection with the issuance of the Note, the Company issued to the investor 38,889 shares of Common Stock (the “Commitment Shares”) valued at $18.00 per share and a warrant (the “Warrant”) to purchase 11,112 shares of common stock (the “Warrant Shares”) at an exercise price of $ 54.00 per share, exercisable commencing on the date of issuance with a term of five years. The warrant was valued at $94,316.

On October 31, 2023, the Company repaid $1,400,000 of principal due under the Note, and on December 21, 2023 the Company repaid the remaining principal balance of $800,000 due under the Note.

As of December 31, 2023, the Note was paid in full.

11. EARNINGS (LOSS) PER SHARE - COMMON STOCK (“EPS”)

The Company’s basic EPS is calculated using net income (loss) available to common shareholders and the weighted-average number of shares outstanding during the reporting period. Diluted EPS includes the effect from potential issuance of common stock, such as stock issuable pursuant to the exercise of stock options and warrants and the assumed conversion of preferred stock.

The following table sets forth options and warrants which were excluded from the diluted per share calculation because the exercise price was greater than the average market price of the common shares:

	Three Months ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Stock options	3,007	9,266	3,007	9,266
Warrants	2,739,362	207,234	2,739,362	270,234
Total	2,742,369	216,500	2,742,369	279,500

12. STOCKHOLDERS’ EQUITY

Issuances of Common Stock

During the nine-month periods ended September 30, 2024, and 2023, there have not been any shares of common stock issued to anyone outside the Company, except as noted in this Note 12.

On June 18, 2021, the stockholders approved the Employee Stock Purchase Plan. Under the terms of this plan, 43,334 shares of common stock are reserved for issuance to employees and officers of the Company at a purchase price equal to 85% of the lower of the closing price of the common stock on the first day or the last day of the offering period as reported on the Nasdaq Capital Market. Eligible employees are granted an option to purchase shares under the plan funded by payroll deductions. The Board may suspend or terminate the plan at any time, otherwise the plan expires June 17, 2031. On June 28, 2024, 1,390 shares were issued to employees which resulted in a $ 456 non-cash compensation expense for the Company. On June 30, 2023, 1,557 shares were issued to employees which resulted in a $ 3,563 non-cash compensation expense for the Company.

Issuances of Restricted Stock

Restricted stock consists of shares of common stock that are subject to restrictions on transfer and risk of forfeiture until the fulfillment of specified conditions. The fair value of nonvested shares is determined based on the market price of the Company's common stock on the grant date. Nonvested stock is expensed ratably over the term of the restriction period.

During the nine-month periods ended September 30, 2024 and 2023, the Company issued 168,963 and 16,404 shares of restricted common stock, respectively, to certain employees and directors. These shares vest in equal annual installments over a three-year period from the date of grant and had a fair value on the date of issuance of $244,996 and $31,200, respectively.

During the nine-month periods ended September 30, 2024 and 2023, 1,351 and 2,650 shares of restricted common stock were forfeited, respectively.

Share based compensation for the nine-month periods ended September 30, 2024 and 2023, was $171,617 and $220,591, respectively.

Issuances to Directors

During the nine-month periods ended September 30, 2024, and 2023, the Company issued 4,287 and 3,078, shares of common stock to its directors in lieu of payment of board and committee fees valued at $9,003 and $39,006, respectively.

Employees' exercise options

During the nine-month periods ended September 30, 2024 and 2023, no employee stock options were exercised.

3. Warrants

During the nine-month period ended September 30, 2024, the entered into a warrant inducement agreement with an existing institutional investor for the immediate exercise of certain outstanding warrants that the Company issued on October 30, 2023. Pursuant to the warrant inducement agreement, the investor agreed to exercise outstanding warrants to purchase an aggregate of 1,030,556 shares of the Company's common stock at an amended exercise price of $1.85. The gross proceeds from the exercise of the warrants was approximately $ 1.9 million, prior to deducting placement agent fees and estimated offering expenses. In consideration for the immediate exercise of the warrants, the Company also agreed to issue to the investor unregistered Series A Warrants to purchase an aggregate of 1,030,556 shares of the Company's common stock and unregistered Series B Warrants to purchase an aggregate of 1,030,556 shares of the Company's common stock, each with an exercise price of $ 1.85 per share. The Series A Warrants and Series B Warrants share substantially the same terms, are immediately exercisable and will expire five years from the date of issuance.

There were no warrants issued for the nine-month period ended September 31, 2023.

There were 911,672 prefunded warrants exercised during the nine-month period ended September 30, 2024.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable, due from factor, accounts payable and accrued liabilities are carried at, or approximate, fair value because of their short-term nature. The carrying value of the Company's government loan payable approximates fair value as the interest rate related to the financial instruments approximated market.

14. MAJOR CUSTOMERS AND ACCOUNTS RECEIVABLE

During each of the three month periods ended September 30, 2024, and 2023, three customers accounted for 47% and two customers accounted for 33% of the revenue, respectively. For the nine month periods ended September 30, 2024, and 2023, one customer accounted for 29% and two customers accounted for 23% of revenue, respectively.

Four customers accounted for 65% of current accounts receivable at September 30, 2024. At December 31, 2023, one customer accounted for 35% of current accounts receivable.

15. INCOME TAXES

United States, Hong Kong and Nigeria
The Company recorded no income tax expense for the three and nine months ended September 30, 2024 and 2023 because the estimated annual effective tax rate was zero. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

As of September 30, 2024 and December 31, 2023, the Company provided a full valuation allowance against its net deferred tax assets since the Company believes it is more likely than not that its deferred tax assets will not be realized.

Spain
Due to the current loss for the nine months ended September 30, 2024, the Company did not record income taxes. The deferred tax liability presented on the condensed consolidated balance sheet relates to intangible assets from the acquisition of Swivel Secure.

16 SUBSEQUENT EVENTS

On November 7, 2024, the Company issued 7,761 shares of common stock to its directors in payment of meeting fees. Additionally, the Company issued an aggregate of 10,000 shares of restricted stock to new employees with three-year vesting. All the shares were issued at $ 1.16 the closing price on November 7, 2024, as reported on the Nasdaq Capital Market.

The Company has reviewed subsequent events through the date of this filing.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “believe,” “should,” “estimate,” “will,” “may,” “future,” “plan,” “intend” and “expect” and similar expressions generally identify forward-looking statements. These statements are not guarantees of future performance or events and are subject to risks and uncertainties that may cause actual results to differ materially from those included within or implied by such forward-looking statements. These risks and uncertainties include, without limitation, our history of losses and limited revenue; our ability to raise additional capital to satisfy debt repayment obligations and working capital needs; our ability to continue as a going concern; our ability to protect our intellectual property; changes in business conditions; changes in our sales strategy and product development plans; changes in the marketplace; continued services of our executive management team; security breaches; competition in the biometric technology and identity access management industries; market acceptance of biometric products generally and our products under development; our ability to convert sales opportunities to customer contracts; our ability to expand into Asia, Africa and other foreign markets; our ability to integrate the operations and personnel of Swivel Secure into our business; fluctuations in foreign currency and exchange rates; the duration and extent of continued hostilities in Ukraine and its impact on our European customers; delays in the development of products, the commercial, reputational and regulatory risks to our business that may arise as a consequence the restatement of our financial statements; if we fail to increase our stockholders' equity to at least $2.5 million, our common stock will be delisted from the Nasdaq Stock Market which could negatively impact the trading price of our common stock and impair our ability to raise capital, our temporary loss of the use of a Registration Statement on Form S-3 to register securities in the future; any disruption to our business that may occur on a longer-term basis should we be unable to remediate during fiscal year 2024 certain material weaknesses in our internal controls over financial reporting, statements of assumption underlying any of the foregoing, and numerous other matters of national, regional and global scale, including those set forth under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 and other filings with the SEC. These factors are not intended to represent a complete list of the general or specific factors that may affect us. It should be recognized that other factors, including general economic factors and business strategies, may be significant, presently or in the future. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to and should be read in conjunction with our unaudited condensed consolidated financial statements and related information contained herein and our audited financial statements as of December 31, 2023.

Overview

BIO-key International, Inc. (the “Company,” “BIO-key,” “we,” or “us”) is a leading identity and access management, or IAM, platform provider enabling secure work-from-anywhere for enterprise, education, and government customers. Our vision is to enable any organization to secure streamlined and passwordless workforce, employee, customer, student and citizen access to any online service, workstation, or mobile application, without a requirement to use tokens or phones. Our products include PortalGuard® and PortalGuard Identity-as-a-Service (IDaaS) enterprise IAM, WEB-key® biometric civil and large-scale ID infrastructure, and accessory hardware to provide a complete solution for our customers.

Millions of people use BIO-key multi-factor-authentication, or MFA, solutions every day to securely access a variety of cloud, mobile and web applications, on-premise and cloud-based servers from all of their devices. We go beyond passwordless to offer phone-less and token-less authentication methods. This critical differentiator is particularly effective for retail, call center, manufacturing, shop-floor, and healthcare environments which utilize roving workers and shared workstations. Unlike most digital identity solutions, BIO-key also plays a role in securing in-person identity. For example, a banking customer has enrolled over 25 million of its customers’ biometrics with BIO-key as part of their know your customer, or KYC process, and then uses BIO-key fingerprint technology each time their customers access bank services to ensure positive identification before transacting with them.

BIO-key PortalGuard and hosted PortalGuard IDaaS authentication platforms enable our customers to assure that only the right people can access the right systems by utilizing our world-class biometric capabilities, among 17 other available authentication methods. PortalGuard goes beyond traditional MFA solutions by allowing roving users to biometrically authenticate at any workstation without using their phones or tokens which addresses sizeable security gaps, including eliminating unauthorized account delegation, detecting duplicate users, and accommodating in-person identification.

Our customers use PortalGuard to manage and secure digital systems access by their employees, contractors and partners, which we call workforce identity. PortalGuard is also used to manage and secure the identities of an organization’s customers through integration of APIs we have developed and industry-standard federation standards, which we call customer identity. By using PortalGuard, our customers can securely collaborate with their supply chain and partners, and provide their customers with flexible, resilient user experiences online or in-person.

In 2022, we expanded our product offerings and customer base when we acquired Swivel Secure Europe, a Madrid, Spain based provider of IAM solutions. Swivel Secure Europe is a distributer of the AuthControl Sentry, AuthControl Enterprise, and AuthControl MSP product line in Europe, Africa and the Middle East, or EMEA, excluding the United Kingdom and Ireland. These solutions include PINsafe, a patented one-time-code extraction technology, helping enterprises manage the increasing data security risks posed by cloud services and “bring your own device” policies.

Large-scale customer and civil ID customers use our scalable biometric management platform and FBI-certified scanner hardware to manage enrollment, de-duplication and authentication for millions of users.

We sell our branded USB fingerprint and FIDO authentication hardware as accessories to our IAM platforms, so that customers can have a single vendor providing all components of their IAM solution. Our fingerprint biometric platform is certified by NIST and unique among fingerprint platforms in that it supports mixing and matching of different manufactures' fingerprint scanners in a deployment. This provides our customers with the flexibility to select the right scanner for their specific use case, without mandating the use of a particular scanner.

We operate a SaaS business model with customers subscribing to term use of our software for annual recurring revenue. We sell our products directly through our field and inside sales teams, as well as indirectly through our network of channel partners including resellers, system integrators, master agents and other distribution partners. Our subscription fees include a term license of hosted or on-premise product and technical support and maintenance of our platform. We base subscription fees primarily on the products used and the number of users enrolled in our platform. We generate subscription fees pursuant to noncancelable contracts with a weighted average duration of approximately one year.

Strategic Outlook

We plan to have a more significant role in the IAM market which continues to expand. With the adoption of MFA as a cybersecurity requirement, nearly all enterprises are beginning to adopt MFA for their user bases. We plan to continue to offer customers a suite of authentication options that complement our biometric solutions. Our ability to add value to or replace the first-generation MFA solutions deployed by these enterprises with our phone-less and token-less biometrics sets us apart from a crowded field of phone- and token-based MFA solutions. We believe that as enterprises experience the lifecycle costs associated with managing tokens and passwords, they will have an economic incentivize to consider adding BIO-key PortalGuard to their IAM solution. PortalGuard will allow them to continue to use their existing FIDO devices, while selectively augmenting their authentication options with tokenless and phoneless biometric choices.

We expect to grow our business within government services and highly-regulated industries in which we have historically had a strong presence including financial services, higher education, and healthcare. We believe that continued heightened security and privacy requirements in these industries, and as colleges and universities continue operating in remote environments, we will generate increased demand for security solutions, including biometrics. In addition, we expect that the compatible, yet superior portable biometric user experience offered by our technology for Windows 10 users will accelerate the demand for our computer network log-on solutions and fingerprint readers. Through value add-offerings via direct sales, resellers, and strategic partnerships with leading higher education platform providers, we will continue to grow our installed base. Through Swivel Secure Europe, we also expect to grow our business in EMEA.

Our primary sales strategies are focused on (i) increased marketing efforts into the IAM market, (ii) dedicated pursuit of large-scale identification projects across the globe, and (iii) growing our channel alliance program which we have grown to more than one hundred and fifty participants and continues to generate incremental revenues.

A second component of our growth strategy is to pursue strategic acquisitions of select businesses and assets in the IAM space. In furtherance of this strategy, we are active in the industry and regularly evaluate businesses that we believe will either provide an entry into new market verticals or be synergistic with our existing operations and in either case, be accretive to earnings. We cannot provide any assurance as to whether we will be able to complete any acquisition and if completed, successfully integrate any business we acquire into our operations.

Recent Developments

The current trend of continued remote work environments increases the risk of unauthorized users, phishing attacks, and hackers who are eager to take advantage of the challenges of securing remote workers. A growing trend of security incidents that highlight potential cybersecurity vulnerabilities, additional regulatory requirements, and increasingly stringent Cyber Insurance underwriting standards that mandate enhanced security solutions has resulted in many businesses requiring MFA for their employees, partners and customers to access their business systems and data. We believe that biometrics should continue to play a key role in remote user authentication.

Critical Accounting Policies and Estimates

For detailed information regarding our critical accounting policies and estimates, see our financial statements and notes thereto included in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates from those disclosed in our most recent Annual Report on Form 10-K.

Recent Accounting Pronouncements

For detailed information regarding recent account pronouncements, see Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2024 AS COMPARED TO SEPTEMBER 30, 2023

Consolidated Results of Operations - Percent Trend

	Three Months Ended September 30, 2024	2023
Revenues		
Services	13%	33%
License fees	67%	52%
Hardware	20%	15%
Total Revenues	100%	100%
Costs and other expenses		
Cost of services	5%	7%
Cost of license fees	7%	14%
Cost of hardware	10%	5%
Cost of hardware - reserve	0%	55%
Total Cost of Goods Sold	22%	81%
Gross profit	78%	19%
Operating expenses		
Selling, general and administrative	75%	98%
Research, development and engineering	30%	29%
Total Operating Expenses	105%	127%
Operating loss	-27%	-108%
Other expense	-7%	7%
Loss before provision for income tax	-34%	-101%
Provision for income tax	0%	0%
Net loss	-34%	-101%

Revenues and cost of goods sold

	Three Months Ended September 30, 2024	2023	$ Change	% Change
Revenues				
Service	$ 267,371	$ 587,893	$ (320,522)	-55%
License	1,441,011	950,015	490,996	52%
Hardware	436,422	279,200	157,222	56%
Total Revenue	$ 2,144,804	$ 1,817,108	$ 327,696	18%

	Three Months Ended September 30, 2024	2023	$ Change	% Change
Cost of Goods Sold				
Service	$ 110,723	$ 125,039	$ (14,316)	-11%
License	146,732	253,891	(107,159)	-42%
Hardware	207,655	97,674	109,981	113%
Hardware - reserve	-	1,000,000	(1,000,000)	-100%
Total COGS	$ 465,110	$ 1,476,604	$ (1,011,494)	-69%

Revenues

For the three months ended September 30, 2024, and 2023, service revenues included approximately $214,000 and $279,000, respectively, of recurring maintenance and support revenue, and approximately $53,000 and $291,000 respectively, of non-recurring custom services revenue. Recurring service revenue decreased $65,000 or 24% in 2024 which was due to the loss of one large customer service agreement. Non-recurring custom services decreased 97% due to loss of one large customer for Swivel Secure customizations and upgrades. We expect the service revenue to remain at the current lower rate in future periods.

For the three months ended September 30, 2024, license revenue increased $490,996 or 52% to $1,441,011 from $950,015 in the corresponding period in 2023 , as several long-term customers expanded their license deployments.

For the three months ended September 30, 2024, hardware sales increased 56% to $436,422 from $279,200 in the corresponding period in 2023. The increase was due largely to several long-term customers expanding their biometric cybersecurity solutions.

Costs of goods sold

For the three months ended September 30, 2024, cost of service decreased approximately $14,000 or 11% to $110,723 from $125,039 in the three months ended September 30, 2023, due to reduced costs to support the PortalGuard and Swivel Secure deployments. For the three months ended September 30, 2024, license fees decreased to $146,732 from $253,891 in the three months ended September 30, 2023, due largely to a decrease in license fees for third-party software included in our Swivel Secure offerings. For the three months ended September 30, 2024, hardware costs increased to $207,655 from $97,674 in the three months ended September 30, 2023, related to increase of hardware revenue.

Selling, general and administrative

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	% Change
Selling, general and administrative	$ 1,607,925	$ 1,776,305	$ (168,380)	-9%

Selling, general and administrative expenses for the three months ended September 30, 2024, decreased 9% from $1,776,305 in the corresponding period in 2023 to $1,607,925 in the current quarter. The decreases included reductions in administration, sales personnel costs and marketing show expenses, offset by an increase in professional services incurred in connection with financing transactions.

Research, development and engineering

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	% Change
Research, development, and engineering	$ 652,174	$ 529,757	$ 122,417	23%

For the three months ended September 30, 2024, research, development, and engineering costs increased 23% to $652,174 compared to $529,757 in the corresponding period in 2023. The increase consisted primarily in an increase in personnel costs.

Other income (expense)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	% Change
Interest income	$ 2	$ 5,917	$ (5,915)	-100%
Loan fee amortization	(60,000)	-	(60,000)	-100%
Change in fair value of convertible note	-	167,283	(167,283)	100%
Interest expense	(98,556)	(45,655)	(52,901)	-116%
Other income (expense)	$ (158,554)	$ 127,545	$ (286,099)	224%

Other income (expense) for the three months ended September 30, 2024 consisted of interest income of $2 and interest expense of $98,556 comprised of approximately $4,200 on the government loan through the BBVA bank and the balance on the 2024 Note, and a loan fee amortization amount of $60,000. Other income (expense) for the three months ended September 30, 2023 consisted of interest income of $5,917, interest expense of $45,655 on the secured note payable and the government loan through the BBVA bank net of interest, and change in fair value of $167,283 on the convertible note payable.

NINE MONTHS ENDED SEPTEMBER 30, 2024 AS COMPARED TO SEPTEMBER 30, 2023

Consolidated Results of Operations - Percent Trend

	Nine Months Ended September 30,	
	2024	**2023**
Revenues		
Services	14%	29%
License fees	76%	64%
Hardware	10%	7%
Total Revenues	100%	100%
Costs and other expenses		
Cost of services	6%	11%
Cost of license fees	8%	17%
Cost of hardware	5%	4%
Cost of hardware - reserve	0%	42%
Total Cost of Goods Sold	19%	74%
Gross profit	81%	26%
Operating expenses		
Selling, general and administrative	98%	99%
Research, development and engineering	34%	30%
Total Operating Expenses	131%	129%
Operating loss	-50%	-103%
Other expense	-4%	2%
Loss before provision for income tax	-53%	-101%
Provision for income tax	0%	-2%
Net loss	-53%	-104%

Revenues and cost of goods sold

	Nine Months Ended September 30,			
	2024	**2023**	**$ Change**	**% Change**
Revenues				
Service	$ 764,062	$ 1,740,880	$ (976,818)	-56%
License	4,165,669	3,764,342	401,327	11%
Hardware	537,562	424,582	112,980	27%
Total Revenue	$ 5,467,293	$ 5,929,804	$ (462,511)	-8%
Cost of Goods Sold				
Service	322,957	639,996	(317,039)	-50%
License	443,384	1,022,919	(579,535)	-57%
Hardware	260,684	240,074	20,610	9%
Hardware - reserve	-	2,500,000	(2,500,000)	-100%
Total COGS	$ 1,027,025	$ 4,402,989	$ (3,375,964)	-77%

Revenues

For the nine months ended September 30, 2024, and 2023, service revenues included approximately $682,000 and $899,000, respectively, of recurring maintenance and support revenue, and approximately $82,000 and $842,000 respectively, of non-recurring custom services revenue. Recurring service revenue decreased $217,000 or 24% in 2024 which was due to the loss of one large customer service agreement. Non-recurring custom services decreased 90% due to loss of one large customer for Swivel Secure customizations and upgrades. We expect the service revenue to remain at the current lower rate in future periods.

For the nine months ended September 30, 2024, license revenue increased $401,327 or 11% to $4,165,6699 from $3,764,342 in the corresponding period in 2023. Several long-term customers expanded their license deployments which contributed to the increase.

For the nine months ended September 30, 2024, hardware sales increased 27% to $537,562 from $424,582 in the corresponding period in 2023. The increase was due largely to add-on orders from existing customers in 2024, compared to increased new hardware deployments in 2023.

Costs of goods sold

For the nine months ended September 30, 2024, cost of service decreased approximately $317,000 or 50% to $322,957 from $639,996 in the nine months ended September 30, 2023, due to reduced costs to support the PortalGuard and Swivel Secure deployments. For the nine months ended September 30, 2024, license fees decreased to $443,384 from $1,022,919 in the nine months ended September 30, 2023, due largely to a decrease in license fees for third-party software included in our Swivel Secure offerings. For the nine months ended September 30, 2024, hardware costs increased to $260,684 from $240,074 in the nine months ended September 30, 2023, related to costs associated with increased hardware revenue.

Selling, general and administrative

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Selling, general and administrative	$ 5,332,764	$ 5,851,201	$ (518,437)	-9%

Selling, general and administrative expenses for the nine months ended September 30, 2024, decreased 9% from $5,851,201in the corresponding period in 2023 to $5,332,764. The decreases included reductions in administration, sales personnel costs and marketing show expenses, offset by an increase in professional fees incurred in connection with financing transactions.

Research, development and engineering

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Research, development and engineering	$ 1,850,929	$ 1,778,097	$ 72,832	4%

For the nine months ended September 30, 2024, research, development, and engineering costs increased 4% to $1,850,929 compared to $1,778,097 in the corresponding period in 2023. The increase consisted primarily of changes in personnel costs and reductions in outside services.

Other income (expense)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Interest income	$ 53	$ 5,944	$ (5,891)	-99%
Loss on foreign currency transactions	-	(15,000)	15,000	100%
Loan fee amortization	(64,000)	-	(64,000)	-100%
Change in fair value of convertible note	-	264,706	(264,706)	-100%
Interest expense	(108,823)	(159,380)	50,557	32%
Other income (expense)	$ (172,770)	$ 96,270	$ (269,040)	279%

Other income (expense) for the nine months ended September 30, 2024 consisted of interest income of $53 and interest expense of $108,823 comprised of approximately $8,100 on the government loan through the BBVA bank and the balance accrued on the 2024 Note, and a loan fee amortization amount of $64,000. Other income (expense) for the nine months ended September 30, 2023 consisted of interest income of $5,944, a loss on foreign currency of $15,000, a change in fair value of $264,706 on the convertible note payable, and interest expense of $159,379 on the secured note payable and the government loan through the BBVA bank.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Operating activities overview

Net cash used in operations during the nine months ended September 30, 2024 was $2,399,508. Items of note included:

- Net positive cash flows related to adjustments for non-cash expenses of approximately $667,000.
- Net positive cash flows related to inventory, amount due from factor, accounts payable, and deferred revenue of approximately $875,000.
- Negative cash flows related to changes in accounts receivable, prepaid expenses, and accrued liabilities of approximately $469,000, due to working capital management.

Financing activities overview

Net cash provided by financing activities during the nine months ended September 30, 2024 was $3,660,414 which included $2,000,000 of proceeds from the 2024 Note, $1,906,528 from the exercise of warrants, $1,571 from the exercise of prefunded warrants, and $1,939 from the purchase of shares in the Employee Stock Purchase Plan, which amounts were offset by $101,762 in repayment of the government loan through the BBVA bank and $147,862 for offering costs.

Investing activities overview

Net cash used in investing activities during the nine months ended September 30, 2024 was $23,047 for capital expenditures.

Liquidity and Capital Resources

Since our inception, our capital needs have been met through proceeds from the sale of equity and debt securities, and revenue. We expect capital expenditures to be less than $100,000 during the next twelve months.

The following sets forth our investment sources of capital during the previous two years:

On September 12, 2024, we entered into a warrant exercise agreement with an existing investor (the “Investor”) to exercise certain outstanding warrants to purchase an aggregate of 1,030,556 shares of the Company’s common stock. The warrants were originally issued to the Investor on October 31, 2023 and had an original exercise price of $3.15 per share. In consideration for the immediate exercise of the warrants, we reduced the exercise price of the warrants to $1.85 per share and issued to the Investor unregistered Series A Warrants to purchase an aggregate of 1,030,556 shares of the Company's common stock and unregistered Series B Warrants to purchase an aggregate of 1,030,556 shares of the Company's common stock, each with an exercise price of $1.85 per share. The Series A and Series B warrants share substantially the same terms, are immediately exercisable and will expire five years from the date of issuance. The forgoing transaction resulted in gross proceeds of approximately $1.9 million prior to deducting placement agent fees and estimated offering expenses.

On June 24, 2024, we entered into and closed a note purchase agreement which provided for the issuance of a $2,360,000 principal amount senior secured promissory note (the "2024 Note"). This resulted in gross proceeds of approximately $1,826,000 after deducting placement agent fees, estimated offering expenses, and the original issue discount. The 2024 Note is due eighteen months (18) following the date of issuance, accrues interest at a rate of nine percent (9%) per annum, and commencing six months after the date of issuance of, the lender shall have the right to redeem up to $270,000 of principal amount each month. For a more complete description of the 2024 Note, please see Note 9 to Our Condensed Consolidated Financial Statements included in Part I Item 1 of this report. In connection with the warrant exercise agreement described above, we prepaid approximately $762,600 of the amount due under the 2024 Note.

On November 20, 2023, we completed a private placement of shares of common stock and warrants resulting in net proceeds of approximately $435,000, after deducting placement agent fees and estimated offering expenses.

On October 30, 2023, we completed a public offering of units consisting of shares of common stock, pre-funded warrants to purchase shares of common stock, and warrants to purchase share of common stock. Each Unit was sold at a public offering price of $0.175. resulting in net proceeds of $3.3 million, after deducting the placement agent fees and offering expenses.

In December 2022, we entered into and closed a securities purchase agreement with AJB Capital Investments, LLC under which we issued a $2,2 million principal amount senior secured promissory note (the “Note”). The principal amount of the Note was due six months following the date of issuance, subject to one six-month extension. Interest under the Note accrued at a rate of 10% per annum, payable monthly through month six and at 12% per annum in months seven through twelve, payable monthly. The Note was secured by a lien on substantially all of our assets and properties. The Note was repaid in December 2023.

We entered into an accounts receivable factoring arrangement with a financial institution (the “Factor”) which has been extended to October 31, 2025 and may be discontinued at that time. Pursuant to the terms of the arrangement, from time to time, we sell to the Factor a minimum of $150,000 per quarter of certain of our accounts receivable balances on a non-recourse basis for credit approved accounts. The Factor remits 35% of the foreign and 75% of the domestic accounts receivable balance to us (the “Advance Amount”), with the remaining balance, less fees, forwarded to us once the Factor collects the full accounts receivable balance from the customer. In addition, from time to time, we receive over advances from the Factor. Factoring fees range from 2.75% to 15% of the face value of the invoice factored and are determined by the number of days required for collection of the invoice. We expect to continue to use this factoring arrangement periodically to assist with our general working capital requirements due to contractual requirements.

Liquidity outlook

At September 30, 2024, our total cash and cash equivalents were $1,801,137, as compared to $511,400 at December 31, 2023. At September 30, 2024, we had negative working capital of approximately $1,320,000.

As discussed above, we have historically financed our operations through access to the capital markets by issuing secured and convertible debt securities, convertible preferred stock, common stock, and through factoring receivables. We currently require approximately $732,000 per month to conduct our operations, a monthly amount that we have been unable to consistently achieve through revenue generation. We also have approximately $3.5 million of inventory (currently reserved) purchased for projects in Nigeria. We continue to explore other markets and opportunities to sell the product to generate additional cash. If we are unable to generate sufficient revenue to fund current operations and execute our business plan, we will need to obtain additional third-party financing. Unless we generate sufficient positive cash flow from operations or liquidation of existing inventory, we expect that we will need to obtain additional financing during the next twelve months to support operations.

In addition, as reported in our Current Report on Form 8-K filed June 14, 2024, we are no longer in compliance with Nasdaq Capital Market continued listing rules which require us to maintain stockholders' equity of at least $2,500,000. Our plan to regain compliance will require us to raise additional equity capital in the near term, or engage in a strategic transaction. There can be no assurance that we will be able to raise such capital or regain compliance with the continued listing requirements.

Our long-term viability and growth will depend upon the successful commercialization of our technologies and our ability to obtain adequate financing. To the extent that we require such additional financing, no assurance can be given that any form of additional financing will be available on terms acceptable to us, that adequate financing will be obtained to meet our needs, or that such financing would not be dilutive to existing stockholders. If available financing is insufficient or unavailable or we fail to continue to generate sufficient revenue, we may be required to further reduce operating expenses, delay the expansion of operations, be unable to pursue merger or acquisition candidates, or in the extreme case, not continue as a going concern.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company 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. Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were not effective.

As previously reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, in connection with the audit of our financial statements as of and for the year ended December 31, 2023, our management identified a lack of control over properly assessing revenue, allowances for accounts receivable and certain reserves for inventory. This resulted in certain errors in the manner in which we recognized revenue generated by our European subsidiary, Swivel Secure Europe, SA, in the first quarter of 2023. In addition, certain allowances for accounts receivable and certain reserves for inventory were understated. We are currently working to implement appropriate corrective actions to remediate the material weakness to strengthen our internal controls over the recording of revenues. This has included thoroughly accessing all accounts for potential adjustments required for proper presentation of the value of the accounts, changing management of our Swivel Secure operation, and implementing additional revenue recognition controls.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not a party to any pending lawsuits.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the nine months ended September 30, 2024, none of our directors or "officers" (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Securities and Exchange Commission Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.1	Form of Series A Common Stock Purchase Warrant (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 16, 2024)
4.2	Form of Series B Common Stock Purchase Warrant (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed September 16, 2024)
10.1	Form of Warrant Exercise Agreement, dated September 12, 2024, by and between the Company and the Investor (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 16, 2024)
31.1	Certificate of CEO of Registrant required under Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended
31.2	Certificate of CFO of Registrant required under Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended
32.1	Certificate of CEO of Registrant required under 18 U.S.C. Section 1350
32.2	Certificate of CFO of Registrant required under 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Labels
101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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.

	BIO-Key International, Inc.
Dated: November 14, 2024	/s/ Michael W. DePasquale Michael W. DePasquale Chief Executive Officer (Principal Executive Officer)
Dated: November 14, 2024	/s/ Cecilia C. Welch Cecilia C. Welch Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Michael W. DePasquale, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BIO-key International, Inc. (the “Company”);

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting;

5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Dated: November 14, 2024

/s/ Michael W. DePasquale
Michael W. DePasquale
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Cecilia C. Welch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BIO-key International, Inc. (the "Company");

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: November 14, 2024

/s/ Cecilia C. Welch
Cecilia C. Welch
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of BIO-key International, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael W. DePasquale, Chief Executive Officer of the Company, 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

BIO-KEY INTERNATIONAL, INC.

By: /s/ Michael W. DePasquale
Michael W. DePasquale
Chief Executive Officer

Dated: November 14, 2024

Exhibit 32.2

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

In connection with the Quarterly Report of BIO-key International, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cecilia Welch, Chief Financial Officer of the Company, 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

BIO-KEY INTERNATIONAL, INC.

By: /s/ Cecilia C. Welch
Cecilia C. Welch
Chief Financial Officer

Dated: November 14, 2024