ATOMBEAM TECHNOLOGIES INC.

(a Delaware corporation)

Financial Statements

For the fiscal years ended December 31, 2024 and 2023

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Forvis Mazars, LLP
3031 Tisch Way, #110
San Jose, CA 95128
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Independent Auditor's Report

Board of Directors
Atombeam Technologies, Inc.
Moraga, California

Opinion

We have audited the financial statements of Atombeam Technologies, Inc. (Company), which comprise the balance sheet as of December 31, 2024 and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

The 2023 financial statements were audited by other auditors and their report thereon, dated September 3, 2025, expressed an unmodified opinion, and included an emphasis-of-matter regarding the Company's ability to continue as a going concern.

Emphasis of Matter

The 2023 financial statements, before they were restated for the matter discussed in Note 2, were audited by other auditors, and their report thereon, dated September 3, 2025, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Information Included in the Form 1-K

Management is responsible for the other information included in the Form 1-K. The other information comprises the information in Items 1-6 of the Form 1-K but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

San Jose, California
September 3, 2025

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors, AtomBeam Technologies, Inc.
Re: YE 2023 Restated Financial Statement Audit

Opinion

We have audited the accompanying restated financial statements of AtomBeam Technologies, Inc. (a corporation) (the "Company"), which comprise the restated balance sheet as of December 31, 2023, and the related restated and statements of income, shareholders' equity, and cash flows for the calendar year periods thus ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations, changes in shareholders' equity and its cash flows for the calendar year periods thus ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company restated the 2023 financial statements. Our opinion is not modified with respect to this matter.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in the Notes to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Sincerely,

IndigoSpire CPA, PC

IndigoSpire CPA, PC
San Jose, CA

September 3, 2025

ATOMBEAM TECHNOLOGIES INC.
BALANCE SHEETS
As of December 31, 2024 and 2023

		2024		2023 (Restated)
Assets				
Current Assets:				
Cash and cash equivalents	$	8,500,580	$	2,217,104
Accounts receivable, net		100,000		270,987
Prepaid expenses and other current assets		32,755		30
Total Current Assets		8,633,335		2,488,121
Property and equipment, net		25,628		13,054
Intangible assets, net		2,018,882		533,636
Total Assets	$	10,677,845	$	3,034,811
Liabilities and Shareholders' Equity (Deficit)				
Current Liabilities:				
Accounts payable	$	169,061	$	20,198
Other current liabilities		898,754		54,525
Total Current Liabilities		1,067,815		74,723
Notes payable		450,000		460,000
Convertible notes payable, net of issuance costs		-		1,728,500
Accrued interest payable		83,123		330,341
Derivative liability		-		418,325
Government-backed loans payable		35,118		36,300
Total Liabilities		1,636,056		3,048,189
Shareholders' Equity (Deficit):				
Common stock, par value $0.00001, 40,000,000 shares authorized, 17,476,981 and 12,069,854 shares issued and outstanding as of December 31, 2024 and 2023, respectively		175		121
Additional paid-in capital		27,024,028		8,611,909
Subscriptions receivable		(1,533,909)		-
Accumulated deficit		(16,448,505)		(8,625,408)
Total Shareholders' Equity		9,041,789		(13,378)
Total Liabilities and Shareholders' Equity	$	10,677,845	$	3,034,811

See Independent Auditor’s Reports and Notes to the Financial Statements

ATOMBEAM TECHNOLOGIES INC.
STATEMENTS OF OPERATIONS
For the years ended December 31, 2024 and 2023

	2024	2023 (Restated)
Revenues	$ 1,042,896	$ 883,550
Operating Expenses:		
Cost of sales	488,283	203,271
Selling and marketing	1,846,546	448,934
General and administrative	4,865,918	1,400,485
Research and development	1,483,656	1,030,167
Depreciation and amortization	20,644	4,968
Total Operating Expenses	8,705,047	3,087,825
Loss from Operations	(7,662,151)	(2,204,275)
Other Expenses:		
Interest expense	(78,586)	(94,455)
Change in derivative fair value	(82,360)	(133,776)
Total Other Expenses	(160,946)	(228,231)
Loss Before Tax Provision	$ (7,823,097)	$ (2,432,506)
Tax provision	-	-
Net Loss	**$ (7,823,097)**	**$ (2,432,506)**

See Independent Auditor’s Reports and Notes to the Financial Statements

ATOMBEAM TECHNOLOGIES INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(DEFICIT)
For the years ended December 31, 2024 and 2023

	Common Stock		Additional Paid In Capital	Subscriptions Recievable	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount				
Balance as of January 1, 2023	**10,261,135**	**$ 103**	**$ 1,265,889**	**$ -**	**$ (6,192,902)**	**$ (4,926,910)**
Net loss	-	-	-	-	(2,432,506)	(2,432,506)
Issuance of common stock from fundraise, net of issuance costs	992,405	10	5,098,564	-	-	5,098,574
Conversion of convertible notes	816,314	8	2,247,456	-	-	2,247,464
Balance as of December 31, 2023 (Restated)	**12,069,854**	**$ 121**	**$ 8,611,909**	**$ -**	**$ (8,625,408)**	**$ (13,378)**
Net Loss	-	-	-	-	(7,823,097)	(7,823,097)
Issuance of common stock from fundraise, net of issuance costs	2,436,224	24	15,858,719	(1,533,909)	-	14,324,834
Conversion of convertible notes	2,970,903	30	2,553,400	-	-	2,553,430
Balance as of December 31, 2024	**17,476,981**	**$ 175**	**$ 27,024,028**	**$ (1,533,909)**	**$ (16,448,505)**	**9,041,789**

See Independent Auditor's Reports and Notes to the Financial Statements

ATOMBEAM TECHNOLOGIES INC.
STATEMENTS OF CASH FLOWS
For fiscal years ended December 31, 2024 and 2023

	2024	2023 (Restated)
Operating Activities		
Net loss	$ (7,823,097)	$ (2,432,506)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization expense	20,644	4,968
Changes in derivative fair value	82,360	133,776
Changes in operating assets and liabilities:		
(Increase) decrase in accounts recievable	170,987	(270,987)
Increase (decrease) in prepaid expenses and other current assets	(32,725)	(30)
Increase (decrease) in accounts payable	148,863	-
Increase (decrease) in other current liabilities	844,229	(91,500)
Increase (decrease) in interest payable	77,027	(212,925)
Net cash used in operating activities	(6,511,712)	(2,869,204)
Investing Activities		
Purchases of fixed assets	(16,824)	(18,022)
Acquisition of intangible assets	(1,501,640)	(268,450)
Net cash used in investing activities	(1,518,464)	(286,472)
Financing Activities		
Net proceeds from issuance of common stock	14,324,834	4,933,914
Repayment of notes payable	(11,182)	(231,260)
Proceeds from convertible note issuance	-	500,000
Net cash provided by financing activities	14,313,652	5,202,654
Net change in cash and cash equivalents	6,283,476	2,046,978
Cash and cash equivalents at beginning of period	2,217,104	170,126
Cash and cash equivalents at end of period	$ 8,500,580	$ 2,217,104
Noncash investing and financing activities		
Conversion of convertible notes	$ 2,533,450	$ 2,412,124
Recievable for common stock issuances	$ 1,533,909	$ -
Supplemental cash flow information:		
Cash paid for taxes	$ -	$ -
Cash paid for interest	$ 1,563	$ 2,341

See Independent Auditor’s Reports and Notes to the Financial Statements

NOTE 1 – NATURE OF OPERATIONS

ATOMBEAM TECHNOLOGIES INC. (the "Company") was organized in Delaware on August 17, 2017. The Company develops advanced software technology using machine learning to reduce the size of individual internet of things (IoT) data files.

In 2024, the Company began a Regulation A securities offering, and in 2023, the Company completed a Regulation CF securities offering, to support continued operations and expansion. These financial statements and notes reflect the Company's financial position and operations for the years ended December 31, 2024 and 2023.

The Company has incurred net losses since inception, including a loss of $7,823,097 for the year ended December 31, 2024, and used $6,511,712 of cash in operating activities during that period, approximately $543,000 per month. Although the Company held $8,500,580 of cash and cash equivalents at December 31, 2024, it expects to continue to incur operating losses while it commercializes its technology. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve-month period following the date of issuance of these financial statements.

Management is contemplating an equity financing of approximately $5,000,000 under Regulation CF, targeted for launch in the third quarter of 2025. Because the financing has not yet been initiated, the successful execution of this plan is not considered probable as of the date the financial statements are available to be issued. Accordingly, substantial doubt about the Company's ability to continue as a going concern has not been alleviated. If the Company is unable to raise additional capital or further reduce expenditures, it may be required to curtail or cease operations and could seek protection under applicable bankruptcy laws.

The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 – RESTATEMENT OF PRIOR FINANCIAL STATEMENTS

During the preparation of the 2024 financial statements, management reconciled the 2023 comparatives to the previously audited financial statements for the year ended December 31, 2023 and identified material posting and classification differences. Specifically, the Company bifurcated an embedded conversion feature in its senior convertible notes and recorded a related derivative liability, accrued previously unrecorded interest on those notes, recognized depreciation and amortization that had not been recorded on fixed and intangible assets, corrected the classification of certain working-capital items, and reclassified equity-issuance costs from financing cash flows to additional paid-in capital.

The table below quantifies each adjustment to the 2023 financial statements and reconciles the amounts As Reported to the amounts As Restated. All affected primary statements have been revised accordingly, and each 2023 column in the accompanying financial statements is labeled "As Restated."

Balance Sheet

	As Reported	Adjustment	As Restated
Cash and cash equivalents	$ 2,217,114	$ (10)	$ 2,217,104
Accounts receivable, net	-	270,987	270,987
Prepaid expenses and other current assets	-	30	30
Total Current Assets	2,217,114	271,007	2,488,121
Property and equipment, net	21,642	(8,588)	13,054
Intangible assets, net	550,387	(16,751)	533,636
Total Assets	2,789,143	245,668	3,034,811
Accounts payable	20,198	-	20,198
Other current liabilities	31,525	23,000	54,525
Total Current Liabilities	51,723	23,000	74,723
Notes payable	405,330	54,670	460,000
Convertible notes payable, net	1,678,500	50,000	1,728,500
Accrued interest payable	203,953	126,388	330,341
Derivative liability	-	418,325	418,325
Government-backed loans payable	36,300	-	36,300
Total Liabilities	2,324,083	724,106	3,048,189
Common stock	8,587,470	(8,587,349)	121
Additional paid-in capital	-	8,611,909	8,611,909
Accumulated deficit	(8,122,409)	(502,999)	(8,625,408)
Total Shareholders' Equity (Deficit)	465,061	(478,439)	(13,378)
Total Liabilities and Shareholders' Equity	$ 2,789,143	$ 245,668	$ 3,034,811

Statement of Operations

	As Reported	Adjustment	As Restated
Cost of sales	$ -	$ 203,271	$ 203,271
Selling and marketing	543,739	(94,805)	448,934
General and administrative	2,530,518	(1,130,033)	1,400,485
Research and development	-	1,030,167	1,030,167
Depreciation and amortization	-	4,968	4,968
Total Operating Expenses	3,074,257	13,568	3,087,825
Net Loss from Operations	(2,461,694)	257,419	(2,204,275)
Depreciation expense	4,968	(4,968)	-
Interest expense	2,341	92,114	94,455
Change in derivative fair value	-	133,776	133,776
Net loss	$ (2,469,003)	$ 36,497	$ (2,432,506)

Statement of Shareholders' Equity

	As Reported	Adjustment	As Restated
Common stock	$ 8,587,470	$ (8,587,349)	$ 121
Additional paid-in capital	-	8,611,909	8,611,909
Accumulated deficit	(8,122,409)	(502,999)	(8,625,408)
Total shareholders' equity (deficit)	$ 465,061	$ (478,439)	$ (13,378)

Statement of Cash Flows

	As Reported	Adjustment	As Restated
Net cash used in operating activities	$ (2,734,292)	$ (134,912)	$ (2,869,204)
Net cash used in investing activities	(295,090)	8,618	(286,472)
Net cash provided by financing activities	5,076,370	126,284	5,202,654
Net change in cash and equivalents	$ 2,046,988	$ (10)	$ 2,046,978

The errors were identified and fully corrected in May 2025, prior to issuance of these financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). In the opinion of management, all adjustments considered necessary for the fair presentation of the financial statements for the years presented have been included.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

Significant estimates inherent in the preparation of the accompanying financial statements include valuation of equity instruments, stock-based compensation, fair value of embedded derivatives, and deferred income tax assets.

Risks and Uncertainties

The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include recession, downturn or otherwise, local competition or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash with a major financial institution located in the United States of America, which it believes to be creditworthy. The Federal Deposit Insurance Corporation insures balances up to $250,000. At times, the Company may maintain balances in excess of the federally insured limits.

Revenue Recognition

Revenue is recognized in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. Revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in determining the appropriate amount of revenue to be recognized under each agreement: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

The Company earns revenue primarily through milestone-based contracts with government agencies. Each milestone represents a distinct performance obligation. Revenue is recognized at a point in time, upon formal government acceptance of the specific deliverable tied to the milestone. The transaction price consists of fixed contractual amounts for each milestone, with payment for each milestone due upon the formal government acceptance of the specific deliverable tied to each milestone.

Cost of sales consists primarily of labor costs, subcontractor fees, and other direct expenses incurred to fulfill government contracts. These costs are recognized in the same period as the related revenue, consistent with the Company's policy to match contract costs with associated performance obligations.

Cash and Cash Equivalents

The Company considers short-term, highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. The Company's cash and cash equivalents consist of funds held in the Company's checking account.

Accounts Receivable

Consideration for the Company's contracts with its government agency customers is paid at or near the date of formal government acceptance of each milestone. The Company held accounts receivable of $100,000 and $270,987 as of December 31, 2024 and 2023, respectively. Effective January 1, 2024, the Company adopted ASC 326, Financial Instruments—Credit Losses ("CECL"). Management estimates expected lifetime credit losses on accounts receivable using historical loss experience, the credit quality of its government customers, and forward-looking information such as federal budget appropriations. Based on this evaluation, the allowance for credit losses was $0 at both December 31, 2024 and 2023, and no receivables were written off during either period.

Advertising

The Company expenses advertising costs as they are incurred. Advertising costs, included in selling and marketing expenses, were $985,533 and $393,899 for the years ended December 31, 2024 and 2023, respectively.

Convertible Instruments and Embedded Derivatives

The Company issued convertible promissory notes during prior years, which included embedded conversion and redemption features requiring bifurcation and separate accounting as derivative liabilities under ASC 815, *Derivatives and Hedging*. The Company adopted Accounting Standards Update ("ASU") 2020-06 as of January 1, 2024.

Upon issuance, the proceeds were allocated between the debt host and the bifurcated embedded derivative based on the fair value of the derivative. The derivative liability was remeasured each reporting period. Upon conversion, the notes, as well as any accrued interest and related derivative liabilities, were derecognized and equity was recorded based on the fair value of shares issued. Any difference was recognized as an extinguishment gain or loss.

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is provided using the straight-line method, based on useful lives of the assets.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the asset's estimated fair value, an impairment charge is recorded. No impairment losses were recognized on the Company's long-lived assets for the years ended December 31, 2024 and 2023.

Intangible Assets, Net

Intangible assets primarily consist of capitalized legal and filing costs related to patents. Upon approval of a patent, these assets are amortized on a straight-line basis over their estimated useful lives, which are 20 years. Management evaluates intangible assets for impairment whenever indicators of impairment exist. Legal fees related to patents are capitalized in accordance with the Company's policy.

Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and such principles also establish a fair value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 – Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

The carrying amounts of certain of the Company's financial instruments, which include cash and cash equivalents, prepaid expenses and other current assets, accounts payable, and other current liabilities, approximate their fair values due to their short maturities.

The embedded conversion features were separately accounted for as a derivative liability, which is remeasured at fair value at each reporting date; changes in fair value are recorded within other (income) expense. At December 31, 2024 and 2023, the derivative liability's fair value was $0 and $418,325, respectively, and it is classified within Level 3 of the fair-value hierarchy.

Income Taxes

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventory, property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Any deferred tax items of the Company have been fully valued based on the determination of the Company that the utilization of any deferred tax assets is uncertain.

The Company complies with ASC 740, *Income Taxes*, for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

Stock-Based Compensation

The Company estimates the fair value of its stock options granted to both employees and nonemployees using the Black-Scholes option-pricing model. The grant-date fair value of stock options is recognized as compensation expense on a straight-line basis over the requisite service period, which is typically four years.

The Company estimates the fair value of its restricted stock units ("RSUs") granted as the fair value of the Company's underlying common stock at the grant date. All of the Company's RSUs vest upon the satisfaction of both a service-based vesting condition and a performance-based vesting condition. The fair value of RSUs with service-based and performance-based vesting conditions is recognized as compensation expense using the accelerated attribution method at the date of their related performance conditions is probable of occurring.

The fair value of common stock has been determined based upon a variety of factors, including the Company's financial position and historical financial performance, and the observable price at which investors purchase shares of the Company's common stock.

The interest rate used in the valuation was based on the US Treasury bond rate at the date of grant with a maturity approximately equal to expected term. The Company has estimated the expected term of its stock options using the "simplified" method, whereby, the expected term equals the arithmetic average of the vesting term and the original contractual term of the option due to its lack of sufficient historical data.

Expected volatility for the Company's common stock was based on an average of the historical volatility of a peer group of similar public companies. The assumed dividend yield is based on the Company's expectation of not paying dividends in the foreseeable future.

The Company records forfeitures when they occur for all share-based payment awards.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2024, the Company's property and equipment, net consists of the following:

	Property and Equipment Gross	Accumulated Depreciation	Property and Equipment Net
Computer Equipment	$ 59,103	$ (37,671)	$ 21,432
Research Equipment	4,196	-	4,196
Total	**$ 63,299**	**$ (37,671)**	**$ 25,628**

As of December 31, 2023, the Company's Property and Equipment, net consists of the following:

	Property and Equipment Gross	Accumulated Depreciation	Property and Equipment Net
Computer Equipment	$ 46,475	$ (33,421)	$ 13,054
Total	**$ 46,475**	**$ (33,421)**	**$ 13,054**

Total depreciation expense was $4,250 and $4,968 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 – INTANGIBLE ASSETS, NET

As of December 31, 2024, the Company's intangible assets, net consists of the following:

	Intangibles, Gross	Accumulated Amortization	Intangibles, Net
Patents	$ 2,015,730	$ (33,115)	$ 1,982,615
Trademarks	36,267	-	36,267
Total	**$ 2,051,997**	**$ (33,115)**	**$ 2,018,882**

As of December 31, 2023, the Company's intangible assets, net consists of the following:

	Intangibles, Gross	Accumulated Amortization	Intangibles, Net
Patents	$ 514,090	$ (16,721)	$ 497,369
Trademarks	36,267	-	36,267
Total	**$ 550,357**	**$ (16,721)**	**$ 533,636**

The expected amortization of the Company's intangible assets for each of the next five fiscal years and thereafter are as follows:

Year ending December 31,	
2025	$ 37,202
2026	38,004
2027	38,004
2028	38,004
2029	38,004
Thereafter	537,749
	$ 726,967

Total amortization expense was $16,393 and $16,721 for the years ended December 31, 2024 and 2023, respectively, and is included as a component of general and administrative expenses in the statements of operations.

Of the Company's gross patent costs as of December 31, 2024, $1,255,245 of these costs relate to patents which are still pending and have not yet been approved. As such, they are not yet subject to amortization as of December 31, 2024.

NOTE 6 – CONVERTIBLE NOTES PAYABLE

Since inception, the Company has raised a total of $3,640,624 in convertible notes payable. Of this amount, $1,463,500 was issued directly and $2,177,124 (net of offering costs) was issued through the StartEngine crowdfunding platform. The convertible notes bear interest at 5.00% per annum, with varying maturity dates. The notes convert automatically upon a qualifying equity financing at a discounted price of 80% of the per-share price in that round, subject to varying valuation cap terms set within each convertible note.

In 2023, the Company converted $2,247,464 of convertible notes and accrued interest into 816,314 shares of common stock. The Company also raised $500,000 in additional convertible notes during 2023.

In 2024, the Company converted an additional $1,888,173 of convertible notes and accrued interest into 2,970,903 shares of common stock.

No new convertible notes were issued during 2024, and as of December 31, 2024, no convertible notes remain outstanding.

Certain convertible notes contained embedded features requiring bifurcation as a derivative under ASC 815. These features were accounted for as a compound derivative liability, initially recorded at fair value and remeasured each reporting period. Fair-value changes were recognized in other expense, net, on the statements of operations. The bifurcated derivative was marked to fair value through earnings and recognized with the debt. Any difference between the liabilities and the fair value of shares issued was recorded through earnings.

NOTE 7 – NONCONVERTIBLE DEBT

Promissory Notes

The Company entered into multiple non-convertible promissory notes during 2020 and 2022 with an investor of the Company with a total principal of $450,000. The investor is also a related party. The amount outstanding as of December 31, 2024 and 2023 was $450,000 and $460,000, respectively. The promissory notes accrue simple interest at a rate of 5.0% per annum, which is due upon the maturity date of each promissory note. All outstanding principal and accrued interest for the promissory notes was originally due in 2025. On April 3, 2025, the Company and the investor agreed to extend the maturity date of the promissory notes from December 31, 2025 to January 1, 2027. The stated interest rate and all other terms of the notes remained unchanged. The promissory notes are classified as noncurrent liabilities as of December 31, 2024.

Accrued interest related to these promissory notes totaled approximately $83,000 and $330,000 as of December 31, 2024 and 2023, respectively, and is presented as accrued interest payable in the consolidated balance sheets.

SBA Loan

The Company also holds an SBA Disaster Loan with the US Small Business Administration. The original SBA Disaster Loan was authorized in June 2020 for $8,400 and was subsequently amended in September 2021 to increase the total loan amount to $36,400. As of December 31, 2024 and 2023, the outstanding principal balances were $35,118 and $36,300, respectively. The SBA Loan accrues interest at a rate of 3.75% per annum, and with a maturity date of June 5, 2050. Principal and interest payments are made on a monthly basis, and principal payments will be made for a total of $2,196 for each of the following 5 years, with the remainder paid thereafter.

Future Principal Payments on Long-Term Debt

As of December 31, 2024, the future scheduled principal payments are as follows:

Year ending December 31,		
2025	$	2,196
2026	$	2,196
2027	$	452,196
2028	$	2,196
2029	$	2,196
Thereafter	$	24,138
	$	**485,118**

NOTE 8 – COMMON STOCK

The Company is authorized to issue up to 40,000,000 shares of common stock, with a par value of $0.00001 per share. The Company has a single class of common stock, and each share is entitled to one vote. As of December 31, 2024 and 2023, the Company had 17,476,981 and 12,069,854 shares, respectively, of common stock issued and outstanding.

Regulation A and CF Securities Offerings

In 2023, the Company completed multiple Regulation CF securities offerings through the StartEngine platform, issuing 992,405 shares of common stock for $5,098,574, net of issuance costs. The proceeds were recorded to Common Stock at their par value, with any excess amounts recorded to additional paid-in capital.

In 2024, the Company initiated a Regulation A securities offering through the StartEngine platform, issuing 2,107,764 shares of common stock for gross proceeds of $14,428,192. The Company incurred $1,549,529 in offering costs. The net proceeds were recorded to Common Stock at their par value, with any excess amounts recorded to additional paid-in capital.

Private Placement Offerings

In 2024, the Company completed private placement offerings with various investors, issuing 328,460 shares of common stock for gross proceeds of $1,822,035, with no issuance costs noted. The proceeds were recorded to Common Stock at their par value, with any excess amounts recorded to additional paid-in capital.

Convertible Note Conversions

In 2023, the Company issued 816,314 shares of common stock upon the conversion of $2,247,464 of convertible notes and accrued interest.

In 2024, the Company issued 2,970,903 shares of common stock upon the conversion of $2,553,430 of convertible notes.

Common Stock Reserved for Future Issuance

The following table summarizes the Company’s shares of common stock reserved for future issuance on an as-converted basis as of December 31, 2024:

Stock options issued and outstanding	558,750
Restricted stock units issued and outstanding	3,361,010
Warrants issued and outstanding	203,370
Total	**4,123,130**

NOTE 9 – STOCK-BASED COMPENSATION

The Company maintains two stock incentive plans: the 2019 Stock Incentive Plan and the 2021 Stock Incentive Plan, which provide for the issuance of incentive stock options (ISOs), nonqualified stock options (NSOs), restricted stock awards (RSAs), and restricted stock units (RSUs) to employees, directors, and consultants of the Company.

The 2019 Plan authorized the issuance of up to 2,750,000 shares of common stock. As of December 31, 2024, 558,750 shares were subject to outstanding awards, and 1,242,699 shares remained available for issuance.

The 2021 Plan authorized the issuance of up to 5,500,000 shares of common stock. As of December 31, 2024, 3,217,500 shares were subject to outstanding awards, and 2,282,500 shares remained available for issuance.

Stock Options

The fair value of options granted under both plans is estimated on the grant date using the Black-Scholes option pricing model and recognized as stock-based compensation expense over the requisite service period. For the years ended December 31, 2024 and 2023, no stock-based compensation expense was recognized, and there is no remaining unrecognized stock-based compensation expense as of December 31, 2024 for the Company's stock options.

A summary of stock option activity and related information is as follows:

	Shares subject to options outstanding	Weighted-average exercise price	Weighted-average remaining contractual life	Aggregate intrinsic value
Balance as of December 31, 2022	558,750	$ 0.08	5.60	$ 2,989,925
Options granted	-	-		-
Options exercised	-	-		-
Options forfeited	-	-		-
Balance as of December 31, 2023	558,750	$ 0.08	4.60	$ 2,989,925
Shares authorized	-			
Options granted	-	-		-
Options exercised	-	-		-
Options forfeited	-	-		-
Balance as of December 31, 2024	558,750	$ 0.08	3.60	$ 4,425,913
Exercisable as of December 31, 2024	558,750	$ 0.08	3.60	$ 4,425,913
Vested and expected to vest as of December 31, 2024	558,750	$ 0.08	3.60	$ 4,425,913

RSU's

The fair value of RSU's granted under both plans is estimated as the fair value of the Company's underlying common stock on the grant date.

All of the Company's RSU's are subject to both service-based and performance-based conditions, with the performance-based condition met upon the occurrence of a liquidity event. As of December 31, 2024, this performance-based condition is not determined probable of being met. Therefore, for the years ended December 31, 2024 and 2023, no stock-based compensation expense was recognized.

As of December 31, 2024, there was unrecognized stock-based compensation expense totaling $9,482,419 for the Company's RSU's.

Had the performance-based condition been probable as of December 31, 2024, the Company would have recognized $2,213,305 of stock-based compensation expense relating to the RSUs then outstanding, for which the service-based vesting condition was satisfied or partially satisfied as of December 31, 2024.

A summary of restricted stock unit activity is as follows:

	RSU's outstanding
Balance as of December 31, 2022	2,309,500
RSU's granted	-
RSU's vested	-
RSU's forfeited	-
Balance as of December 31, 2023	2,309,500
RSU's granted	1,051,510
RSU's vested	-
RSU's forfeited	-
Balance as of December 31, 2024	3,361,010

The weighted average value of RSUs granted during the year was $7.60.

Warrants

The Company also granted warrants to purchase the Company's common stock to certain consultants and vendors as compensation for services rendered. The Company granted all outstanding warrants in 2019 and 2021. Two warrants to purchase 113,370 shares of common stock expired on March 14, 2024. On May 10, 2024, On May 10, 2024, the Company issued two new warrants to the same warrants holders that extended the exercise date of the two previously issued warrants to expire on January 15, 2025. All other terms remained unchanged. The fair value of the warrants with extended term was not material to the financial statements.

The fair value of warrants granted is estimated on the grant date using the Black-Scholes option pricing model and recognized as stock-based compensation expense over the requisite service period. For the years ended December 31, 2024 and 2023, no stock-based compensation expense was recognized, and there is no remaining unrecognized stock-based compensation expense as of December 31, 2024 for the Company's warrants.

A summary of warrant activity is as follows:

	Shares subject to warrants outstanding		Weighted-average exercise price	Weighted-average remaining contractual life		Aggregate intrinsic value
Balance as of December 31, 2022	420,068	$	0.08	1.22	$	2,249,229
Warrants granted	-		-			-
Warrants exercised	-		-			-
Warrants forfeited	-		-			-
Balance as of December 31, 2023	420,068	$	0.08	0.22	$	2,249,229
Warrants granted	-		-			-
Warrants exercised	-		-			-
Warrants forfeited	(216,698)		0	0		(1,149,543)
Balance as of December 31, 2024	203,370	$	0.02	0.03	$	715,500
Exercisable as of December 31, 2024	203,370	$	0.02	0.03	$	715,500
Vested and expected to vest as of December 31, 2024	203,370	$	0.02	0.03	$	715,500

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures certain financial instruments at fair value on a recurring basis. At December 31, 2023, the only such instrument was the compound derivative liability bifurcated from the Company's convertible notes. This liability was derecognized during 2024 upon note conversion; therefore no recurring fair value instruments were outstanding at December 31, 2024. Significant unobservable inputs used in the valuation of the derivative liability included estimated settlement amounts for potential scenarios, probability of such settlement scenarios, estimated term of each settlement scenario, and risk-free interest rates based on U.S. Treasury yields for the corresponding term. These inputs are considered Level 3 under the fair value hierarchy due to the use of unobservable inputs. The Company had no recurring Level 1 or Level 2 fair-value measurements during the periods presented.

The derivative liability is re-measured each reporting date using a probability-weighted option-pricing model. Significant unobservable inputs include expected term, equity volatility, risk-free interest rate, and the discount to the next equity financing round. Changes in fair value are recorded in "Other expense, net."

The following table summarizes the activity related to the derivative liability:

	Derivative Liability
Balance as of December 31, 2022	$ 284,549
Change in fair value	133,776
Issuances/bifurcation of new derivatives	-
Balance as of December 31, 2023	$ 418,325
Change in fair value	82,360
Settlements/derecognition on note conversion	(500,685)
Balance as of December 31, 2024	$ -

Upon conversion of the remaining convertible notes in 2024, the derivative liability was derecognized and the carrying amount of $500,685 was reclassified to additional paid-in capital. Prior to conversion, the liability was presented as a separate line item within current liabilities.

NOTE 11 – INCOME TAXES

The components of loss before tax provision were as follows:

	Year ended December 31:	
	2024	**2023**
Domestic	$ (7,823,097)	$ (2,432,506)
Foreign	-	-
Total	**$ (7,823,097)**	**$ (2,432,506)**

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities reflect the tax effect of temporary differences between carrying value of assets and liabilities for financial reporting purposes and the tax basis of these assets and liabilities as measured by income tax law. The income tax effect of temporary differences that give rise to deferred tax assets and (liabilities) consist of the following as of December 31, 2024.

	December 31:	
	2024	2023
Deferred Tax Assets:		
Net operating losses	$ 3,395,714	$ 1,820,534
Tax credits	51,600	79,477
Reserves and accruals	-	8,815
Intangibles	1,974	2,219
Research and experimentation asset, net	600,329	243,020
Stock-based compensation	5,968	5,936
Total gross deferred tax asset	4,055,585	2,160,001
Less: Valuation allowance	(4,051,238)	(2,155,085)
Total deferred tax assets	4,347	4,916
Deferred Tax Liabilities:		
Fixed assets	(4,347)	(4,916)
Total gross deferred tax liabilities	(4,347)	(4,916)
Net deferred tax assets (liabilities)	**$ -**	**$ -**

The change in amounts of unrecognized tax benefits (gross of federal benefits and excluding interest and penalties at December 31, 2024 and December 31, 2023 are as follows:

Unrecognized tax benefit	**Amount**
Balance at December 31, 2022	$ -
Additions based on tax positions related to the current year	-
Additions based on tax positions of prior years	-
Reductions for tax positions of prior years	-
Settlements	-
Balance at December 31, 2023	$ -
Additions based on tax positions related to the current year	(18,893)
Additions based on tax positions of prior years	(46,771)
Reductions for tax positions of prior years	-
Settlements	-
Balance at December 31, 2024	$ (65,664)

A valuation allowance is recorded when it is more likely than not that some portion of the deferred tax assets will not be realized. As of each reporting date, the Company's management considers all evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. As of December 31, 2024, a full valuation allowance for deferred tax assets was recorded as management believes it is not more likely than not that all of the deferred tax assets will be realized. At December 31, 2023 and December 31, 2024, the Company has a net operating loss carryforward for federal income tax purposes of approximately $6,500,000 and $12,100,000, respectively. At December 31, 2023 and December 31, 2024, the Company has a net operating loss carryforward for state income tax purposes of approximately $6,500,000 and $12,100,000, respectively. Of the $12,100,000 of federal net operating loss carryovers, $12,100,000 can be carried forward indefinitely but is subject to an 80% taxable income limitation. The Company's state NOL carryforwards begin to expire in 2038.

As of December 31, 2024 and December 31, 2023, the Company has federal research and development income tax credit carryforwards of approximately $64,300 and $26,500, respectively. As of December 31, 2023 and December 31, 2024, the Company has state research and development income tax credit carryforwards of approximately $67,000 and $67,000, respectively. The Federal income tax credits begin to expire in 2040. The California Research and Development credits can be carried forward indefinitely.

The total amount of uncertain tax position on research and development tax credits is $0 and $65,700 as of December 31, 2023 and December 31, 2024, respectively. The Company does not expect any significant change to the UTP balances in the next 12 months.

As of December 31, 2024, the Company had no business interest carryforwards.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Leases

The Company adopted ASC 842, Leases, effective January 1, 2022.

Under ASC 842, the Company determines if an arrangement contains a lease at inception of a contract. The Company recognizes right-of-use lease assets and lease liabilities in the balance sheets on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by the Company's options to extend (or not to terminate) the leases that are reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases, which are defined as leases with a term of 12 months or less. Instead, lease payments for short-term leases are recognized on a straight-line basis over the lease term in rent expense and recorded in general and administrative expenses in the statements of operations.

The Company's only leases consist of short-term leases for office space. Total short-term lease expense for the years ended December 31, 2024 and 2023 was $26,000 and $24,000, respectively.

Litigation

The Company is not currently involved with and is unaware of any pending or threatening litigation.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company has or will provide compensation to the shareholder-employees per the Company's employment policies.

During 2020 and 2022, the Company issued non-convertible promissory notes to a related-party investor and common shareholder. The outstanding principal was $450,000 and $460,000 as of December 31, 2024 and 2023, respectively, and accrued interest totaled approximately $83,000 and $330,000 as of those dates. The notes bear simple interest at 5% per annum and are due in 2027.

Additionally, three shareholders and/or directors are both common shareholders as well as holders of convertible notes. All related-party convertible notes with an aggregate principal of $258,500 were converted to common stock during 2024. These notes relate to original founders and investors of the Company, with Note conversion terms consistent with those of other investors. No risk of compensation expense is believed to exist.

As these transactions are between related parties, there is no guarantee that the terms, pricing and conditions of the transactions are comparable to market rates although some (but not all) of the convertible notes held by related parties were acquired in a public offering *pari passu* with other convertible note holders.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events from December 31, 2024, the date of these financial statements, through September 3 2025, which represents the date the financial statements were available for issuance. The Company concluded that no events have occurred that would require recognition or disclosure in the financial statements, except as described below.

Equity Financing – Regulation A

On January 30, 2025, the Company completed a round of equity financing under Regulation A through StartEngine, resulting in gross proceeds of $4,221,590 and the issuance of 596,885 shares of common stock subsequent to December 31, 2024.

Equity Financing – Regulation D

Between January 1 and January 31, 2025, the Company completed a private placement pursuant to Regulation D, resulting in gross proceeds of $595,926 and the issuance of 109,154 shares of common stock.