UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2024

FIREFLY NEUROSCIENCE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-41092**	**54-1167364**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

1100 Military Road **Kenmore, NY**	**14217**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 888-237-6412

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

EXPLANATORY NOTE

Reverse Merger with WaveDancer, Inc.

As previously disclosed, on November 15, 2023, WaveDancer, Inc. ("***WaveDancer***") and its wholly owned subsidiary, FFN Merger Sub, Inc. ("***FFN***"), entered into an Agreement and Plan of Merger (as amended by that certain Amendment No. 1, dated as of January 12, 2024, and that certain Amendment No. 2, dated as of June 17, 2024, "***Merger Agreement***") with Firefly Neuroscience, Inc. ("***Firefly***"). In accordance with the Merger Agreement, FFN merged with and into Firefly, with Firefly surviving as a wholly owned subsidiary of WaveDancer. On August 12, 2024, (i) pursuant to the Amended and Restated Certificate of Incorporation of WaveDancer, Inc., WaveDancer changed its name to Firefly Neuroscience, Inc. (the "***Company***"), and (ii) pursuant to an amendment to its Certificate of Incorporation Firefly, Firefly changed its name to Firefly Neuroscience 2023, Inc. and (iii) Firefly and FFN filed the Certificate of Merger with the State of Delaware (the "***Merger***"). As previously disclosed, on August 12, 2024, prior to the consummation of the Merger, WaveDancer effectuated a 1-for-3 reverse stock split of its common stock, par value $0.0001 per share. On August 12, 2024, the Merger closed.

Item 7.01 Regulation FD Disclosure.

On August 14, 2024, the Company filed its unaudited condensed financial statements for the three and six months ended June 30, 2024 and 2023 (the "***Financial Statements***"), and management's discussion and analysis for the three and six months ended June 30, 2024 and 2023 (the "***MD&A***"). The Financial Statements and the MD&A include certain unaudited financial information of the Company for the three and six months ended June 30, 2024.

The foregoing descriptions of the Financial Statements and the MD&A do not purport to be complete and are qualified in their entirety by the full text of the Financial Statements and the MD&A, copies of which are attached hereto as Exhibits 99.1 and 99.2 and are incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by reference in such a filing. Furthermore, the furnishing of information under Item 7.01 of this Current Report on Form 8-K is not intended to constitute a determination by the Company that the information contained herein, including the exhibits hereto, is material or that the dissemination of such information is required by Regulation FD.

Item 8.01 Other Events

As previously disclosed, on August 8, 2024, WaveDancer received a letter from the Staff (the "***Staff***") of the Nasdaq Stock Market LLC (the "***Letter***") indicating that in WaveDancer's Quarterly Report on Form 10-Q filed with the SEC on May 14, 2024, WaveDancer reported stockholders' equity of $1,708,520 for the period ended March 31, 2024, which did not comply with Listing Rule 5550(b)(1) (the "***Minimum Stockholders' Equity Requirement***"). As previously reported, in a decision dated November 14, 2023, a Nasdaq Hearings Panel (the "***Panel***") confirmed that WaveDancer had regained compliance with the Minimum Stockholders' Equity Requirement for a prior outstanding deficiency under the Minimum Stockholders' Equity Requirement as related to its stockholders' equity for the period ended March 31, 2023. In the decision, the Panel imposed a Mandatory Panel Monitor for a period of one year or until November 14, 2024, which would require the Staff to issue a Delist Determination Letter in the event that WaveDancer failed to maintain compliance with the Minimum Stockholders' Equity Rule (the "***Panel Monitor***").

On August 13, 2024, the Company received a letter from the Staff noting that following the Staff's review of the Merger, the Staff determined that the Company now complies with the Minimum Stockholders' Equity Requirement and that the matter is now closed.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description of Exhibit
99.1	Unaudited Interim Financial Statements of Firefly Neuroscience, Inc. for the three and six months ended June 30, 2024 and 2023
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations of Firefly Neuroscience, Inc. for the three months ended June 30, 2024 and 2023
104	Cover Page Interactive Data File

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 hereunto duly authorized.

		FIREFLY NEUROSCIENCE, INC.
Date: August 14, 2024	By:	/s/ *Jon Olsen*
	Name:	Jon Olsen
	Title:	Chief Executive Officer

Exhibit 99.1

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2024 AND DECEMBER 31, 2023
(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash	$ 358	$ 2,143
Other receivables	83	84
Prepaid expenses	63	28
Total current assets	**504**	**2,255**
Non current assets		
Equipment, net	60	-
Intangible assets, net	634	386
Total non current assets	**694**	**386**
TOTAL ASSETS	**$ 1,198**	**$ 2,641**
LIABILITIES		
Current liabilities		
Trade payables	$ 1,265	$ 455
Related party payable	175	175
Accrued liabilities	973	1,902
Total current liabilities	**2,413**	**2,532**
TOTAL LIABILITIES	**2,413**	**2,532**
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares, $0.00001 par value: 30,000,000 shares authorized; 2,374,219 and 16,116,957 issued and outstanding at June 30, 2024 and December 31, 2023, respectively	-	-
Common shares, $0.00001 par value: 2,470,000,000 shares authorized; 49,948,710 and 35,369,877 issued and outstanding at June 30, 2024 and December 31, 2023, respectively	-	-
Additional paid-in capital	77,795	76,733
Accumulated deficit	(79,010)	(76,624)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	**(1,215)**	**109**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	**$ 1,198**	**$ 2,641**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
REVENUE	$ 10	$ 451	$ 22	$ 456
OPERATING EXPENSES:				
Research and development expenses	350	199	639	320
Selling and marketing expenses	293	171	542	304
General and administration expenses	626	399	1,191	696
TOTAL OPERATING EXPENSES	**1,269**	**769**	**2,372**	**1,320**
OPERATING LOSS	**(1,259)**	**(318)**	**(2,350)**	**(864)**
OTHER INCOME (EXPENSE)				
Interest and bank fees	(10)	(3)	(12)	(10)
Unrealized gain on foreign exchange	31	-	3	-
Other expense, net	(26)	(2)	(27)	(2)
LOSS BEFORE INCOME TAX	**(1,264)**	**(323)**	**(2,386)**	**(876)**
Income tax provision	-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,264)**	**$ (323)**	**$ (2,386)**	**$ (876)**
BASIC AND DILUTED LOSS PER SHARE	**$ (0.03)**	**$ (0.01)**	**$ (0.05)**	**$ (0.03)**
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING, BASIC AND DILUTED	**49,948,710**	**35,277,018**	**49,948,710**	**26,734,918**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS, EXCEPT SHARE DATA)

	Preferred stock			Common stock					
	Number of shares	Number of shares to be issued	Amount	Number of shares	Number of shares to be issued	Amount	Additional paid-in capital	Accumulated deficit	Total Shareholder's equity (deficit)
BALANCE AT DECEMBER 31, 2023	**16,116,967**	**(14,578,833)**	**$ -**	**35,369,877**	**14,578,833**	**$ -**	**$ 76,733**	**$ (76,624)**	**$ 109**
Series B Preferred Stock conversion	(14,578,833)	14,578,833	-	14,578,833	(14,578,833)	-	-	-	-
Series C Preferred Stock Units offering	836,085	-	-	-	-	-	945	-	945
Share-based compensation expense	-	-	-	-	-	-	117	-	117
Net loss	-	-	-	-	-	-	-	(2,386)	(2,386)
BALANCE AT JUNE 30, 2024	**2,374,219**	**-**	**$ -**	**49,948,710**	**-**	**$ -**	**77,795**	**$ (79,010)**	**$ (1,215)**
BALANCE AT DECEMBER 31, 2022	**-**	**-**	**$ -**	**2,552,744**	**-**	**$ -**	**$ 71,795**	**$ (74,021)**	**$ (2,226)**
Common Stock Private Placement	-	-	-	-	32,536,386	-	133	-	133
Series B Preferred Stock offering	-	5,897,932	-	-	-	-	1,092	-	1,092
Share-based compensation expense	-	-	-	284,964	-	-	148	-	148
Net loss	-	-	-	-	-	-	-	(876)	(876)
BALANCE AT JUNE 30, 2023	**-**	**5,897,932**	**$ -**	**2,837,708**	**32,536,386**	**$ -**	**$ 73,168**	**$ (74,897)**	**$ (1,729)**

The accompanying notes are an integral part of these condensed consolidated financial statements.

FIREFLY NEUROSCIENCE 2023, INC.
(formerly known as Firefly Neuroscience, Inc.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	Six months ended June 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,386)	$ (876)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	4	-
Share-based compensation expense	117	148
Changes in operating assets and liabilities:		
Change in other receivables	1	(3)
Change in prepaid expenses	(35)	(24)
Change in trade payables	810	63
Change in related party payables	-	30
Change in accrued liabilities	(929)	176
Change in deferred revenue	-	(450)
Net cash used in operating activities	**(2,418)**	**(936)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(64)	-
Product enhancement – intangible asset	(248)	-
Net cash used in investing activities	**(312)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of shares	945	1,225
Net cash provided by financing activities	**945**	**1,225**
(DECREASE) INCREASE IN CASH	**(1,785)**	**289**
BALANCE OF CASH AT THE BEGINNING OF PERIOD	**2,143**	**58**
BALANCE OF CASH AT THE END OF PERIOD	**$ 358**	**$ 347**
Supplemental cash flow information		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1: BUSINESS DESCRIPTION

Nature of organization and business

Firefly Neuroscience, Inc. (the "Company") and its wholly owned subsidiaries Firefly Neuroscience Ltd. (formerly known as Elminda Ltd.), Elminda 2022 Inc., a Delaware corporation (formerly known as Elminda Inc.), Firefly Neuroscience Canada Inc., a Canadian corporation, and Elminda Canada Inc., a Canadian corporation, are engaged in the development, marketing and distribution of medical devices and technology allowing high resolution visualization and evaluation of the complex neuro-physiological interconnections of the human brain.

Firefly Neuroscience Ltd. was initially incorporated and commenced its operations as a development company in 2006 under the laws of the State of Israel, and in May 2014, initiated its USA marketing and distribution activity through Elminda 2022 Inc.

In July 2014, the U.S. Food and Drug Administration ("FDA") cleared Firefly Neuroscience Ltd.'s Brain Network Analytics ("BNA" ™) product for marketing in the USA. On September 11, 2014, the Company received the Conformity European ("CE") approval for BNA™ allowing use in Europe.

Effective August 12, 2024, the Company changed its name from Firefly Neuroscience, Inc. to Firefly Neuroscience 2023, Inc.

Merger agreement

On November 16, 2023, WaveDancer, Inc. ("WaveDancer") (NASDAQ: WAVD) announced that it has entered into a definitive merger agreement (the "Merger Agreement") with the Company, to combine the companies in an all-stock transaction. The combined company will focus on continuing to develop and commercialize the Company's Artificial Intelligence driven BNA™ platform, which was previously cleared by the FDA. Upon closing, the combined company is expected to operate under the name Firefly Neuroscience, Inc., and trade on the Nasdaq Capital Market.

Under the terms of the Merger Agreement, each share of the Company's shares of common stock issued and outstanding will be converted into common shares of WaveDancer based on a fixed exchange ratio, with any resulting fractional shares to be rounded to the nearest whole share. At the effective time of the merger, securityholders of Firefly will own approximately 92% of the combined company and securityholders of WaveDancer will own approximately 8% of the combined company, on a fully diluted basis. WaveDancer's ownership may increase if it raises capital in excess of the minimum detailed in the Merger Agreement. Following the merger, WaveDancer, Inc. will be renamed "Firefly Neuroscience, Inc." and the corporate headquarters will be located in Buffalo, NY.

On January 12, 2024 and June 17, 2024, the Merger Agreement was amended to update certain terms of the original agreement dated November 15, 2023. The updates included changes to clarify that the effective time of the Merger Agreement shall be prior to or simultaneous with certain transaction to be carried out by WaveDancer, treatment of the Company's warrants at the effective time, deletion of certain closing obligations, and to extend the end date of the original agreement dated November 15, 2023.

The transaction was completed effective August 12, 2024.

NOTE 2: GOING CONCERN

As of June 30, 2024, the Company had an accumulated deficit of $79,010 (December 31, 2023: $76,624) and negative cash flow from operating activities for the six months ended June 30, 2024 of $2,402 (June 30, 2023: $936). Further, the Company has recurring losses with minimal revenue from operations. While the Company is attempting to raise funds for commercialization, its monthly cash requirements during the six months ended June 30, 2024 have been met through issuance of shares to new and existing shareholders. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Therefore, the Company may be unable to realize its assets and discharge its liabilities in normal course of business. To strengthen the Company's liquidity in the foreseeable future, the Company has taken the following measures:

(i) Negotiating further funding with existing and new investors to raise additional capital;

(ii) Taking various cost control measures to reduce the operational cash burn; and

(iii) Commercializing product to generate recurring sales.

Management of the Company has a reasonable expectation that the Company can continue raising additional equity capital to continue in operational existence for the foreseeable future.

NOTE 3: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Acceptance Accounting Principles in the United States of America ("U.S. GAAP"). The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire period. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2023 and the notes included therein. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in the accompanying unaudited condensed consolidated financial statements. All amounts are disclosed in thousands, except share and per share amounts. The accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for a fair statement of its consolidated financial position, results of operations, and cash flows of the Company for all periods presented.

a. Principles of consolidation

These unaudited consolidated financial statements include the financial information of the Company and its subsidiaries. The Company consolidates legal entities in which it holds a controlling financial interest. The Company has a two-tier consolidation model: one focused on voting rights (the voting interest model) and the second focused on a qualitative analysis of power over significant activities and exposure to potentially significant losses or benefits (the variable interest model). All entities are first evaluated to determine whether they are variable interest entities ("VIE"). If an entity is determined not to be a VIE, it is assessed on the basis of voting and other decision-making rights under the voting interest model. The accounts of the subsidiaries are prepared for the same reporting period using consistent accounting policies. All intercompany balances and transactions were eliminated on consolidation.

b. Use of estimates in the preparation of consolidated financial statements

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Significant accounting policies

The following significant accounting policies should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2023 and the notes therein.

i) Equipment
Equipment is stated at cost less accumulated depreciation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The Company uses an estimated useful life of four years for medical equipment.

c. Impact of recently issued accounting standards

The Company has evaluated issued Accounting Standards Updates not yet adopted and believes the adoption of these standards will not have a material impact on its condensed consolidated financial statements.

NOTE 4: OTHER RECEIVABLES

Detail of other receivables balance is as follows:

	June 30, 2024	December 31, 2023
Other receivables	$ 195	$ 196
Allowance for doubtful receivables	(112)	(112)
Total	**$ 83**	**$** 84

NOTE 5: EQUIPMENT

Equipment balance is as follows:

	June 30, 2024	December 31, 2023
Medical equipment, cost	$ 64	$ -
Less – accumulated depreciation	(4)	-
Equipment, net	**$ 60**	**$ -**

NOTE 6: INTANGIBLE ASSETS

The following tables summarize the composition of intangible assets as of June 30, 2024:

	June 30, 2024			
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	**Weighted Average Life**
Unamortized intangible assets				
BNA software	$ 634	**$ -**	$ 634	n/a
Total intangible assets	**$ 634**	**$ -**	**$ 634**	

The BNA software enhancement project is in progress and amortization will begin once the project is substantially complete and the software is ready for its intended purpose. The software is expected to be completed by the end of 2024 and have a useful life of five years.

NOTE 7: LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT

Israeli labor law requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain circumstances. Pursuant to Section 14 of the Israeli Severance Compensation Act, 1963, all the Company's employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments made in accordance with Section 14 relieve the Company from any future severance payments in respect of those employees. In accordance with the Israeli Severance Compensation Act, severance payments, which are included in salary and employee benefits, were $11 and $25 for the three and six months ended June 30, 2024, respectively and $11 and $16 for the three and six months ended June 30, 2023, respectively.

NOTE 8: COMMITMENTS AND CONTINGENCIES

a. **Royalty Commitment - Israeli Innovation Authority ('IIA")**

The Company is committed to pay royalties to the State of Israel, through the IIA, on proceeds from sales of products which the IIA participated by way of grants for research and development. No grants were received in 2024 or 2023. Under the terms of the prior IIA grant agreements, the principal value of financial assistance received along with annual interest based on London Inter-Bank Offered Rate ("LIBOR") is repayable in form of royalties based on 3.0% of BNA™ sales. Since the elimination of LIBOR, the Secured Overnight Financing Rate ("SOFR") subsequently replaced LIBOR as a reference rate of interest for IIA grant agreements. In the case of lack of commercial feasibility of the project that was financed using the grant, the Company is not obligated to pay any royalty. The Company cannot reasonably determine the outcome of the commercialization of the technology and considers the liability to be contingent upon generation of sales, hence no liability has been recognized as of June 30, 2024 and December 31, 2023. The contingent liability amounts to $5,676 and $5,625 for June 30, 2024 and December 31, 2023 respectively.

Sale of the technology developed utilizing the grants from IIA is restricted and is subject to IIA's approval.

NOTE 9: EQUITY

a. Shares

On August 29, 2023, the Company offered up to 7,812,500 units, each unit consisting of one share of Series C Preferred Stock and warrant to purchase one share of common stock, at a combined purchase price of $1.28 per unit. During the six months period ended June 30, 2024, the Company issued 836,085 units and received aggregate gross proceeds of $1,070. The Company incurred $125 of costs associated with the issuance. Series C Preferred Stock issued are equity classified instruments and are recorded as equity. Each warrant entitles the purchasers to acquire one share of common stock at a price of $2.56 per share for a period of three years from the date of issue.

As of December 31, 2023, the mandatory conversion feature of the Series B Preferred Stock was triggered, as the proceeds from the Series C Preferred Stock Units offering exceeded $1,000. As per the terms of Series B Preferred Stock, all preferred shares were supposed to be automatically converted into one share of common stock. As of June 30, 2024, the 14,578,833 of Series B Preferred stock were converted to 14,578,833 shares of common stock.

As of June 30, 2024, the Company had the following number of authorized and issued shares:

	June 30, 2024	
	Number of authorized shares	**Number of issued shares**
Shares of common stock	2,470,000,000	49,948,710
Series A Preferred Stock	30,000,000	-
Series B Preferred Stock		-
Series C Preferred Stock		2,374,219

As of June 30, 2024 the total number of shares of all classes the Company is authorized to issue is 2,500,000,000 shares, consisting of 2,470,000,000 shares of common stock and 30,000,000 preferred shares of all classes.

b. Warrants

The following table summarizes the Company's warrant activity for the six months ended June 30, 2024:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding warrants, January 1, 2024	**2,386,677**	**$ 2.07**	**2.46**
Warrants issued pursuant to units offering	836,531	2.56	-
Outstanding warrants, June 30, 2024	**3,223,208**	**$ 2.19**	**2.19**

On August 29, 2023, the Company offered up to 7,812,500 units, comprised of Series C Preferred Stock and warrants to purchase up to 7,812,500 shares of common stock, which were sold at a combined purchase price of $1.28 per unit. Each warrant entitles the holder to acquire one share of common stock at a price of $2.56 per share for a period of three years from the date of issue. The warrants were determined to be a freestanding equity instrument. For the six month period ended June 30, 2024, 836,531 warrants were issued.

c. Employees stock option plan

A summary of option activity under the Plan as of June 30, 2024 and changes during the period then ended is presented below.

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding Options, December 31,2023	**1,291,662**	**$ 2.16**	**6.18**	**$ -**
Options granted	-	-	-	-
Outstanding Options, June 30, 2024	**1,291,662**	**$ 2.16**	**5.67**	**$ -**

The share-based compensation expense related to options for the three and six months ended June 30, 2024 was $58 and $117, respectively and 74$ and $148 for the three and six months ended June 30, 2023, respectively. The fair value of options granted for the six months period ended June 30, 2024 and 2023 was $nil and $nil, respectively. The intrinsic value of the options outstanding as of June 30, 2024 is $nil (December 31, 2023: $nil).

A summary of the Company's non vested options as of June 30, 2024, and changes during the six months period ended, is presented below.

	Number of Stock Options	Weighted Average Grant-Date Fair Value
Non-Vested Options, December 31, 2023	**874,886**	**$ 0.50**
Options granted	-	-
Options vested	(187,739)	0.62
Non-Vested Options, June 30, 2024	**687,147**	**$ 0.46**

As of June 30, 2024, there was $317 of total unrecognized compensation cost related to nonvested options granted under the Plan.

d. Management options

On April 2, 2024, the Company granted stock options to its officer to purchase an aggregate of 106,000 shares of common stock at an exercise price with a term of five years, where the exercise price is equal to a 25% discount to the issue price of the Company's equity securities in an initial public offering (an "IPO Transaction"), that results in the Company's shares of common stock being listed on the Nasdaq Stock Market or another recognized securities exchange or traded on the over-the-counter market. Options to purchase up to 106,000 shares of common stock shall vest in 36 equal installments at the end of each calendar month over a period of three years beginning March 1, 2024. The vesting of management options is contingent upon the occurrence of an IPO Transaction. Since options are contingent on the occurrence of a liquidity event which is not probable for the purposes of ASC 718, no compensation cost would be recognized related to options until the occurrence of a liquidity event.

e. Consulting agreement

On March 15, 2024, the Company entered into a consulting agreement ("Consulting agreement"), which was further approved by the board of directors of the Company on April 2, 2024. Under the Consulting agreement, the Company will receive services of promoting the Company's stock; in return for 432,034 Series A performance warrants and 195,313 shares of common stock issued immediately upon execution of the agreement, and 234,735 shares of common stock to be issued in 12 equal installments at the end of each calendar month.

Series A performance warrants to purchase up to an aggregate 432,034 shares of common stock to certain investors at an exercise price of $0.01 Canadian dollars per share and are set to expire on June 15, 2028. The exercisability of the warrants is contingent upon meeting market capitalization goals and the occurrence of a liquidity event. Since warrants are contingent on the occurrence of a liquidity event which is not probable for the purposes of ASC 718, no compensation cost would be recognized related to warrants until the occurrence of a liquidity event.

As of June 30, 2024, the shares of common stock and Series A performance warrants were not issued and no services were received.

NOTE 10: BASIC AND DILUTED NET LOSS PER SHARE

Basic net loss per common share is computed by dividing net loss attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the period. Weighted average number of shares of common stock outstanding during the period computation includes shares of common stock to be contractually issued as of the period end date. Diluted net loss per common share is computed by giving effect to all potential dilutive shares of common stock that were outstanding during the period when the effect is dilutive. Potential dilutive shares of common stock consist of shares issuable upon conversion of preferred shares, exercise of stock options, restricted stock units, and warrants. No adjustments have been made to the weighted average outstanding shares of common stock figures for the six months ended June 30, 2024 or 2023, as the assumed conversion of preferred shares, exercise of outstanding options, warrants and restricted stock units would be anti-dilutive.

NOTE 11: RELATED PARTY TRANSACTIONS

As of the period ended June 30, 2024, $175 (2023: $175) of director loans were still outstanding. These notes do not bear any interest and are payable on demand.

The Company incurred $140 and $244 in officers’ consulting fees recorded in general and administration expenses for the three and six months ended June 30, 2024, respectively and $102 and $223 for the three and six months ended June 30, 2023, respectively.

NOTE 12: REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Type of goods and services				
Service	$ 10	$ 451	$ 22	$ 456
Total	**$ 10**	**$ 451**	**$ 22**	**$ 456**
Timing of recognition of revenue				
Point in time	3	-	7	-
Over time	**7**	451	15	456
Total	**$ 10**	**$ 451**	**$ 22**	**$ 456**

NOTE 13: RESEARCH AND DEVELOPMENT EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salary and employee benefits	$ 210	$ 167	$ 443	$ 254
Consultants and subcontractors	70	17	77	23
Depreciation and amortization	4	-	4	-
Clinical trials	-	14	-	19
Expenses - other	66	1	115	24
	350	199	639	320
Less – grants received	-	-	-	-
Total	**$ 350**	**$ 199**	**$ 639**	**$ 320**

NOTE 14: SELLING AND MARKETING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salary and employee benefits	$ 179	$ 160	$ 347	$ 289
Professional fees	89	5	142	5
Travel	22	6	46	10
Other	3	-	7	-
Total	**$ 293**	**$ 171**	**$ 542**	**$ 304**

NOTE 15: GENERAL AND ADMINISTRATION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salary and employee benefits	$ 143	$ 142	$ 261	$ 319
Professional fees	417	183	822	246
Rent and maintenance	4	33	6	65
Travel expenses	23	12	31	25
Other	39	29	71	41
Total	**$ 626**	**$ 399**	**$ 1,191**	**$ 696**

NOTE 16: SUBSEQUENT EVENTS

The subsequent events below are major events or transactions that occurred after the six month period ended June 30, 2024, but before the issuance of these condensed consolidated financial statements. The below events occurred between July 1, 2024 and August 14, 2024:

On August 8, 2024, the Company completed the closing of a $209 secured promissory notes. Promissory notes were issued with a discount of $11 and the Company received gross proceeds of $198. The promissory note will bear an annual interest rate of 18%, paid monthly. The principal amount of $209 will mature and become due and payable on August 23, 2024.

Effective August 12, 2024, the Company changed its name from Firefly Neuroscience, Inc. to Firefly Neuroscience 2023, Inc.

Merger

On August 12, 2024, the Company completed the merger with WaveDancer. As a result of this transaction, the Company obtained control of WaveDancer. The combined company operates under the name Firefly Neuroscience, Inc., and on August 13, 2023 the Company began trading on the Nasdaq Capital Market (NASDAQ: AIFF). On August 12, 2024, prior to the consummation of the Merger, WaveDancer effectuated a 1-for-3 reverse stock split of its common stock (the "Reverse Stock Split") . Pursuant to the terms of the Merger Agreement, each holder of outstanding shares of the Company's shares of common stock is entitled to receive the number of shares of WaveDancer common stock equal to the number of shares of the Company's shares of common stock they hold multiplied by the exchange ratio, or an aggregate of 7,870,251 shares of WaveDancer common stock at closing using an exchange ratio of 0.1040. Following the closing of the merger, there are 7,870,251 shares of the combined company's common stock outstanding with Firefly stockholders owning approximately 92% and prior WaveDancer stockholders owning 8% of the combined company's outstanding securities.

Private Placement

On July 26, 2024, prior to the consummation of the merger, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to issue and sell (i) 3,069,287 shares (the "PIPE Shares") of the combined company's common stock and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 4,849,265 shares of combined company's common stock, and (iii) warrants (the "Warrants") to purchase up to 7,918,552 shares of combined company's common stock in a private placement (the "Private Placement"). The purchase price of each PIPE Share and accompanying Warrant was $0.442 and the purchase price of each Pre-Funded Warrant and accompanying Warrant was $0.4419. The Private Placement closed on August 12, 2024, substantially contemporaneously with the consummation of the merger. The aggregate gross proceeds from the transaction were approximately $3,500.

FIREFLY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis (the "MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2024, of Firefly Neuroscience, Inc. and the related notes included elsewhere in this current report. The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2024, discussed below reflect Firefly's historical results of operations and financial position. This MD&A contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties, and assumptions. See the section of this document titled "Cautionary Statement Regarding Forward-Looking Statements." Firefly's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those factors described under the heading "Risk Factors" in the registration statement on Form S-4 (the "Registration Statement") filed by WaveDancer, Inc. ("WaveDancer") with the Securities and Exchange Commission (the "SEC") on January 22, 2024, as amended, and declared effective on February 2, 2024. Unless otherwise stated or the context otherwise requires, the terms "Firefly," "we," "us," "our," and the "Company" refer to Firefly Neuroscience, Inc. and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

Statements in this MD&A, including statements incorporated by reference, may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events, or developments that the Company expects, believes, or anticipates will or may occur in the future, including statements related to plans, strategies, and objectives of management, the Company's business prospects, the Company's systems and technology, future profitability, and the Company's competitive position, are forward-looking statements. The words "will," "may," "believes," "anticipates," "thinks," "expects," "estimates," "plans," "intends," and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. The inclusion of any statement in this MD&A does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on the Company's business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- fluctuation and volatility in market price of the combined company's common stock due to market and industry factors, as well as general economic, political and market conditions;

- the impact of dilution on the stockholders of the combined company, including through the issuance of additional equity securities in the future;
- the combined company's ability to realize the intended benefits of the Merger (as defined below);
- the impact of the combined company's ability to realize the anticipated tax impact of the Merger (as defined below);
- the outcome of litigation or other proceedings the combined company may become subject to in the future;
- delisting of the our common stock from the Nasdaq Capital Market or the failure for an active trading market to develop;
- the failure of altered business operations, strategies and focus of the combined company to result in an improvement for the value of our common stock;
- the availability of and the Company ability to continue to obtain sufficient funding to conduct planned operations and realize potential profits;
- the Company's limited operating history;
- the impact of the complexity of the regulatory landscape on the Company's ability to seek and obtain regulatory approval for its BNA Platform (as defined below), both within and outside of the U.S.;
- challenges the Company may face with maintaining regulatory approval, if achieved;
- the impact of the concertation of capital stock ownership with insiders of the combined company after the merger on stockholders' ability to influence corporate matters.
- the impacts of future acquisitions of businesses or products and the potential to fail to realize intended benefits of such acquisition;

- the potential impact of changes in the legal and regulatory landscape, both within and outside of the U.S.;
- the Company's dependence on third parties;
- challenges the Company may face with respect to its BNA Platform achieving market acceptance;
- the impact of pricing of the Company's BNA Platform;
- emerging competition and rapidly advancing technology in the Company's industry;
- the Company's ability to obtain, maintain and protect its trade secrets or other proprietary rights, operate without infringing upon the proprietary rights of others and prevent others from infringing on its proprietary rights; and
- the Company's ability to maintain adequate cyber security and information systems.

Additional information concerning these and other risks is described under "Risk Factors," "Firefly Management's Discussion and Analysis of Financial Condition and Results of Operations," and "WaveDancer's Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registration Statement. The Company expressly disclaims any obligation to update any of these forward-looking statements, except to the extent required by applicable law.

Overview

Firefly is an Artificial Intelligence ("AI") technology company developing innovative neuroscientific solutions that improve outcomes for patients with mental illnesses and neurological disorders. Its FDA-510(k) cleared Brain Network Analytics software platform (the "BNA Platform") and is focused on advancing diagnostic and treatment approaches for people suffering from mental illnesses and cognitive disorders, including depression, dementia, anxiety disorders, concussions, and attention-deficit/hyperactivity disorder. It has taken a period of 15 years and an investment of approximately $60 million, to develop the software, compile the requisite database of brain wave tests, gain patent protection, and receive Federal Drug Administration ("FDA") approval to market and sell the BNA Platform so, as of today, Firefly is in a position to undertake a commercial launch of the BNA Platform. Firefly believes there is great potential for such commercialization, both with respect to pharmaceutical companies in their drug research and clinical trial activities, as well as medical practitioners in their clinics.

The BNA Platform is a software as a medical solution that was developed using AI and machine learning on Firefly's extensive proprietary database of standardized, high-definition longitudinal electroencephalograms ("EEG") of over 17,000 patients representing twelve disorders, as well as clinically normal patients. The BNA Platform, in conjunction with an FDA-cleared EEG system, can provide clinicians with comprehensive insights into brain function (cognition). These insights can enhance a clinician's ability to accurately diagnose mental illnesses and cognitive disorders and to evaluate what therapy or drug is best suited to optimize a patient's outcome.

The clinical utility of EEG technology to support better outcomes for patients with mental illnesses and cognitive disorders has been well documented. Historically, clinical adoption of EEG by medical professionals, including psychiatrists, neurologists, nurse practitioners and general practitioners, has been limited due to the complexity of interpreting EEG recordings and the inability to practically compare a patient's brain function to that of a clinically normal age-matched patient. Firefly believes that without defining a standard deviation to the norm, it is not possible to objectively assess brain function. By establishing an objective baseline measurement of brain function, the BNA Platform enables clinicians to optimize patient care, leading to improved outcomes for people suffering from mental illnesses and cognitive disorders.

Firefly's value proposition is supported by real-world use of the BNA Platform. Incorporating the BNA Platform as part of a patient management protocol demonstrated improved response rates, enhanced therapy compliance, reduced non-responder rates and a reduction in need for medication switching among patients[1]. Further, Firefly believes that its extensive clinical database, when combined with advanced AI, provides the opportunity to identify clinically relevant biomarkers that will support better patient outcomes through precision medicine and companion diagnostics. We expect to gather additional data through the clinical deployments and clinical studies conducted by drug companies. This additional data should allow us to discover new biomarkers and objectively measure the impact of therapeutic interventions on patients of different types, further enhancing our platform's effectiveness. Firefly believes that it will be able to enhance accurate diagnosis and predict what therapy or drug, or a combination thereof, is best suited to optimize patient outcomes. This represents a paradigm shift in how clinicians manage patients with mental illnesses and cognitive disorders holding the potential to transform brain health.

Recent Developments

Reverse Merger with WaveDancer

On November 15, 2023, we entered into the Agreement and Plan of Merger (as amended, the "Merger Agreement") with WaveDancer and FFN Merger Sub, Inc. ("Merger Sub"), pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub merged with and into Firefly, with Firefly becoming a wholly-owned subsidiary of WaveDancer and the surviving corporation of the merger (the "Merger"). On August 12, 2024, prior to the consummation of the Merger, WaveDancer effectuated a 1-for-3 reverse stock split of its common stock (the "Reverse Stock Split"). On August 12, 2024, the Merger closed, and on August 13, 2024, we began trading on the Nasdaq Capital Market under the ticker symbol "AIFF."

Private Placement

On July 26, 2024, prior to the consummation of the Merger, we entered into a securities purchase agreement with certain institutional investors, pursuant to which we agreed to issue and sell (i) 3,069,287 shares (the "PIPE Shares") of common stock and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 4,849,265 shares of our common stock, and (iii) warrants (the "Warrants") to purchase up to 7,918,552 shares of common stock in a private placement (the "Private Placement"). The purchase price of each PIPE Share and accompanying Warrant was $0.442 and the purchase price of each Pre-Funded Warrant and accompanying Warrant was $0.4419. The Private Placement closed on August 12, 2024, substantially contemporaneously with the consummation of the Merger. The aggregate gross proceeds from the transaction were approximately $3.5 million, before deducting estimated offering expenses payable by us.

Series C Financing

Between October 17, 2023 and June 30, 2024, we raised an aggregate of $3,039,000 from a private placement of 2,374,219 Series C units (the "Series C Units"), which such Series C Units were comprised of shares of Series C Preferred Stock and warrants to purchase up to 2,374,665 shares of common stock, which were sold at a combined purchase price of $1.28 per Series C Unit. Each warrant has an exercise price of $2.56 per share (subject to adjustment from time to time in accordance with the terms thereof), is exercisable immediately upon issuance and expires at 4:30 p.m. (New York time) three years following the initial date of issuance.

Financial Operations Overview

Revenue

Revenue consists of BNA testing and the undertaking of projects.

Operating Expense

Research and Development Expense

Research and development expenses represent costs incurred to conduct research and development, such as the development of the BNA Platform. Firefly recognizes all research and development costs as they are incurred. Research and development expenses consist primarily of the following:

- salaries and benefits;
- consulting arrangements; and
- other expenses incurred to advance Firefly’s research and development activities.

The largest component of Firefly’s operating expenses has historically been the investment in research and development activities. Firefly expects research and development expenses will increase in the future as Firefly further refines and optimizes the BNA Platform and invests in is evolution. It is likely that Firefly will continue to evaluate opportunities and strategic partnerships to acquire or license other products and technologies, which may result in higher research and development expenses due to licensing fees and/or integrations.

Selling and Marketing Expenses

Selling and marketing expenses consist of employee-related expenses, including salaries, benefits, travel, clinical fees and other marketing functions, as well as fees paid for consulting services.

General and Administrative Expenses

General and administrative expenses consist of employee-related expenses, including salaries, benefits, travel and noncash stock-based compensation, and other administrative functions, as well as fees paid for legal, and accounting services, consulting fees and facilities costs not otherwise included in research and development expense. Legal costs include general corporate legal fees and patent costs. Firefly expects to incur additional expenses as a result of operating as a public company following completion of the merger, including expenses related to compliance with the rules and regulations of the SEC and Nasdaq, additional insurance, investor relations and other administrative expenses and professional services.

Other (Income) Expense

Other (income) expense consists primarily of interest bank fees and loan fees, foreign exchange gain or loss, loss on extinguishment of debt, gain or loss on sale of investments and gain or loss on sales of fixed assets.

Critical Accounting Estimates

The preparation of our financial statements is in accordance with generally accepted accounting principles in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other related disclosures. While we believe our estimates, assumptions and judgments are reasonable, they are based on information presently available. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material impact on our financial position and results of operations.

Results of Operations

Comparison of the three months ended June 30, 2024, to the three months ended June 30, 2023

The following table sets forth amounts from our condensed consolidated statements of operations for the three months ended June 30, 2024, and 2023:

The following tables set forth Firefly's results of operations for the periods presented:

	Three months ended June 30, ***$US, in thousands***		
	2024	**2023**	**Change**
REVENUE	10	451	(441)
OPERATING EXPENSES:			
Research and development expenses	350	199	151
Selling and marketing expenses	293	171	122
General and administration expenses	626	399	227
TOTAL OPERATING EXPENSES	**1269**	**769**	**500**
OPERATING LOSS	**1259**	**318**	**940**
OTHER (INCOME) EXPENSE			
Interest, bank fees and loan fees	10	3	6
Unrealized (gain) loss on foreign exchange	(31)	-	(31)
Other (Income) Expenses	26	2	24
LOSS BEFORE INCOME TAX	**1,264**	**323**	941

Revenue

Revenue for the three months ended June 30, 2024, was $10,000, as compared to $451,000 in the three months ended June 30, 2023, representing a decrease of $441,000 or 98%. The decrease is primarily due to the recognition of deferred revenue relating to outstanding contracts when obligations were deemed to be fulfilled in 2023.

Operating Expenses

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2024, were $350,000, as compared to $199,000 for the three months ended June 30, 2023, representing an increase of $151,000, or 76%. This increase was primarily due to a significant increase in investment in staff associated with the development of our next generation of BNA Platform.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended June 30, 2024, were $293,000, as compared to $171,000 for the for the three months ended June 30, 2023, representing an increase of $122,000, or 71%. This increase was primarily due to our updating of company branding in preparation of the reverse merger and market research initiatives related to our next generation BNA Platform.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2024, were $626,000, as compared to $399,000 for the three months ended June 30, 2023, representing an increase of $227,000, or 57%. This increase was primarily due to ongoing legal and professional costs associated with the Merger, as well as preparation of year-end audited statements and review of our unaudited financial statements for the quarter ended March 31, 2024.

Other (Income) Expense

Other (Income) Expense for the three months ended June 30, 2024, were $5,000, as compared to $5,000 for the three months ended June 30, 2023, representing a minimal change.

Comparison of the six months ended June 30, 2024, to the six months ended June 30, 2023

The following table sets forth amounts from our condensed consolidated statements of operations for the six months ended June 30, 2024, and 2023:

The following tables set forth Firefly's results of operations for the periods presented:

	Six months ended June 30, ***$US, in thousands***		
	2024	**2023**	**Change**
REVENUE	22	456	(434)
OPERATING EXPENSES:			
Research and development expenses	639	320	319
Selling and marketing expenses	542	304	238
General and administration expenses	1,191	696	495
TOTAL OPERATING EXPENSES	**2,372**	**1,320**	**1,052**
OPERATING LOSS	**2,350**	**864**	**1,486**
OTHER (INCOME) EXPENSE			
Interest and bank fees	12	10	2
Unrealized (gain) loss on foreign exchange	(3)		(3)
Other (income) expense	27	2	25
NET LOSS	**2386**	**876**	24

Revenue

Revenue for the six months ended June 30, 2024, was $22,000, as compared to $456,000 in the six months ended June 30, 2023, representing a decrease of $434,000 or 95%. The decrease is primarily due to the recognition of deferred revenue relating to outstanding contracts when obligations were deemed to be fulfilled in 2023.

Operating Expenses

Research and Development Expenses

Research and development expenses for the six months ended June 30, 2024, were $639,000, as compared to $320,000 for the six months ended June 30, 2023, representing an increase of $319,000, or 100%. This increase was primarily due to a significant increase in investment in staff associated with the development of our next generation of BNA Platform.

Selling and Marketing Expenses

Selling and marketing for the six months ended June 30, 2024, were $542,000, as compared to $304,000 for the for the six months ended June 30, 2023, representing an increase of $238,000, or 74%. This increase was primarily due to our updating of company branding in preparation of the reverse merger, market research initiatives related to our next generation BNA Platform and professional services related to sales documentation.

General and Administration Expenses

General and administration expenses for the six months ended June 30, 2024, were $1,191,000, as compared to $696,000 for the six months ended June 30, 2023, representing an increase of $495,000, or 71%. This increase was primarily due to ongoing legal and professional costs associated with the Merger, as well as preparation of year-end audited statements and review of our unaudited financial statements for the quarter ended March 31, 2024.

Other (income) expense

Other (income) expense for the six months ended June 30, 2024, were $36,000, as compared to $12,000 for the six months ended June 30, 2023, representing an increase of $24,000 mainly due to foreign exchange fluctuations associated with operations in Canada and Israel.

Cash flows for the six months ended June 30, 2024, to the six months ended June 30, 2023

The following table sets forth the significant sources and uses of cash for the periods noted below:

	For the six months ended June 30, 2024	2023 (in thousands)	Change
Net cash (used in) provided by			
Operating activities	$ (2,418)	$ (936)	$ (1,482,000)
Investing activities	$ (312)	$ —	$ (312)
Financing activities	$ 945	$ 1,225	$ (280)

Operating Activities

For the six months ended June 30, 2024, net cash used in operating activities was $2,418,000, as compared to $936,000 for the six months ended June 30, 2023, representing an increase of $1,482,000, or 158%. This increase in net cash used in operating activities is primarily due to an increase in day-to-day operating costs, a reduction in liabilities, costs related to the Merger, and research costs associated with the development of the next generation BNA Platform.

Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was $312,000, as compared to no cash used in investing activities for the six months ended June 30, 2023. The increase in cash used in investing activities is primarily attributed to our investment into the development of the next generation BNA Platform and associated hardware.

Financing Activities

For the six months ended June 30, 2024, net cash provided from financing activities was $945,000, as compared to $1,225,000 for the six months ended June 30, 2023, representing a decrease of $280,000, or 23%. The decrease was primarily due to a reduction in financing needs year-to-year as well as acknowledging financing has been secured post-Merger.

Liquidity and Capital Resources

For the remainder of fiscal year 2024 and the first half of 2025, we expect to continue to incur negative cash flows from operations as we continue to make targeted investments in sales and marketing and research and development of our next generation BNA Platform.

Beyond the next 12 months, our ability to achieve profitability depends on the commercialization of our flagship product, the BNA Platform. We expect to incur significant costs for at least two to four years to commercialize and distribute our products, and we expect our expenses to increase in connection with our ongoing activities, particularly as we continue our research and development and expand our production capabilities as needed. As a result, we will require significant capital to support our ongoing operations and to drive our business strategy before we can be profitable.

Until we can generate adequate revenues from the sale of our products to cover our operating expenses and capital expenditure requirements, we expect to finance our operations through the sale of equity, debt financing, or other sources. There can be no guarantee that debt or equity financings will be available to us on commercially reasonable terms, if at all. Additionally, we may be unable to further pursue our business plan and we may be unable to continue operations. The report of our independent registered public accounting firm for the year ended December 31, 2023, states that there is substantial doubt about our ability to continue as a going concern.

The estimates and assumptions underlying our belief in the sufficiency of our capital resources in the short term and our ability to obtain capital resources in the long term may prove to be wrong, and we could exhaust our capital resources sooner than we expect and may not be able to obtain resources on favorable terms, or at all.

We have no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Known Trends, Events, and Uncertainties

As with other companies that are in our industry, we will need to successfully manage normal business and scientific risks. Research and development of new technologies is, by its nature, unpredictable. We cannot assure you that our technology will be adopted, that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. In addition, the emergence and effects of public health crises, such as endemics and epidemics are difficult to predict and the consequences of the ongoing war between Israel and Hamas, including related sanctions and countermeasures and the effects of such war on our employees in Israel, are difficult to predict, and could adversely impact geopolitical and macroeconomic conditions, the global economy, and contribute to increased market volatility, which may in turn adversely affect our business and operations. Furthermore, other than as discussed in this MD&A, we have no committed source of financing and may not be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to severely curtail, or even to cease, our operations.

Other than as discussed above and elsewhere in this MD&A and in the Registration Statement, we are not aware of any trends, events or uncertainties that are likely to have a material effect on our financial condition.