LungLifeAI™

Our purpose is simple.
To be a driving force in the early detection of lung cancer.

Annual Report 2023

LungLife AI, Inc.

Annual report and financial statements
for the year ended 31 December 2023

Contents

LungLife AI, Inc.

Company information
for the year ended 31 December 2023

Directors	Roy Davis *(Non-Executive Chairman)* Andrew Boteler *(Senior Independent Non-Executive Director)* James McCullough *(Non-Executive Director)* Sara Barrington *(Non-Executive Director)* Dr Paul Pagano *(Chief Executive Officer)* David Anderson *(Chief Financial Officer)*
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LungLife AI, Inc.

Chairman's statement
for the year ended 31 December 2023

I am delighted to report on the Company's results for the year ended 31 December 2023. We have continued to deliver on the Company's objectives and remain committed to creating shareholder value as we proceed with the aim of being a driving force in the early detection of lung cancer through the completion of our LungLB® test multi-centre clinical validation study.

LungLB® test

According to the World Health Organization, over 2.2 million new cases of lung cancer were diagnosed in 2020 and approximately 1.8 million deaths from lung cancer were recorded in 2020 globally. Nearly 80% of all lung cancers in the United States are diagnosed in later stages when survival rates are low because the options for curative treatment are then limited. This is in part due to the lack of effective early detection solutions and the fact that lung cancer largely develops asymptomatically.

LungLB® is a blood-based test that uses circulating tumour cells ("CTC") to stratify indeterminant lung nodules as either cancerous or benign following their identification by CT scan. Biopsy is currently part of the standard care pathway for lung nodules and the LungLB® test is designed to support the physician's decision to biopsy only when necessary, or to monitor non-invasively using additional imaging. There are estimated to be over 1.5 million indeterminant lung nodules identified each year in the United States[1] and LungLife's estimated one week turnaround from receipt of the blood sample to results can save a significant amount of stressful waiting time for the participant as well as unnecessary costly and often dangerous procedures.

Progress this year

2023 has been an important year in the development of the company, concluding with the announcement of the results of our multi-site, prospective clinical study on 2 January 2024.

Clinical validation study

We completed enrolment of the 425 participants in our clinical validation study in May and its findings were concluded by year end, being announced on 2 January 2024.

Paul expands on the results in more detail within the Strategic Report, suffice to say we were delighted by the findings showing a strong positive predictive value of 81% in discriminating benign from cancerous lung nodules in patients with smaller nodules (< 15mm).

Publications - Health economics study

We published two important documents in the period, both of which are important components in establishing the ability of the Company to be paid for its tests, known as "coverage".

The first publication was a cost-effectiveness analysis ("CEA") model on LungLB® which provides evidence that the test can be utilised as a cost-effective tool within the current diagnostic pathway.

The principal aim of the research was to explore the incremental cost-effectiveness of LungLB® when added to the current clinical diagnostic pathway for patients with lung nodules, as described in guidelines. The greater cost

savings in the model were demonstrated by a reduction in unnecessary procedures and better patient outcomes from reduced delays in treatment.

Incremental Cost-Effectiveness Ratio (ICER) is a key metric used in the publication to demonstrate cost effectiveness. Integration of LungLB® leads to improvement in outcomes and results in an ICER that was 25% below the willingness to pay (WTP) threshold commonly considered by US commercial payors, suggesting overall savings when LungLB® is priced at $2,030 per test. ICERs remain below WTP thresholds at prices up to $3,647 per test.

[1]Evaluation of individuals with pulmonary nodules: when is it lung cancer? Diagnosis and Management of lung cancer, 3rd ed: American College of Chest Physicians evidence-based clinical practice guidelines.

Publication - Peer reviewed publication of our test

We also announced the peer-reviewed publication of the successful performance results for the Company's LungLB® test from a multi-site prospective study in patients with indeterminate pulmonary nodules. The pilot study was performed in collaboration with MD Anderson Cancer Center (Houston, TX) and Icahn School of Medicine at Mount Sinai (New York, NY) and appears in the journal *BMC Pulmonary Medicine*. The primary objective of the study was to compare the LungLB® test result with a lung biopsy diagnosis and assess performance in a patient cohort where commonly used nodule evaluation tools were not informative.

We are delighted to have been able to achieve these important milestones in this year.

People

Our revised cash runway to April 2025 has required significant cost reductions, the largest being to headcount and salaries for the executive team. We are now a smaller team focussed on the key commercialisation activities. Those who have left the company played an important role in delivering our achievements to date and on behalf of the whole Board, I would like to thank them for their efforts.

Post balance sheet and outlook

On March 22, 2024 the Company issued 5,172,621 new common shares at a price of 35 pence per share, raising gross proceeds of US$2.28m (GBP1,810,000).

The Company intends to use the net proceeds of the funding, along with the Company's existing cash resources to establish the commercial proof of concept of the Company's LungLB® test, as detailed below:

- funding of evidence generating activities, including the Early Access Program **("EAP")** and clinical utility studies, dependent on the factors noted below, to support reimbursement and test adoption;
- increasing expenditure to support engagement with payors and clinicians, and support the wider need to raise clinical awareness via key opinion leaders, publications and conferences; and
- accelerating the commercial pathway by pursuing licensing or other similar agreements.

The net proceeds of the Fundraising will allow the Company to consider all of its strategic options in order to maximise shareholder value and, in conjunction with the implementation of certain cost-cutting actions, is expected to provide the Company with a cash runway to early April 2025.

This is our focus in 2024 and we look forward to updating shareholders on our progress.

Roy Davis
Chairman

3 April 2024

LungLife AI, Inc.

Board of Directors
for the year ended 31 December 2023

The Directors of the Company during the year were:

Roy Davis – *Independent Non-Executive Chairman*

Mr. Davis has extensive experience spanning medical devices, diagnostics, and the digital healthcare space. He is currently Chairman of Foster + Freeman Limited, a leading forensic imaging manufacturer, Non-Executive Chair (Designate) at Inspiration Healthcare and Non-Executive Director at Futura Medical.

Prior to these roles, Mr. Davis served as Chairman of Medica Company PLC and the chief executive officer of Optos plc, a leading ophthalmology medical device business, from 2008 until June 2016 when he stepped down following the company's acquisition by Nikon Corporation.

Before joining Optos plc, he served from 2007 as chief executive officer of Gyrus Company plc, a leading medical device company, prior to its acquisition by the Olympus Corporation of Japan in 2008, having previously served as COO of Gyrus Company plc from 2003 and a Non-Executive Director since its initial public offering in 1997.

Prior to this, Mr. Davis was the CEO of NTERA Ltd, a nanotechnology company, and before that spent almost 10 years with Arthur D Little Limited, the global management consulting company, where he was Vice President and Global Head of its operations management business.

Andrew Boteler – *Senior Independent Non-Executive Director, Chair of the Audit Committee and Remuneration Committee*

Mr. Boteler is a UK qualified chartered accountant is currently Non-Executive Director of Octopus AIM VCT PLC. From 2019 to 2023 Mr Boteler was Finance Director of Riverford Organic Farmers Limited and from 2009 to 2019 and CFO of Gooch & Housego PLC and in addition was responsible for legal, investor relations and IT. He has had over 25 years working in the manufacturing sector, spending 20 of those year with high technology manufacturing companies. Mr. Boteler is experienced in M&A and fund raising, including management buy-out, trade sales and bank funding.

Sara Barrington – *Non-Executive Director*

Ms. Barrington is CEO of Verici Dx Plc. Ms. Barrington previously served as CEO of the Company from January 2019 to May 2020. She has held numerous senior roles including EVP of Business Operations with Bruin Biometrics, CFO of Exosome Diagnostics, Inc., and CFO at AusAm Biotechnologies. Prior to working in the US, she worked for British Telecom in London in business development and strategy.

James McCullough – *Independent Non-Executive Director*

James McCullough is the CEO of Renalytix plc and has experience building emerging technology companies in both the public and private sectors with specific expertise in the life-sciences industry.

Prior to his role at Renalytix plc, Mr. McCullough served as CEO of Exosome Diagnostics, Inc., a venture capital backed personalised medicine company developing non-invasive liquid biopsy diagnostics in cancer, which was acquired by Bio-Techne Corporation in 2018. He also serves on the board of directors of Verici Dx Plc, Kantaro Biosciences, LLC and the GO2 Foundation for Lung Cancer. Mr. McCullough has served on the Board since 2019.

Paul Pagano, PhD – *Chief Executive Officer*

Paul Pagano is the CEO of the Company and has over 18 years of experience in the sciences covering chemistry, engineering, and cancer biology. He was trained at UCLA in translational lung cancer research and has multiple publications spanning early disease pathogenesis and resistance to targeted lung therapy.

Dr Pagano has spent the last seven years at the Company leading research & development teams in developing clinical diagnostics for lung cancer using liquid biopsy. During his time at the Company, he also developed and patented a microfluidic platform for CTC enrichment and analysis. Dr. Pagano previously worked at Amgen Inc. in quality analytical laboratories.

David Anderson – *Chief Financial Officer*

David Anderson is a chartered accountant and member of the Institute of Chartered Accountants of England and Wales with over 28 years' experience of senior finance roles. He qualified with Stoy Hayward (now BDO LLP) and from 1998 to 2009 was an audit partner in their London office before becoming an audit partner with Crowe Clark Whitehill (now Crowe U.K. LLP) from 2010 to 2012. Since then he has held senior finance roles with Strategic Minerals Plc, Hakkasan Limited and CT Company International Ltd. He is currently also the CFO and non-board member of Verici Dx Plc on a part-time basis.

Our Strategy and Business Model

LungLife, based in Thousand Oaks, California, US, is a developer of clinical diagnostic solutions for lung cancer, enhanced by artificial intelligence (**"AI"**). Lung cancer is one of the most lethal cancers, accounting for nearly a quarter of all cancer-related deaths in the US[2]. The Company's diagnostic solutions are designed to make significant improvements in the early detection of lung cancer.

Purpose and Vision and Values

Our Purpose is very simple – we wish to be seen as the driving force in the early detection of lung cancer. And with this in mind our Vision is to invert the 20:80 ratio such that in years to come at least 80% of lung cancer is detected early.

Our Company Values are to be honest and transparent, supportive and collaborative.

Our LungLB® test

The Company's diagnostic, the LungLB® test, is intended to be used as a tool to provide physicians with additional information to help in the decision-making process for people with indeterminate lung (pulmonary) nodules following a CT scan that may be lung cancer, of which there are estimated to be over 1.5 million lung nodules diagnosed each year in the United States[3]. The LungLB® test may have other utilities, the most significant of which is likely to be in monitoring individuals for recurrence following surgical removal of the cancerous lung nodule. We believe that the LungLB® test will provide significant benefit when added to the clinical care pathway by both reducing the number of unnecessary invasive procedures and by reducing delays in treatment from the "wait-and-see" pathway and thus help achieve our Purpose and Vision.

Having completed our pilot study to evaluate the LungLB® test in 2021 we enrolled our first participant in February 2022 in our multi-centre clinical validation study. On 2 January 2024 we were delighted to announce the results of this validation study.

A significant unmet need

The Directors believe that the early detection of lung cancer is a significantly unmet medical need due to the fact that lung cancer largely develops asymptomatically. Low dose computed tomography (**"LDCT"**) scan, a special form of computed tomography (**"CT"**) scan, is the standard method for lung cancer screening. The National Lung Screening Trial, a research study sponsored by the National Cancer Institute in the US (**"NCI"**), showed a 20% reduction in lung cancer-specific mortality with LDCT screening[4], as these cancers were found at an earlier stage when they are more treatable. A CT scan is also the method by which nodules are found incidentally, when the scan is performed for a reason other than lung cancer screening. While LDCT is highly sensitive (meaning that it is successful in detecting an indeterminate nodule), it suffers from low specificity (meaning that many of those indeterminate nodules will be benign) and, accordingly, a high rate of false positives (where an indeterminate lung nodule is not lung cancer).

There are two general methods by which physicians try to diagnose lung cancer following a CT scan which finds indeterminate nodules. One is by way of biopsy of the indeterminate nodule. However, as a result of these false positives, it is estimated that more than 40% of biopsies of indeterminate lung nodules identified by LDCT scans are negative for lung cancer, and nearly 20% of biopsy participants are subject to adverse events such as collapsed lung, internal bleeding, and even death[5]. Follow-up on benign nodules is unnecessarily dangerous and expensive, as biopsy increases medical costs 28-fold, and adverse events from biopsies increase costs an additional four-fold.

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2 Lim RJ *et al*. Cancer Epidemiol Biomarkers Prev. 2020 PMID: 32856614.

3 Aberle DR *et al*. N Engl J Med. 2011 PMCID: PMC4356534.

5 Lokhandwala T *et al*. Clin Lung Cancer. 2017 PMID: 27530054.

The other method, a less invasive "wait-and-see" approach, involves a follow-up CT scan in three to six months to look for patterns indicative of nodule growth; however, this results in significant anxiety for the participant in the

meantime as it could result in a delay in treatment that may reduce the effectiveness of curative surgery. It has been estimated that over 5 million CT scans of the chest are performed each year and over 1.5 million indeterminate lung

nodules are found each year in the United States alone[3]. Collectively this represents a significant medical need both in terms of participant well-being and impact on health economics.

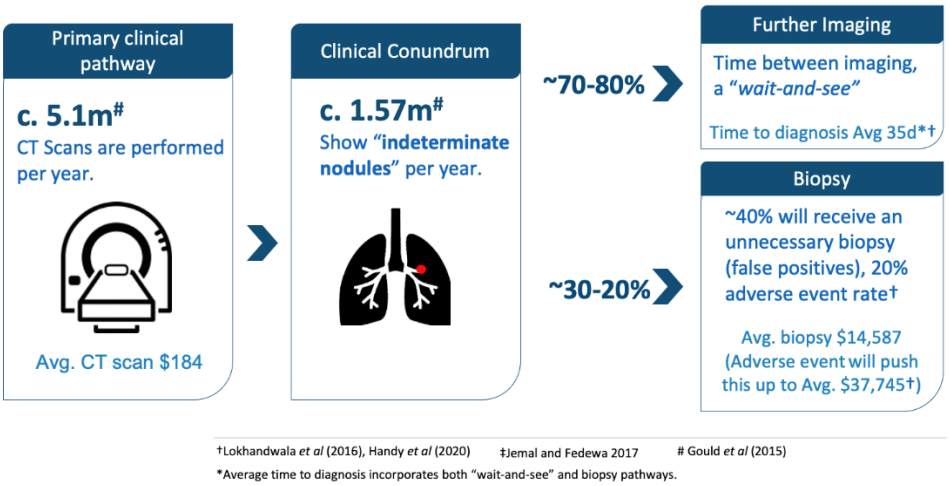

Figure 1: Clinical work-flow for participants found to have indeterminate lung nodules.

LungLB® is a blood-based test to stratify cancerous and benign lung nodules identified by CT scan, which is intended to support the physician's decision to biopsy or to monitor non-invasively using additional imaging. We concluded our clinical validation study at the end of the year, details of which are described below.

The Directors further believe that the LungLB® test will provide significant benefit when added to the clinical care pathway by reducing the number of unnecessary invasive procedures and reducing delays in treatment and participant anxiety from the "wait-and-see" pathway. Unnecessary procedures not only potentially harm participants but are also costly to the health care system. Given that blood tests are a prerequisite to ordering a lung biopsy, the LungLB® test fits easily within the standard care pathway. It is envisaged that physicians will be prompted to order the LungLB® test along with all other prerequisite tests when a lung biopsy is requested. With a confirmed CMS price of $2,030 this is considerably less than the cost of a lung biopsy (the average cost of which is $14,587) and that is before taking into account the additional cost of care of dealing with any adverse event from a biopsy (the average cost of which is $37,745).

The LungLB® test is comprised of the following steps:

- starts with a blood draw, which is then shipped at ambient temperature (i.e. without the need for refrigeration) to the Company's laboratory in California, which is certified under the US Clinical Laboratory Improvement Amendments of 1988 (**"CLIA"**);
- red blood cells and a subset of white blood cells are removed using antibodies and small magnets;
- remaining cells are then stained with proprietary FISH probes, which are specifically designed and targeted reagents for the LungLB® test, that are applied using well-established laboratory techniques. The FISH probes target regions of the DNA which are amplified when lung cancer is present;
- pictures of the cells stained with FISH probes are taken using a microscope, then sorted on a computer based on the number of FISH signals in each cell, as extra signals are associated with lung cancer, and reviewed by a laboratory technician; and
- following review, the test results are sent to the physician who requested the test, providing a dichotomous result as either “higher risk” or “lower risk” of lung cancer.

This process from receipt of the blood draw through to determining the result of the test takes approximately one week.

Clinical validation

Our initial pilot study was concluded in 2021. In June of this year we announced the publication of the successful performance results from the multi-site prospective study in patients with indeterminate pulmonary nodules in the journal BMC Pulmonary Medicine.

Key points from the study include:

- 151 study participants scheduled for CT-guided lung biopsy, 70% of whom were found to have “intermediate risk” nodules that represent the most challenging diagnostic subtype
- The LungLB® test outperformed commonly used evaluation tools, including the Mayo Clinic risk model and PET scan
- The test demonstrated robust performance in smaller nodules (<2 cm in diameter) and in early-stage cancer
- The LungLB® biomarker was found to be the strongest independent predictor of cancer in this study, exceeding commonly known strong predictors such as nodule size and smoking status
- The LungLB® test performed equally well in current, former, and never smokers
- The data support potential clinical utility of LungLB® in reducing delays in treatment, in which positive LungLB® test results were available months ahead of lung cancer diagnosis in three highlighted cases

On 2 January 2024 we were delighted to announce the results from our successful validation of LungLB in our multi-site, prospective clinical study.

The clinical study enrolled 425 patients across 17 hospital study sites who were scheduled to receive a lung nodule biopsy, of which 347 provided data that could be analysed. These results were driven by a 98-patient small nodules (<15 mm) group, which represent a major challenge to physicians practicing in lung cancer detection and treatment. When developing a precision medicine test it is common practice to identify a specific indicated use in order to maximise the impact on a given patient population, which in turn helps physicians to know exactly when to use the test. The small nodules group is the most important indication for LungLB®.

In the study LungLB demonstrated:

- A strong positive predictive value (PPV) of 81% in discriminating benign from cancerous lung nodules in patients with smaller nodules (<15 mm). Smaller nodules are the most problematic area for early detection

- and represent the greatest challenge for physicians. Current clinical standards of care generate a ~60% PPV, leading to material delays in diagnosis of deadly cancers.
- This performance in smaller nodules, similarly demonstrated in LungLife AI's lead-in study published in June 2023, typically represents earlier detection capability and improved patient outcomes and highlights the test's consistency.
- The small nodule group in this study is of utmost importance because it is comprised of ~87% "intermediate" risk nodules, which are the most challenging to evaluate and diagnose. Previous studies lack sufficient numbers of intermediate-risk nodules and is the reason why existing diagnostic tools perform poorly in this group. We believe this will also be of significant value to physicians.
- In-line with a high percentage of intermediate risk nodules, the test also outperformed the highly-validated Mayo Risk Model nodule evaluation tool, which is a commonly used baseline comparator, with an area under the curve (AUC) of 72% for LungLB® compared to 62% for Mayo.
- The results were also compared to Positron Emission Tomography (PET) scan, another tool often employed in nodule evaluation clinics. LungLB® outperformed PET by ~21% (81% vs 67% PPV) in the small nodule group, providing physicians with a more robust diagnostic tool in this area.

As Drew Moghanaki, MD, MPH, Professor and Chief of Thoracic Oncology at the University of California Los Angeles (UCLA) Department of Radiation Oncology, and Scientific Advisor to LungLife AI noted, "*Small lung nodules measuring less than 15 mm are often dismissed as 'probably benign' and monitored with serial imaging to avoid a potentially unnecessary biopsy. Yet, as the results of the latest LungLB® study demonstrated, many of these nodules are malignant and best managed with an immediate biopsy and treatment initiation without delay. LungLB® performed remarkably well in this validation study, warranting its consideration as a clinical biomarker for patients presenting with indeterminate pulmonary nodules*."

This result in an important milestone in the pursuit of our Purpose.

Commercialisation

This is the area of focus in the coming years. Reimbursement in the US market requires a methodical, deliberate approach, with the concurrent workstream of gaining clinician adoption of the test and following the reimbursement pathways for both commercial and Medicare payors.

Some key milestones in laying the groundwork have been achieved to date:

- In September 2022, the Company announced that the New York State Department of Health had awarded the Company a Clinical Laboratory Evaluation ("CLEP") permit following their audit during which there were no deficiencies found.

- In November 2022, the Company announced it was granted a price of $2,030 per test by the Centers for Medicare & Medicaid Services ("CMS"). The granting of the CPT Proprietary Laboratory Analyses code was published at the beginning of 2022.

- In March 2023, the Company announced the publication of its peer-reviewed health economics study which provided evidence that the test can be utilised as a cost-effective alternative compared to the current diagnostic pathway.

- In June 2023, the Company announced the peer-reviewed publication of the results from its 151-pilot study in BMC Pulmonary Medicine

Each of these achievements are a prerequisite to the commercialisation of the LungLB test.

As noted above, on 22 March 2024 pursuant to the issue of 5,172,621 new common shares at a price of 35 pence per share we raised gross proceeds of US$2,281,000 (GBP1,810,000). The Company intends to use the proceeds of the Placing and Subscription, along with the Company's existing cash resources, to establish the commercial proof of concept of the LungLB® test as detailed below:

i. funding of evidence generating activities, including the EAP and clinical utility studies, dependent upon the factors noted below, to support reimbursement and test adoption.

ii. increasing expenditure to support engagement with payors and clinicians and support the wider need to raise clinical awareness via key opinion leaders, publications and conferences.

iii. accelerating the commercial pathway by pursuing licensing or other similar agreements.

The net proceeds of the funding will allow the Company to consider all of its strategic options in order to maximise shareholder value and, in conjunction with the implementation of certain cost-cutting actions, is expected to provide the Company with a cash runway to early April 2025.

Reimbursement in the US market requires a methodical and deliberate approach, with the workstreams to gain clinician adoption of the test, and to follow the reimbursement pathways for both commercial and Medicare payors running concurrently.

The EAP will be the first step in clinician adoption. Under the program identified sites which previously participated in the clinical validation study, the Company will be able to order a limited number of tests (unlikely to be in excess of 100 in total across all sites), following which, in addition to providing a test result, the Company will gather information about the process and changes in clinical behaviours. The program is designed to provide feedback on the practical aspects of ordering the test and to enable the Company to gather clinician feedback. The Company intends to publish the findings of its EAP. While the program is running, the Company is precluded from charging for the test as part of this program and any tests carried on outside this program for its duration.

The Company and its clinical partners believe that the LungLB® test will be clinically useful and findings from the EAP are expected to be the initial step to evidence those opinions as fact, which is necessary for mature commercialisation.

In parallel with the EAP, the Company intends to build on the work done to date on building the billing platform and create the necessary publications and materials to support the reimbursement of claims made to commercial payors following completion of the EAP. The creation of a medical dossier and other core marketing documentation will be an early focus of the Company. As is standard practice in the US healthcare market, it is likely that the initial claims to commercial payors will be denied, but the approach taken by the Company will be to ensure that a robust response is provided to maximise the chances of securing payment at the point of first claim.

The majority of patients who could benefit from the LungLB® test would be covered under Medicare, which is the US federal health insurance programme primarily for people who are 65 or older. Medicare covers an estimated 60 million US lives, and thus represents a sizeable portion of the LungLB market. Reimbursement under Medicare has its own defined pathway.

The LungLB® test has already been awarded its code (allowing clinicians to identify the test) and price, but the achievement of coverage under Medicare and approval of payment for the test is dependent upon the award of a LCD. A necessary first step for Medicare coverage is the preparation of a clinical dossier and its submission to the Medicare Contractor for Technical Assessment ("TA").

A key part of the TA is the inclusion of peer reviewed publications which include evidence of clinical utility. As noted above, peer-reviewed publications have already been made covering the Company's health economics and pilot study and the Company also intends to publish the results of its clinical validation study and utility data derived from the EAP. The nature and scope of the evidence required of clinical utility is subjective and, as part of the usual process, the Company will work with its Medicare contractor to define evidence for coverage.

One of the factors determining the nature and scope of the clinical utility study is the pathway to the award of an LCD. There are two possible pathways, a foundational LCD (based on evidence of utility from an existing diagnostic test) or a specific LCD for LungLB. The main difference between the two is the likely timeframe within which an award could be granted, with the former (the foundational LCD) being the quicker option. The other difference between the two pathways could be the nature and scope of the accompanying clinical utility study required for coverage.

A draft proposed foundational LCD is being considered by Palmetto, a Medicare Contractor, which, as currently drafted, would cover the LungLB® test in certain circumstances. The Company has provided public comment on this process and sought to extend the circumstances under which a test would be covered.

For the deployment of the use of proceeds, the Company has made assumptions about the nature and scope of the required clinical utility study and TA. The proposed foundational LCD could be finalised later this year, however the Company does not expect an award any sooner than the third quarter of 2025.

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Company and Company History

The Company was incorporated and registered under the laws of the State of Delaware, US, on 30 December 2009 as a Delaware corporation with the name Cynvenio Biosystems, Inc. The Company changed its name to LungLife AI, Inc. on 1 May 2019.

The Company is domiciled in the State of Delaware, US, with its registered office at 850 New Burton Road, Suite 201, Dover, Delaware 19904. The principal place of business of the Company is 2545 W Hillcrest Drive, Suite 140, Thousand Oaks, California, CA 91320, USA.

The Company's principal activity is research and development of diagnostic products relating to lung cancer.

The principal legislation under which the Company operates is the Delaware Corporation Law.

The liability of the Company's Shareholders is limited.

The address of the Company's website, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is www.lunglifeai.com.

The Company does not have any subsidiaries.

Risks and uncertainties

Set out below are the risks which the Directors believe could materially affect the Company’s ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

There is no guarantee that physicians will choose to adopt the LungLB® test

The LungLB® test is a test used to stratify cancerous and benign lung nodules and is intended to support a physician's decision to biopsy or to monitor non-invasively using additional imaging. However, there is no guarantee that physicians will choose to adopt the LungLB® test. The frequency of use of the LungLB® test in lung nodules identified during lung cancer screening, lung nodules found incidentally, and recurrence monitoring following lung cancer surgery will initially depend on the treating physician's preference and health status of the participant, which are outside the control of the Company. Low adoption of the LungLB® test by physicians would negatively impact the Company's commercial prospects and its financial results, and its ability to generate significant revenues could be delayed or adversely affected.

The Company does not have collaborations in place with institutions for utility studies and there is no guarantee that the Company will be able to demonstrate clinical utility of the LungLB® test

Following the clinical validation study, the Company may have the need to run a clinical utility study to support applications for reimbursement, which is necessary for successful commercialisation of the LungLB® test and to provide further evidence to support marketing claims. In order for a test to be covered by Medicare, it must show the test is "reasonable and necessary" by providing evidence of clinical validity and utility. The results from a utility study aim to measure the LungLB® test's short and long-term impacts on participant health and the impact on healthcare costs and clinical utility is therefore a significant part of the application for reimbursement.

The Company intends to secure support from multiple US academic medical centres for its clinical utility study. However, the Company has not yet identified which institutions, in addition to Mount Sinai, will carry out the utility studies and has not yet entered into the relevant agreements with these institutions. There is a risk that the Company will not be able to secure these collaborations, which would impact the Company's ability to proceed to the utility study stage. Whilst the utility study is not a source of continuing revenue, it is a short-term revenue stream available before the Company is able to generate revenue from sales of the LungLB® test outside of the studies following the validation study and FDA approval.

Furthermore, there is a risk that the Company will not be able to demonstrate the clinical utility of the LungLB® test in early lung cancer detection in a real-world setting, by showing the benefits of the LungLB® test to participants, which would impact the Company's ability to secure reimbursement. If such reimbursement is not achieved, it will make commercialisation of the LungLB® test significantly more challenging and would impact the Company's ability to generate revenue.

The Company operates in a competitive market and may face competition from competitors involved in lung cancer detection

The Company may face competition from competitors involved in lung cancer detection who may develop more advanced or alternative tests for the early detection of cancer to the LungLB® test. The future success of the Company depends, in part, on its ability to maintain a competitive position, including an ability to further progress through the necessary preclinical and clinical trials to support commercialisation, marketing authorisation where necessary, and coverage and reimbursement.

Demand for the LungLB® test could be adversely impacted by the development of alternative technologies and alternative medical practices specifically intended for the early detection of lung cancer and the role of AI diagnostics in this. Some of the Company's competitors may have access to greater research, development, marketing, financial and personnel resources which may provide commercial advantages to those competitors. New products may be more effective, cheaper or more effectively marketed than the Company's LungLB® test, meaning other companies may succeed in commercialising products earlier than the Company. As a result, there is the possibility that new technologies or products may be superior to, or render obsolete, the technologies and products that the Company is currently developing. A substantial increase in competition for any of these reasons could require the Company to, for example, increase its marketing or capital expenditure or require the Company to change its business model to remain competitive, which may have an adverse impact on the Company's business including its profitability and/or financial condition. While the Company will seek to develop its capabilities in order to remain competitive, there can

be no assurance that research and development by others will not render the Company's products obsolete or uncompetitive. Any failure of the Company to ensure that its diagnostic tests remain up to date with the latest advances may have a material adverse impact on the Company's competitiveness and financial performance.

The Company is dependent upon its strategic collaboration with Mount Sinai

The Company is currently collaborating with Mount Sinai to test and validate its LungLB® test and intends to collaborate on future products. Certain aspects of this collaboration have been formalised in the Mount Sinai CTA, the Mount Sinai Licence Agreement and the Mount Sinai SRA.

Whilst the Company is setting up or intends to set up collaborations for its validation and utility studies with multiple academic institutions, Mount Sinai is viewed as a key collaborator due to its expertise in lung cancer and the amount of useful participant data it holds. Furthermore, as set out in the Mount Sinai MOU, the Company intends to run a clinical utility study to support appropriate applications for reimbursement.

Whilst the Company has an on-going study with Mount Sinai under the Mount Sinai SRA and the Mount Sinai CTA, the Mount Sinai MOU is non-binding and there is a risk that the Company will not enter into an agreement to undertake a clinical utility study with Mount Sinai in relation to the LungLB® test.

If the agreement which is the subject of the Mount Sinai MOU is not entered into, or if any of the agreements with Mount Sinai that have been entered into are terminated at an early stage, or expire without renewal, this is likely to have a material adverse effect on the Company and its ability to achieve its commercial objectives in the anticipated timeframe, as it might lead to delays in testing and validating the LungLB® test (as a result of, for example, slower participant enrolment) and the future product development.

It is expected that, upon the exercise of the option under the Mount Sinai Licence Agreement, the Company will be granted access, on a de-identified basis, to certain Mount Sinai data related to lung cancer participants. Exercise of the option contained in the Mount Sinai Licence Agreement is conditional on (i) Admission; (ii) clearance by Mount Sinai's information security team; and (iii) IRB, data security and data use approvals. Mount Sinai is under an obligation to use commercially reasonable efforts to obtain such clearances and approvals (other than Admission); however there is no guarantee that Mount Sinai will obtain such clearances and approval. If such clearances and approvals are not obtained, the option would not become exercisable meaning that the Company would not be granted the access to the Licensed Information. Further, given that the Option Fee is non-refundable, neither the cash payment made to Mount Sinai would be repaid nor the Consideration Shares issued to Mount Sinai would be redeemed. This could have a material adverse impact on the Company and its future development programme.

The Company’s product development will rely on computer-based interrogation of certain biological and health record data to provide insights that the Company anticipates will have clinical (and therefore commercial) value. The majority of this data is owned and controlled by Mount Sinai. Accordingly, if the Mount Sinai Licence Agreement and/or the Mount Sinai SRA are terminated for any reason, and the Company is unable to source suitable alternate data, the development of the Company’s diagnostic test pipeline would likely be curtailed dramatically in the short term, unless and until the Company found a suitable alternative source of data of equivalent quality and quantity.

The rights to any IP developed as a result of the Mount Sinai Licence Agreement will be owned by the Company (provided that such IP does not contain any confidential information which is owned by Mount Sinai). However, there can be no guarantee that the use of Mount Sinai’s de-identified participant data will result in the generation of intellectual property that is clinically or commercially valuable. If it does not create valuable intellectual property, it is likely that further product development would be required, including separate validation and utility studies.

These factors relate to a single counterparty collaboration and so any issues arising with that counter-party collaboration may affect multiple factors simultaneously.

The Company is reliant on collaborations with various hospitals for its multi-site Early Access Program ("EAP")

The EAP will be the first step in clinician adoption. Under the program identified sites which previously participated in the clinical validation study, the Company will be able to order a limited number of tests (unlikely to be in excess of 100 in total across all sites), following which, in addition to providing a test result, the Company will gather information about the process and changes in clinical behaviours. The program is designed to provide feedback on the practical aspects of ordering the test and to enable the Company to gather clinician feedback.

However, there is no guarantee that the Company will be able to secure the intended collaboration from all its identified sites, and the results from the EAP may not be helpful in supporting further clinical adoption.

The Company is dependent upon a Local Coverage Determination before being paid by Medicare.

One of the factors determining the nature and scope of the clinical utility study is the pathway to the award of an LCD. There are two possible pathways, a foundational LCD (based on evidence of utility from an existing diagnostic test) or a specific LCD for LungLB. The main difference between the two is the likely timeframe within which an award could be granted, with the former (the foundational LCD) being the quicker option. The other difference between the two pathways could be the nature and scope of the accompanying clinical utility study required for coverage.

A draft proposed foundational LCD is being considered by Palmetto, a Medicare Contractor, which, as currently drafted, the directors believe would cover the LungLB® test in certain circumstances. The Company has provided public comment on this process and sought to extend the circumstances under which a test would be covered.

For the deployment of the use of proceeds, the Company has made assumptions about the nature and scope of the required clinical utility study and TA. The proposed foundational LCD could be finalised later this year, however the Company does not expect an award any sooner than the third quarter of 2025.

However if the proposed foundational LCD is not issued in that timeline and the Company is required to submit for a specific LCD then this will result in a delay to the reimbursement of tests issued to those patients covered by Medicare.

There are risks associated with offering the LungLB® test as a Laboratory Developed Test ("LDT") that are outside the Company's control.

The LungLB® test already has status as an LDT through the Company's CLIA-certified laboratory and the Company may be able to generate revenue from offering the LungLB® test as an LDT. However, there are inherent risks associated with offering the LungLB® test as an LDT that are outside the Company's control, including test uptake, which would have an impact on the amount of revenue the Company could generate.

The Company is dependent on other third parties who provide certain resources and services to the Company as the Company has limited resources in the short-term

The Company relies in part on external resources to conduct the research, development, manufacture and clinical testing of its LungLB® test, including in relation to the Company's laboratory systems which rely on software developed by external manufacturers. The future development of the LungLB® test and other diagnostic tests will partly depend upon the performance of these third parties. The Company cannot guarantee that the relevant third parties will be able to carry out their obligations under the relevant arrangements.

In the future the Company may depend on external resources in marketing, sales and distribution of its diagnostic tests. The Company cannot guarantee that it will be able to assign competent partners to conduct these tasks or that these tasks can be completed on the basis of terms which are beneficial to the Company. Additionally, whilst the Directors are responsible for making decisions on behalf of the Company, the Directors will rely to a certain extent on the advice of external professional advisors. There is no guarantee that the Company will receive the correct advice from such advisers.

Disagreements between the Company and any third parties could lead to delays in the Company's research and development programme and/or commercialisation plans. If any third parties were to terminate their relationships with the Company, the Company would be required to obtain development and/or commercialisation services from other third parties or develop the relevant functions internally.

The Company is reliant upon the expertise and continued service of a small number of key individuals of its management, Board of Directors and scientific advisors

The Company relies on the expertise and experience of a small number of key individuals of its management (in particular Paul Pagano and David Anderson), Directors and scientific advisors to continue to develop and manage the business of the Company. The retention of their services cannot be guaranteed. Accordingly, the departure of these key individuals could have a negative impact on the Company's operations, financial conditions, its ability to execute the Company's business strategy and future prospects. The Company generally includes non-disclosure provisions in employee and consultant contracts, however the laws of particular states in the US, particularly in California, may limit the enforceability or remedies for breach of such non-disclosure provisions. The Company does not include non-compete provisions that prohibit the individual from engaging in certain types of competition with the Company following the termination of the employment due to the laws of California in relation to non-compete provisions. There is therefore a risk that an employee could terminate his or her employment and compete with the Company if judicial remedies are limited.

Going forwards, the Company will rely, in part, on the recruitment of appropriately qualified personnel, including personnel with a high level of scientific and technical expertise in the industry. The Company may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affects its ability to develop products as planned.

The Company's inability to recruit key personnel or the loss of the services of key personnel or consultants may impede the progress of the Company's research and development objectives as well as the commercialisation of its lead and other products.

The Company is reliant on the FISH probes for the LungLB® test, which are manufactured and supplied by a limited number of third parties

The Company is reliant on a third-party manufacturer and supplier of the FISH probes used for the LungLB® test. The Company uses custom-designed FISH probes derived from bacterial artificial chromosome (**"BAC"**) clones, for the LungLB® test, which are only available from a limited number of third parties. The Company cannot guarantee that the third party that currently manufactures and supplies these BAC clones will continue to produce the BAC clones and/or continue to supply the Company with the BAC clones.

If this third party was to stop supplying the Company with the BAC clones, the Company would be required to obtain the BAC clones from a limited number of other third parties who supply FISH probes. Whilst the Company could contract with other suppliers of FISH probes to build bespoke FISH probes for the Company, this could lead to a delay in the development, use and/or commercialisation of the LungLB® test and potential increased costs for the Company, and there can be no guarantee that the Company would be able to secure a contract for bespoke FISH probes on acceptable terms.

The Company may need to raise additional funding to take advantage of future opportunities and / or enter into strategic partnerships with third parties

The Company may need to raise additional funding. No assurance can be given that any such additional funding will be available or, if available, that it will be on terms that are favourable to the Company or shareholders. If the Company is unable to obtain additional funding as required, it may be required to reduce the scope of its operations or anticipated expansion. The Company also intends to identify strategic partnerships to further revenue prospects. However potential strategics may choose to partner with other competing products for a variety of reasons. There can be no guarantee that LungLife will be able to identify a strategic partner within the period. Further details are given in Note 2 (a).

The Company is reliant upon proprietary IP, exclusive rights to use proprietary IP, and know-how to develop its diagnostic tests and to create and sustain a competitive advantage.

The Company relies to a significant extent on patent protection for its inventions. Some of the Company's patent rights have not yet been granted and remain pending applications.

The Company has also entered into a patent and technology licence agreement with MD Anderson in relation to lung cancer FISH probes used in the LungLB® test. MD Anderson has submitted an application for the patent relating to the lung cancer FISH probes used in the LungLB® test, which the Company will have an exclusive licence to use if the patent is successfully granted to MD Anderson. However, it is not clear what rights might ultimately be granted in respect of IP applications submitted by either the Company or MD Anderson. It is also possible that granted patents might be revoked or challenged in post-grant proceedings. If patent rights were not granted or revoked, this would likely have a material adverse effect on the Company and its ability to achieve its commercial objectives and profitability and may ultimately lead to the Company not being able to develop its LungLB® test or future diagnostic tests.

The Company currently owns registered trademarks only in the United States and UK. The Company therefore does not have trademark protection in any other country and the brand used by the Company may not be available in all the territories in which the Company might want to use the brand in the future. Further, there can be no assurance that the ownership, scope or validity of any patents or other IP registered in the Company's name from time-to-time will not be challenged by third parties, nor that the Company has or will have the resources to pursue any infringer of such IP from time to time due to the costs associated with challenging any such infringements.

In addition to the Company's patent portfolio, the Company relies on unpatented proprietary technology, processes and knowhow. Whilst the Company has non-disclosure agreements in place with key customers, suppliers, partners and employees who have access to this proprietary information and knowhow, such agreements may be breached and the Company may face enforcement proceedings, with potentially inadequate remedies.

Further, there can be no assurance that other companies or individuals have not developed or will not develop similar products, duplicate any of the Company's products or design around any patents or other IP held by the Company. Equally, there can be no assurance that other companies or individuals will not acquire substantial equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented proprietary technology.

The Company's strategy involves generating commercially valuable IP that can be protected.

The Company intends to further build its IP portfolio. No assurance can be given that any future patent applications will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by the Company.

The Company's use of certain biomarkers may be challenged.

The Company uses blood-based biomarker analysis to test and develop its LungLB® test, including CTC biomarkers. The IP landscape for protection of biomarkers for disease identification and management has changed considerably in the US due to recent US Supreme Court rulings and is likely to continue to do so. While the Directors believe that the Company can build IP protection for its diagnostic tests, there can be no guarantee that this IP protection will completely withstand challenge by a competitor, nor can the scope of the Company's claims be assured to provide adequate barriers to competitive entry in and of themselves.

The Company is subject to research and product development risk.

The Company may not be able to develop new products or to identify specific market needs that can be addressed by tests or solutions developed by the Company. Product development will be a key ongoing activity in the Company. However, there can be no guarantee that further products will be developed, successfully launched, or accepted by the market. All new product development has an inherent level of risk and can be a lengthy process and suffer unforeseen delays, cost overruns and setbacks, such as difficultly recruiting participants into clinical trials. The nature of the diagnostics industry may mean new products may become obsolete as a result of competition or regulatory changes which could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, research and development may subject to various requirements, such as research subject protection for individuals participating in clinical evaluations of new products, IRB oversight, regulatory authorisations, and design control requirements. Failure to comply with requirements could result in penalties, delay, or prevent commercialisation of products.

The Company may not obtain FDA approval for the LungLB® test and/or any future diagnostic tests.

The Company intends to apply for FDA regulatory approval for use of the LungLB® test in the US and there can be no guarantee that FDA approval will be granted to the Company. The FDA regulates, among other medical products, "medical devices" which include certain articles intended for use in the diagnosis, prevention, cure, mitigation, or treatment of disease or intended to effect the structure or function of the body. Whilst FDA pre-market approval is not currently required for the Company's LungLB® test to be marketed as an LDT, based on the classification of the device, the legislation may change to require FDA approval of the Company's LungLB® test. In general, devices that require FDA pre-market authorisation may not be commercially distributed or promoted prior to obtaining such authorisation, although they may be distributed and used for the purpose of developing the clinical data necessary to support FDA marketing authorisation, subject to certain limitations. Post-market changes to a cleared or approved device also may be subject to prior review, depending on the scope of the change and its potential impact on device safety and effectiveness.

The FDA also regulates a category of medical devices, called *in-vitro* diagnostic medical devices, or IVDs, that are used in the collection, preparation, and examination of specimens from the human body. The FDA historically has taken the position that tests developed in-house by a clinical laboratory and used to analyse participant specimens meet the definition of an IVD and fall within the agency's regulatory jurisdiction. At the same time, the FDA historically has for the most part exercised "enforcement discretion", i.e., has not required clinical laboratories performing LDTs to comply with IVD device requirements. In the past, the FDA has signalled intent to modify its enforcement discretion policy with regard to LDT regulation, and in 2014 proposed a regulatory framework for LDTs, which it abandoned before implementation in 2016. It is possible, however, that at any time, the FDA may take further steps with respect to asserting regulatory authority over specific LDTs, classes of LDTs, or LDTs generally. It is also possible that Congress will enact legislation directing the FDA to regulate LDTs. Either of these scenarios would drastically change the regulatory landscape for these tests.

Failure to comply with applicable pre- and post-market device requirements can result in a determination by the FDA that a device is "adulterated" or "misbranded" in violation of the US Federal Food, Drug, and Cosmetics Act. The statute provides for a number of penalties, including seizure, injunction, criminal, and civil monetary penalties, for the sale or distribution of adulterated or misbranded devices.

The Company may not obtain certain other regulatory approvals for its diagnostic products, including necessary laboratory licensing and approval for laboratories and tests.

The Company may need to comply with regulations regarding safety, quality and efficacy standards in order to market its LungLB® test and future diagnostic tests. These regulations, including the time required for regulatory review, vary from country to country and can be lengthy, expensive and uncertain. While efforts will be made to ensure compliance with required standards, there is no guarantee that any products will be able to achieve the necessary regulatory approvals for commercialisation of that product in any of the targeted markets and any such regulatory approval may include significant restrictions on the uses for which the Company's products can be promoted and used. In addition, the Company may be required to incur significant costs in obtaining and/or maintaining applicable regulatory approvals.

Delays or failure in obtaining regulatory licensure or approval for facilities, LDTs, or products through any applicable agency or governmental authority would likely have a serious adverse effect on the value of the Company and would negatively impact its financial performance. Such delay or failure may ultimately result in the Company becoming unviable.

The Company's failure to maintain compliance of its clinical laboratory operations with applicable laws could result in substantial civil or criminal penalties.

The operation of a clinical laboratory by the Company will be in a highly regulated environment which, among other things, will require maintaining compliance with CLIA certification and state clinical laboratory licensing requirements. Failure to maintain compliance with these requirements may result in a range of enforcement actions, including certificate or licence suspension, limitation, or revocation, directed plan of action, onsite monitoring, civil monetary penalties and criminal sanctions. Such failure may also result in significant adverse publicity. Any of these consequences could limit or entirely prevent continued operation of the Company and therefore impact its financial performance.

The Company is subject to various health regulatory laws pertaining to fraud and abuse and related matters, and any failure to comply with such laws could result in substantial civil or criminal penalties.

The Company's employees, independent contractors, consultants, and collaborators may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for the Company and harm the Company's operations and reputation.

The Company is exposed to the risk that the Company's employees, independent contractors, consultants, and collaborators may engage in fraud or other misconduct to comply with manufacturing standards the Company has established, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-US regulatory authorities, to report financial information or data accurately or to disclose unauthorised activities to the Company. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. It is not always possible to identify and deter misconduct, and the precautions the Company will take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws, standards or regulations. If any such actions are instituted against the Company, or the Company's key employees, independent contractors, consultants, or collaborators, and the Company is not successful in defending ourselves or asserting the Company's rights, those actions could have a significant impact on the Company's business and results of operations, including the imposition of significant criminal, civil and administrative sanctions including monetary penalties, damages, fines, disgorgement, individual imprisonment, additional reporting requirements and oversight if the Company becomes subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm, and the Company may be required to curtail or restructure the Company's operations.

The Company will be reliant on multiple information technology systems, which may be affected by unanticipated damage, disruption or shutdown.

Once developed, the Company will be reliant on multiple information technology systems, which will be integral to the provision of the LungLB® test and other future diagnostic tests. Any damage, disruption or shutdown due to problems with upgrading or replacing software, power outages, hardware issues, viruses, cyber-attacks, telecommunication or connectivity failures, human error or other unanticipated events that affect the Company's information technology systems may have a significant impact the Company's ability to provide its diagnostic tests, on a short or longer-term basis. Although the Company plans to have appropriate safeguards and backup systems in place, including those provided by its suppliers, there can be no guarantee that such safeguards and systems will adequately cover all risks of damage, disruption or shutdown or whether the Company's insurance policies would cover any adverse effects of such events on the Company's business operations and overall financial position.

The Company's failure to prevent a data breach would result in serious reputational damage to the Company and may result in civil or criminal lawsuits and associated penalties.

The Company takes its responsibility to maintain participant confidentiality and protect participant data extremely seriously. By its nature, the de-identified data that is being processed is highly sensitive and includes genetic and demographic information, the processing of which is subject to the most onerous obligations of applicable data protection legislation. If, due to a technical oversight or malicious action by an employee or third party, the privacy, security or integrity of the data were compromised, the Company would be obliged to report such breach once it became aware under applicable laws and regulations such as HIPAA or other state specific laws.

Depending on the nature and extent of the breach, the Company may become subject to a regulator investigation, which would divert time and financial resources from the day-to-day operation of the business and may result in civil or criminal lawsuits and financial penalties as well as adverse publicity. If third parties and/or customers of the Company become aware of such breaches, they may opt to cancel existing contracts or not enter new contracts with the Company, reducing revenue. The Company may also be required to personally inform the participants whose data was released or accessed as a result of a data breach, which may increase the severity of the reputational damage and may lead to participants revoking their consent for the data to be used by the Company. To mitigate the risk of a data breach or related issue, the Company will employ technical security measures to protect data and work closely with its data providers to ensure that each party understands its obligations to protect data.

The outbreak of epidemics or pandemics, such as COVID-19, may disrupt and/or otherwise negatively impact the operations of the Company, third party suppliers and/or its customers, and may result in the Company's core business being put on hold as viral testing is not a core business of the Company.

The Company's core business could be materially and adversely affected by the outbreak of a widespread health pandemic, such as COVID-19 or similar. The occurrence of a prolonged epidemic or pandemic or other adverse health developments in the US or elsewhere in the world could materially disrupt the Company's business and operations, including temporary suspension or delay of clinical trials and testing, closure of laboratories, or delays to regulatory submissions and approvals. The Company's operations could also be disrupted if its employees, customers and suppliers contract such a virus. The Company's revenue and profitability could be adversely affected as a result and the measures the Company can take to mitigate such a risk are limited given the nature of epidemic or pandemic outbreaks and inherent uncertainty.

Unexpected closures of the Company's laboratory in California, or unforeseen damage to the Company's laboratory equipment, may occur which could result in disruptions to the Company's operations.

The Company is reliant on the performance and availability of its CLIA-certified laboratory and laboratory equipment. The Company may not be able to access its laboratory as a result of events beyond the control of the Company, such as extreme weather conditions, flood, fire, theft or terrorist action. An unexpected closure of the

Company's laboratory in California, or unforeseen damage to the Company's equipment which it relies on to use, test, evaluate and develop the LungLB® test, could result in disruptions to the Company's operations, including delays to the development of the LungLB® test, and could lead to increased costs for the Company associated with the closure of the laboratory and/or damage to the equipment.

Financial Performance

The financial performance of the Company in the year to 31 December 2023 reflects the costs incurred in concluding the clinical validation study, and the continued groundwork in laying the foundations for commercialisation.

Statement of Comprehensive Income

The Company generated revenues of US$46,000 in the year (2022 - US$34,000) comprising wholly of royalty income from its sub licensee in China. The royalty income is calculated at 6% of underlying net sales, and the Company pays a 3% royalty on this income to MD Anderson Cancer Center.

The largest cost incurred in the year was employee expenses of US$2,908,000 (2022 - $3,264,000) followed by research and development costs US$1,308,000 (2022 - US$1,981,00), being those external costs incurred on our clinical validation trial and in the continued development of our LungLB® test. In the year one of our part time employees was offered a full-time position, bringing our operational headcount to 15.

Other operating income of US$44,000 (2022 – US$102,000) relates to claims made under the US Government Employee Retention Credits scheme, designed as COVID related support for businesses. Finance income of US$223,000 (2022 – US$88,000) was generated from funds held on deposit, benefiting from high interest rates, and we incurred finance expense of US$41,000 (2022 – US$52,000). Finance expense in both years related to that arising on lease liabilities for certain tangible assets and the leasehold premises.

EBITDA loss for 2023 excluding share-based payments was $5,192,000 (2022 – EBITDA loss $6,841,000).

Statement of Financial Position

Cash and cash equivalents at the end of the year was US$2,724,000 (2022 – US$3,088,000). In addition, the Company holds money on short term deposit, on which notice is 95 days with the balance at year end US$104,000 (2022 – US$4,922,000). We continue to hold the cost of acquiring the option under the License Agreement with the Icahn School of Medicine of Mount Sinai (“Mount Sinai”) at its original purchase cost, without amortisation. The option fee gives the Company access in the future to the de-identified participant records held by Mount Sinai to assist in the development of future products. As this asset is therefore not currently being utilised no amortisation has been charged to date.

Statement of Cash Flows

The net outflow from operating activities was US$5,020,000 (2022 - US$5,845,000), with minimal outflows for investing and financing activities such that net cash outflow for the year was US$364,000 (2022 – outflow of $6,129,000).

Stakeholder engagement

Although not required, as the Company is US registered, the Directors consider that, in line with best practice, they conduct their duties and, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by the following factors identified in section 172(1)(a) to (f) of the UK Companies Act 2006 which requires each Director to act in the way he or she considers would be most likely to promote the success of the company for the benefit of its members as a whole, about the following matters:

(a) the likely consequences of any decision in the long term

(b) the interests of the Company's employees

(c) the need to foster the Company's business relationships with suppliers, customers and others.

(d) the impact of the Company's operations on the community and the environment

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the Company.

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how LungLife has engaged with them over the reporting period.

Stakeholder	Their interests	How we engage	2023 highlights
Our employees	• Training, development and career prospects • Health and Safety • Working conditions • Diversity and Inclusion • Human Rights and modern slavery • Fair pay, employee benefits	• Weekly updates call with the entire team reviewing each week's activities. • Bimonthly meetings with the entire team to review progress against milestones. • Periodic updates on Company progress and overall strategy • Quarterly development plan meetings	• Continued with our quarterly development plan meetings for all team members. • Continued with the encouragement of the team to develop new skills
Our suppliers	• Terms and conditions of contracts • Working conditions • Human rights and modern slavery • Diversity and inclusion • Information on the future direction of the business	• Prompt payment • Early communication with management team in situations requiring resolution. • Sub-contractor assessment approval chain • Supplier contracts	

Our Investors	• Capital growth and dividends. • Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Director experience • Awareness of long-term strategy and direction • Improving market perception of the business	• Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Communications through briefings with management • Investor Roadshows	• Paul Pagano travelled to the UK once in the year for face-to-face meetings with certain investors.
Regulatory bodies	• Compliance with regulations • Workers' pay and conditions • Gender Pay • Health and Safety • Brand reputation • Waste and environment • Insurance	• Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Consistent risk, health and safety review	
Community and Environment	• Sustainability • Human rights • Energy usage • Recycling • Waste Management • Community outreach and CSR	• Philanthropy • Volunteering • Corporate social responsibility • Workplace recycling policies and processes	• Engagement with White Ribbon Project in the year • Fundraising activities in Lung Cancer Awareness Month

This report was approved by the Board of Directors on 3 April 2024 and signed on its behalf by:

Paul Pagano
Director

LungLife AI, Inc.

Directors' report
for the year ended 31 December 2023

The Directors present their report on the affairs of LungLife AI, Inc. (the "Company") together with the audited Financial Statements and Independent Auditors' Report for the year ended 31 December 2023.

Principal activities

The main activity of the Company is a developer of clinical diagnostic solutions for lung cancer.

Results and dividends

During the year ended 31 December 2023 the Company recorded a loss after tax of US$5,413,000 (2022 – loss US$7,606,000) and a net cash outflow from operating activities of US$5,020,000 (2022 – US$5,845,000)

The Directors do not recommend the payment of a dividend.

Going concern

The Company is in the development phase of its business and has not generated any revenues beyond the sale of consumables and royalty income. On 31 December 2023 the Company has total available cash resources comprising of cash and cash equivalents of US$2,724,000 and monies on deposit with 95 days' notice of US$104,000, being a total of US$2,828,000.

On 22 March 2024 the Company issued 5,172,621 new common shares at 35 pence per share, raising gross proceeds of US$2.28m (GBP1,810,000).

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Company and Company working capital forecasts for a minimum of 12 months from the date of the approval of this financial information. The Company's projections indicate sufficient funding through to early April 2025, thus the adoption of the going concern basis of accounting in preparing this financial information is considered appropriate. However, the Directors consider that it is reasonably possible that the Company will require additional funding during this period. Further details are set out in note 2 to the financial statements.

Future developments

The Company's future developments are outlined in the Strategic Report on pages 7 to 26.

Financial risk management

Financial risk management policies and objectives for capital management are outlined in the principal risks and uncertainties section of the Strategic Report on pages 7 to 26 and in note 5 to the financial statements.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Events after the reporting year

On 21 March 2024 a special meeting of the Company approved the issue of 5,172,621 new shares of common stock of the Company at a price of 35 pence per share. The new shares represent approximately 16.9 per cent. of the enlarged share capital of the company. The issue of shares raised approximately £1.8 million (approximately US$2.3 million) (before fees and expenses).

Directors

The Directors of the Company throughout the year and to the date of this report were:

Roy Davis
Andrew Boteler
James McCullough
Sara Barrington
Dr Paul Pagano
David Anderson

Directors' shareholdings

The holdings in the share capital of the Company of those Directors serving at 31 December and date of this report, all of which are beneficial, were as follows:

	On 3 April 2024 Ordinary Shares of $0.001 each	On 31 December 2023 Ordinary Shares of $0.001 each	On 31 December 2022 Ordinary Shares of $0.001 each
Roy Davis	42,775	14,204	14,204
Andrew Boteler	19,966	5,681	5,681
James McCullough	-	-	-
Sara Barrington	-	-	-
Dr Paul Pagano	26,408	12,123	5,000
David Anderson	26,408	12,123	5,000

Substantial shareholdings

As of 29 February 2024, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of shares	Percentage of issued share capital
Simon Raab	4,148,293	16.3%
Icahn School of Medicine at Mount Sinai	2,469,842	9.7%
Octopus Investments Limited	1,968,750	7.7%
Unicorn Asset Management	1,750,000	6.9%
Syno Ventures Master Fund L.P.	1,673,668	6.6%
Frederick W Gluck	1,530,596	6.0%
Stifel Nicolaus & Co	1,424,784	5.7%
Investec Wealth & Investment Limited	1,394,839	5.5%
Livzon Pharmaceutical Company, Inc.	1,347,653	5.3%
Lombard Odier	1,268,363	4.9%
Accord Data Holdings Limited	954,048	3.7%
Killik & Co	836,964	3.3%

Corporate Social Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Directors are responsible for these areas at Board level, ensuring that the Company's policies are upheld and providing the necessary resources.

The Company is committed to identifying and minimising any effect on the environment caused by its operations and the Board recognises that the Company has a duty to be a good corporate citizen and to respect and comply with the laws, regulations, and where appropriate the customs and culture of the territories in which it operates.

Employees

The Company is committed to achieving equal opportunities and to complying with relevant anti-discrimination legislation. It is established Company policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

The Company has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Company's well-being. Communication with employees is affected through the Board, the Company's management briefing's structure, formal and informal meetings and through the Company's information systems.

Directors Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards ('UK IFRS').

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors Responsibilities *(continued)*

The maintenance and integrity of the LungLife AI, Inc. website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Company's auditor is unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Company's auditor is aware of that information.

Crowe U.K. LLP has expressed its willingness to continue in office and a resolution to reappoint the firm as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 3 April 2024 and signed on its behalf by:

David Anderson
Company Secretary

LungLife AI, Inc.

Corporate governance statement
for the year ended 31 December 2023

Dear Shareholder

I am pleased to present the Corporate Governance Statement of the Board of Directors of LungLife, AI Inc for the financial year ended 31 December 2023. The Company has adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). The QCA Code is a widely recognised benchmark for corporate governance of smaller quoted companies to which the UK Corporate Governance Code is not considered applicable, due to company size.

The Board considers that LungLife AI complies with the QCA Code so far as is practicable, having regard to the Company's current stage of evolution. A statement detailing both how the Company complies with the QCA Code, and explanation of its areas of non-compliance, is outlined below.

QCA Principles

1. **Establish a strategy and business model which promotes long-term value for shareholders**

LungLife AI is a diagnostic company focused on the early detection of lung cancer from a simple blood draw enhanced by artificial intelligence. According to the World Health Organisation, over 2.2 million new cases of lung cancer were diagnosed in 2020 and approximately 1.8 million deaths were recorded in 2020 globally. Nearly 80% of all lung cancers in the United States are diagnosed in later stages when survival rates are low because the options for curative treatment are then limited. This is in part due to the lack of effective screening strategies and the fact that early lung cancer largely develops asymptomatically.

To achieve our objective, we are initially focussed on two areas: assisting the clinician when a CT scan results in the identification of indeterminant nodules which may or may not be indications of lung cancer; and providing on-going monitoring for participants' post-surgery following the removal of the lung cancer. In both cases our diagnostic test is based on the same simple blood draw.

The Company's revenues since IPO have derived from the sale of consumables to China in 2021 and royalty income for both years, each under the terms of a sublicense agreement.

Prior to full-scale commercialisation, the Company intends to focus on getting its first revenues from early adopting institutions, potentially those identified through partnerships, including validation and utility sites.

The Company has implemented remuneration policies that reinforce this strategy, by rewarding Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders.

The key challenges in executing the company's strategy are set out in the principal risks and uncertainties section on pages 13 to 22.

2. **Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining good communication and having constructive dialogue with shareholders through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website for both financial and general news relevant to shareholders. Throughout the Company's first year as a publicly listed entity, the Chairman is available to meet with the largest shareholders during the year without management present. The CEO intends to meet shareholders and other investors/potential investors at regular intervals during the year and host broker and analyst meetings from time to time.

The Board keeps in mind the proportions of direct, nominee and institutional shareholders, and distributes communications accordingly. The CEO has committed to meet with major shareholders regularly within the results cycle, including after the announcement of interim and final results, and the Executive team are responsible for ensuring that their expectations are understood by the wider Board. Board members attend the AGM, which will

also provide an opportunity to meet, listen and engage with shareholders, and shareholders are encouraged to attend and ask questions.

The Company's Nominated Adviser and Broker, Investec, has been briefed regularly since IPO. During 2023 we appointed Goodbody as Joint Broker who now join with Investec on our briefings.

The Board intends to review other shareholder engagement strategies in 2024, with a view to ensuring that shareholder queries are addressed as efficiently as possible.

3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board will implement an appropriate range of processes and systems that will guarantee close oversight and contact with its key resources and relationships.

LungLife seeks to be a socially responsible Company which has a positive impact on the community in which it operates. The Company employs a diverse workforce, with different nationalities. No discrimination is tolerated, and the Company is keen to ensure all employees have the opportunity to develop their capabilities. The Board will consider additional workforce engagement activities as the Company evolves.

Everyone within the Company is a valued member of the team and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or assignment, age, disability, religion and sexual orientation.

The Company will engage in a collaborative way with all stakeholders. We see that a collaborative approach, particularly with our scientific and clinical partners, is key to be able to achieve our overall objective of achieving a significant rise in the early detection of lung cancer. The Company has no significant environmental or community impact but will continue to monitor and take action if this changes in the future.

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board recognises the need for an effective and well-defined risk management process and the status of the key risks will be shared regularly with the Board, and the Board will thoroughly review the Company's risk register on an annual basis. The Board has established the Audit Committee, whose role is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring, inter alia, the Company's system of internal controls and risk management.

Internal financial control systems were reviewed, designed and strengthened in the lead up to admission to meet the particular needs of the Company, its growth strategy, its publicly traded status and the risks to which it is exposed.

The review process involves the identification of risks, both standard industry-related risks and risks against related opportunities, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact, and determination of what needs to be done to manage them effectively. Risk management is integral to the ability of the Company to deliver on its strategic objectives.

The system of internal control is structured around an assessment of the various risks to the business and is designed to address those risks that the Board considers to be material. It acts to safeguard assets against unauthorised use or disposition and to maintain proper accounting records which produce reliable financial and management information. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems. These continue to evolve as the Company develops and expands.

An internal audit function is not yet considered necessary as day-to-day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function as the Company grows and evolves.

5. **Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board comprises of the CEO, Paul Pagano, the CFO, David Anderson, and 4 Non-Executives, Roy Davis, Andrew Boteler, James McCullough and Sara Barrington. Andrew Boteler is the Company's Senior Independent Director (**SID**), and Roy Davis is the Company's Chairman. James McCullough is considered to be an independent director. Sara Barrington, by virtue of her prior engagement with the Company, is not considered to be independent. Biographical details of the Directors can be found on pages 5 and 6. All the Non-Executive Directors are expected to dedicate at least 1 day a month to the Company, rising to 1 - 2 days if they also chair a committee, and the Chair is expected to dedicate 2 - 3 days per month. In practice many Non-Executives spend more than the minimum number of days on Company business.

The Board is pleased that the Chairman and all Directors can devote the time required to their respective tasks.

The Board intends to meet formally a minimum of 6 times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. In order to be efficient, the Directors will meet formally and informally both in person and by telephone. Board and Committee document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated by the relevant personnel (Chair, CFO, Committee Chairs), compiled into a Board/Committee Pack, and circulated before meetings, allowing time for full consideration and necessary clarifications before the meetings.

The Board has delegated specific responsibilities to the Audit, Remuneration, and Nomination Committees to support the Board and improve effectiveness, further details of which are provided under Principle 9. The Committees have the necessary skills and knowledge to discharge their duties effectively.

Meeting attendance during 2023

Member	**Board (8 meetings held)**	**Audit Committee (1 meeting held)**	**Remuneration Committee (1 meeting held)**
Roy Davis	8/8	1/1	1/1
Paul Pagano	8/8	N/A	N/A
David Anderson	8/8	N/A	N/A
Andrew Boteler	8/8	1/1	1/1
James McCullough	5/8	0/1	0/1
Sara Barrington	7/8	1/1	N/A

6. **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets. The Non-Executive Directors will meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.

Biographical details of the Directors can be found on pages 3 and 4.

The Company has employed the services of ONE Advisory Limited to provide assistance to David Anderson, the Chief Financial Officer and Company Secretary. ONE Advisory are responsible for ensuring that the Company is compliant with relevant legislation, as well as helping the Chairman maintain excellent standards of corporate governance.

If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

7. **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.**

Since the Board has been established no evaluation exercise has been undertaken at this point. The Board will look to implement an evaluation exercise in the next financial year, and in the meantime, the Chairman will be responsible for gathering any feedback and identifying any improvements that are required or desirable.

The Nominations Committee, comprised of the Chairman and three Non-Executive Directors, intends to review the structure, size and composition required of the Board compared to its current position, make any recommendations to the Board, consider succession planning, and oversee the process to fill Board vacancies. The Nominations Committee was formed to keep key positions outside the Board and other personnel considered critical to the business under review. Findings from the Company's annual evaluation exercise and one-on-one reviews will be utilised in the Nominations Committee's succession planning discussions.

In addition, the Remuneration Committee were created on admission to review the performance of the Executive Directors and make recommendations to the Board on matters relating to their terms of employment and remuneration, including short-term bonus and long-term incentives (with targets consistent with the corporate strategy). The findings from annual evaluations and the achievement of financial and non-financial targets/goals discussed thereat will be considered by the Remuneration Committee in relation to recommendations to be made in respect of adjustments to executive remuneration.

8. **Promote a corporate culture that is based on ethical values and behaviours.**

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of LungLife's activities are centred upon what needs to be an open and respectful dialogue with employees, clinicians, and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present, the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. This has brought us valuable insights and perspectives which we are using to guide a framework of actions that will facilitate the change process.

The Company operates a whistleblowing policy to facilitate the reporting by employees of suspected misconduct, illegal acts or failure to act within the Company. The aim of this policy is to encourage employees and others who have serious concerns about any aspect of the Company's work to come forward and voice those concerns.

9. **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.**

The Board will examine our corporate governance arrangements on a regular basis and expects them to develop over time as the Company grows. Upon admission, the Board delegated tasks to Committees and persons as it saw fit, with the Chairman being accountable for the Board's effectiveness and the Executive Directors being accountable for the Company's business management and proactive engagement with shareholders. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman is also responsible for the Company's Corporate Governance framework. He is also responsible for creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy; while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The role of the SID is to serve as a sounding board for the Chairman and act as an intermediary for other Directors. The SID is also available to shareholders if they have reason for concern that contact through the normal channels of the Executive Directors has failed. The SID is responsible for holding annual meetings with Non-Executives, without the Chairman present, to appraise the Chairman's performance.

The Board has adopted appropriate delegations of authority which sets out matters which are reserved to the Board. A schedule of specific matters reserved for the Board can be found on the Company's website, with matters including:

- Strategy and management
- Approval of major capital expenditure
- Financial reporting, risk management and internal controls
- Contracts, including potential acquisitions
- Corporate governance
- Approval of annual budgets
- Approval of annual reports
- Dividend recommendations and policy

The Chairman will continue to review the appropriateness of the Board's structures and processes on an ad hoc basis until such time that a formal Board evaluation process can be undertaken and will continue to include this as part of his roles and responsibilities as the Company evolves (see Principle 7). Governance structures are anticipated to change in tandem with the Company's goals, strategy, and business model.

10. **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company aspires to have close ongoing relationships with its private shareholders, institutional shareholders, and analysts and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Board maintains that, if there is a resolution passed at an AGM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The Board delegates authority to three Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

The LungLife website is kept up to date and includes details on significant governance materials, developments, press and corporate news and presentations. Shareholders can sign up for investor notifications to guarantee that they get all news releases, financial reports, and other relevant shareholder announcements straight from the Company as soon as they are available.

Board Committees

The Board has assigned tasks and obligations to an Audit Committee, a Remuneration Committee, and a Nominations Committee.

Audit Committee

The Audit Committee has four members, Andrew Boteler (Chair) and Non-Executives Roy Davis, James McCullough and Sara Barrington. The CEO, CFO and external auditors attend meetings by invitation. The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees the financial reporting, risk management and internal control procedures. The Audit Committee advises the Board on the appointment and removal of the external auditor and discusses the nature, scope, and results of the audit with the auditors. The Audit Committee reviews the extent of non-audit services provided by the auditors and reviews with them their independence and objectivity.

Remuneration Committee

The Remuneration Committee has three members, Andrew Boteler (Chair) and Non-Executives Roy Davis and James McCullough. Other members of the Board may attend the Committee's meetings at the request of the Committee Chairman. The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and the Senior Management of the Company. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their terms of employment and remuneration, including short term bonus and long-term incentives. The Remuneration Committee also considers the granting of long-term incentives and share options pursuant to the Company's option schemes.

Nominations Committee

The Nominations Committee has four members, Roy Davis (Chair), James McCullough, Sara Barrington and Andrew Boteler. The Nominations Committee regularly reviews the structure, size and composition required of the Board compared to its current position, makes recommendations to the Board, considers succession planning, and nominates candidates to fill Board vacancies. The Nominations Committee also keeps key positions outside the main board and other personnel considered critical to the business under review. The Nominations Committee will meet at least once per year, and otherwise as necessary to consider proposals for Board appointments and other matters.

The Chairman and the Board will continue to monitor and evolve the Company's corporate governance structures and processes, in order that these evolve over time, in line with the Company's growth and development.

Roy Davis
Chairman
3 April 2024

David Anderson
Company Secretary
3 April 2024

LungLife AI, Inc.

Report of the remuneration committee
for the year ended 31 December 2023

Dear Shareholder

As the Chair of the Remuneration Committee (the "Committee"), I am pleased to present, on behalf of the board of directors (the "Board") of LungLife AI, Inc (the "Company" or "LungLife"), the Directors' remuneration report for the year ended 31 December 2023 (the "Directors' Remuneration Report"). The Company's Annual Report and Accounts, along with the Directors' Remuneration Report, will be subject to an advisory vote at the forthcoming Annual General Meeting (the "AGM") and the remuneration policy section of the Directors' Remuneration Report will be subject to a binding vote at the AGM.

Operation of the Remuneration Committee

Principles

The Committee's role is to ensure that the Executive Directors at LungLife are appropriately compensated and incentivised to deliver growth to shareholders in a long-term and sustainable manner. The Committee seeks to accomplish this by establishing remuneration programmes that are:

- Effective at driving proper management behaviours
- Clearly link pay and performance
- Competitive
- Cost effective overall
- Comply with corporate governance standards & regulations in the United States and the United Kingdom

Reference point for benchmarking.

LungLife is a developer of clinical diagnostic solutions based in California, USA. Given that the market for experienced directors and market sector executive management talent, particularly in the United States, is very competitive, the Committee references the US market as the leading indicator for remuneration levels and practices for executives based in the US. For executives based outside of the US, the Committee will reference the relevant geography market. This will help attract and retain directors and motivate the superior executive management talent needed to successfully deliver the Company's goals and in doing so the best chance to deliver shareholder value.

As the business grows in maturity, the Committee will consider using external benchmarking and remuneration consultancy to ensure the Executive Remuneration strategy and the resultant principles and policies remain current, effective and comply with relevant governance.

Composition and attendance

The Remuneration Committee is chaired by Andy Boteler and in addition comprises James McCullough and Roy Davis. Whilst not a formal member of the Committee, Sara Barrington attends the Remuneration Committee meetings in an advisory capacity and does not participate in the voting process.

Although not a member of the Committee, the CEO submits a report, to the Remuneration Committee meetings, outlining proposals and is usually requested to present the report to the Committee. After presenting the report he withdraws from the meeting and does not participate in the decision making or voting process.

The Committee had one scheduled meeting this year to deal with ordinary business, with the second meeting rescheduled and held on 10 January 2024. The Chair of the Committee will also meet with the CEO during the year to review progress against bonus targets. In addition to these the Committee may meet on an ad hoc basis when there are additional matters to deal with.

Attendance at meetings held in FY2023	
Andy Boteler (Chairman)	1/1
Roy Davis	1/1
James McCullough	0/1

Company Performance

During the year the Company concluded its clinical validation study and continued the process of laying the groundwork for the subsequent commercialisation of the test.

Remuneration Programme Highlights

- **Pay for performance**. The Committee believes that a significant portion of remuneration of the Company's executive directors should be based on achieving objectives designed to create inherent value in the Company, and ultimately on achieving value creation for our shareholders. In line with this belief, the compensation of our Chief Executive Officer & Chief Financial Officer includes a significant performance based cash bonus opportunity. Further, the executive directors receive equity incentives designed to reward long-term value creation for our shareholders.
- **Executive Director salary review**. The Committee reviewed the base salary of the Chief Executive Officer & the Chief Financial Officer. Given the performance of the Company in 2023, a pay rise of 4% was awarded to both the Chief Executive Officer and the Chief Financial Officer, effective 1 January 2024. This is the same as given to the wider workforce on 1 July.
- **Director shareholding requirements**. Executive directors have a requirement to hold 100% of salary in shares in LungLife. This holding will be built up through the vesting of LTIP options. We believe having these requirements encourages executive directors to build meaningful shareholding positions and further alignment of their interests with those of shareholders.
- **Environmental, social and governance (ESG) matters**. The Committee recognises the increasing importance of ESG matters to our employees, shareholders and broader society and therefore reflects that in the Executive Bonus Scheme. At this time, it has not been considered appropriate to include ESG targets to the vesting criteria for the Omnibus Long-Term Incentive (LTIP) scheme, due to the difficulty in setting meaningful and realistic medium term targets at this stage. The Committee will however, keep this under review and have an ambition to develop a longer term ESG plan and in particular specific sustainability/carbon reduction targets, and to link this to the LTIP programme.

Remuneration Policy Table

The table below summarises our policy for FY 2023 and the planned changes for FY 2024

Element of remuneration	Purpose and link to strategy	FY 2023 Policy and approach	Opportunity	FY 2024 Policy and approach
Base Salary	Takes into account experience and personal contribution to the Company's strategy. Attracts and retains executives of the quality required to deliver the Company's strategy	• Reviewed annually with changes effective from 1 January if applicable • Consideration given to individual and Company performance • General pay increases across the wider workforce are also taken into consideration • Where the Company considers it appropriate and necessary, larger increases may be awarded in exceptional circumstances	Base salary increases are applied in line with the outcome of the annual review	The Remuneration Committee approved a 4% increase to the Executive Director's salary effective from 1 January 2024, as set out earlier in this report.
Annual Bonus	Incentivise achievement of near-term milestone targets that the Committee considers to be prime drivers of business development	• Awarded annually • Based on both company and personal performance measures • Up to 50% payable for achieving Critical Business Objectives • 30% of bonus payable for achieving Key Business Objectives. • Up to 10% of bonus payable for achievement of personal objectives • Up to 10% of bonus payable for achievement of ESG metrics.	Maximum of 30% of base salary	No change proposed for FY 2024.

Element of remuneration	Purpose and link to strategy	FY 2023 Policy and approach	Opportunity	FY 2024 Policy and approach
Pension	Provide employees with market competitive pension scheme	• Company matching contributions as permitted by US legislation • Contribution to match employee's contribution to personal pension scheme	• US scheme up to 4% of salary • UK scheme. 5% of base salary The Committee keeps the benefit policy and benefit levels under regular review	No change proposed for FY 2024
Omnibus Long Term Incentive Plan (LTIP)	Incentivise executive performance over the longer term. Performance measures linked to the long-term strategy of the business and the creation of shareholder value over the longer term	The Executive Directors received a grant under the LTIP plan upon listing on AIM and it is intended that top-up awards shall be issued under the LTIP from time to time. Vesting of equity awards is generally subject to continued employment and may also be subject to the achievement of performance conditions aligned with the Company's strategic plan. Prior to Admission, directors also received awards under two previous option schemes, the 2010 Stock Incentive Plan and the 2020 Stock Incentive Plan Vesting of equity awards may be accelerated in part or in full in connection with certain corporate events such as a change of control.	There is no maximum opportunity for equity incentives. However, the Committee will generally assess the position at similar sized comparator companies prior to making any award to ensure that any awards are aligned to the market	No change proposed for FY 2024

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2023 is shown below:

	Base Salary and fees US$	Pension US$	Benefits US$	Bonus US$	**Year to 31 December 2023 US$**
Executive Directors					
Dr Paul Pagano	295,625	10,840	10,130	-	**316,595**
David Anderson	228,192	10,607	-	-	**238,799**
	523,817	21,447	10,130	-	**555,394**
Non-Executive Directors					
Roy Davis	52,171	-	-	-	**52,171**
Andrew Boteler	40,991	-	-	-	**40,991**
Sara Barrington	33,000	-	-	-	**33,000**
James McCullough	33,000	-	-	-	**33,000**
	159,162	-	-	-	**159,162**
Total fees and emoluments	**682,979**	**21,447**	**10,130**	**-**	**714,556**

The remuneration of the Directors for the year ended 31 December 2022 is shown below:

	Base Salary and fees US$	Pension US$	Benefits US$	Bonus US$	**Year to 31 December 2022 US$**
Executive Directors					
Dr Paul Pagano	275,000	9,844	21,472	28,875	**335,191**
David Anderson	211,403	10,547	-	22,250	**244,200**
	486,403	20,391	21,472	51,125	**579,391**
Non-Executive Directors					
Roy Davis	51,957	-	-	-	**51,957**
Andrew Boteler	40,824	-	-	-	**40,824**
Sara Barrington	33,000	-	-	-	**33,000**
James McCullough	33,000	-	-	-	**33,000**
	158,781	-	-	-	**158,781**
Total fees and emoluments	**645,184**	**20,391**	**21,472**	**51,125**	**738,172**

The above disclosure has been audited.

Remuneration

Executive Directors are paid a base salary together with annual bonus payments based on the achievement of Company milestone targets, personal objectives and ESG related targets. In addition, Executive Directors participate in a long-term incentive scheme and receive benefits in kind, including medical expenses and insurance.

Non-executive directors are paid a fee to attend board meetings and to serve as members of the Board as well as the Audit, Nomination and Remuneration committees.

Benefits

Paul Pagano received healthcare benefits in addition to company pension contributions. David Anderson received company pension contributions only.

Performance-related bonus

The performance-related bonus is only available to the executive directors. The maximum award is 30% of salary based on the achievement against certain objectives. These objectives are weighted 50% on achieving Critical Business Objectives, 30% on achieving Key Business Objectives, 10% on achieving Personal Objectives and 10% on achieving ESG objectives.

2023 performance-related bonus

Details of the performance achieved against these targets are shown in the table below:

Financial targets	% payable at maximum performance	% performance outcome P Pagano	% performance outcome D Anderson
Critical Business Objectives	50%	18.75%	18.75%
Key Business Objectives	30%	15.0%	15.0%
Personal Objectives – P Pagano	10%	5.0%	
Personal Objectives – D Anderson	10%		5.0%
ESG Objectives	10%	10.0%	10.0%
Total		48.75%	48.75%

Details of the Critical, Key & ESG objectives set are summarised in the table below:

2023 Company performance objectives
Critical Business Objectives
• Completion of the clinical validation
• First commercial revenues
Key Business Objectives
• Successful submission of Medicaid applications to key states
• Finalize Government Services Award
ESG Objectives
• Employees – retain senior team
• Suppliers – no refusal to act from major suppliers
• Investors – retain high engagement scores from feedback from brokers and Investor Meet
Regualtory bodies – no non-addressable findings from periodic inspections (CLIA / CAP)
Move closer to paperless office

Paul Pagano, CEO		David Anderson, CFO
• Submission of Breakthrough Application to FDA		• Social media followers above 800, in furtherance of the objective to raise awareness through education among pulmonologists, corporate medical directors and members of lung associations
• Present at lung cancer conference		• Briefing three new analysts

The total calculated award based on the achievement of the 2023 milestones was $97,087, however this has not been awarded due to the affordability criteria which has not been satisfied.

2022 performance-related bonus

Details of the performance achieved against these targets are shown in the table below:

Financial targets	% payable at maximum performance	% performance outcome P Pagano	% performance outcome D Anderson
Critical Business Objectives	50%	33%	33%
Key Business Objectives	30%	22%	22%
Personal Objectives – P Pagano	10%	5%	
Personal Objectives – D Anderson	10%		5%
ESG Objectives	10%	10%	10%
Total		70%	70%

Details of the Critical, Key & ESG objectives set are summarised in the table below:

2022 Company performance objectives
Critical Business Objectives
• First patient enrolment
• Peer reviewed publication of Pilot Study findings
• New York Clinical Laboratory Evaluation Program (CLEP) awarded
Key Business Objectives
• Retention of all key staff by end of year
• Health Economics publication submission
• Reimbursement process concluded – either “gapfill” or “cross walk”
• Exceed estimated participant enrollment in Nodule study by end of year
ESG Objectives
• Achieve Clinical Laboratory Improvement Amendments (CLIA) license ESG requirements
• Build social credibility through support of cancer foundations
• Test feasibility of switching to more environmentally friendly laboratory chemicals & consumables

Details of the Executive's personal objectives are summarised in the table below:

Paul Pagano, CEO		**David Anderson, CFO**
• Submission of Breakthrough Application to FDA		• Social media followers above 1,000, in furtherance of the objective to raise awareness through education among pulmonologists, corporate medical directors and members of lung associations
• Complete design of clinical utility study		• Briefing three new analysts

Directors' contracts

Paul Pagano (Chief Executive Officer) is currently employed at-will pursuant to an employment agreement entered into with LungLife AI, Inc, effective on 7 July 2021. His employment may be terminated (i) by the Company at any time for Cause, (ii) by the Company without cause on six months prior written notice, (iii) by the Executive at any time, with or without Good Reason, provided at least 6 months prior written notice is given if the termination is without Good Reason or (iv) immediately due to death or disability. Severance payments based on 12 month's salary plus accrued obligations will be payable to him on termination. If employment is terminated by the Company without Cause, by the Executive with Good Reason or due to the Executive's Death or Disability, additional Severance Benefits will be payable. The Severance Benefits will comprise the current Base Salary for 12 months, health premium benefits for 12 months and the Company will accelerate the vesting of stock options.

David Anderson (Chief Financial Officer) is currently employed on an indefinite term pursuant to an employment agreement entered into with the Company effective 7 July 2021. His employment may be terminated by either party on 6 months written notice. At its discretion, upon receipt of his written notice, or as an alternative to providing notice, terminate the employment with immediate effect and make a payment in lieu of notice, comprising base salary only, for the notice period (or remainder thereof, should notice have been given). In the event of a breach of service agreement or other summary termination of employment, no such payments will be made.

The Chairman and non-executive directors do not have contracts of service.

Clawback

The Company does not currently have a policy on recoupment and clawback, but the Committee will keep this under review.

Director Shareholdings

The Directors' beneficial interests in the issued ordinary share capital of the Company were as follows:

	Number of shares at 31 December 2023	% of salary At 31 December 2023	Number of shares at 31 December 2022	% of salary At 31 December 2022
Executive Directors				
Paul Pagano	12,123	1.9%	5,000	1.9%
David Anderson	12,123	2.5%	5,000	2.5%
Non-executive Directors				
Roy Davis	14,204	NA	14,204	NA
Andy Boteler	5,681	NA	5,681	NA
Sara Barrington	-	-	-	-
James McCullough	-	-	-	-

Shareholding Guidelines

Executive Directors are required to maintain a qualifying interest in the ordinary shares of the Company. The Chief Executive Officer and the Chief Financial Officer are required to hold 100% of salary in LungLife shares, a holding which will be built up through shares vesting under the LTIP over time.

Share option plans

The Company has three option plans: the 2010 Stock Option Incentive Plan, the 2020 Stock Incentive Plan and the 2021 Omnibus Long-Term Incentive Plan, (together "the Share Option Plans"). Under the terms of the 2021 Omnibus Long-Term Incentive Plan 25% of the options vest on the 12-month anniversary of the vesting commencement date and an additional 1/48th of the total number of shares after each subsequent calendar month. Those eligible to participate are employees, consultants, and directors. The award of options to new joiners is proposed by the executive directors for the approval of the Remuneration Committee. An award may not be granted if the grant would result in the total number of dilutive shares exceed 10% of the aggregate number of shares in issue at that time. The options held by Directors as of 31 December 2023 under these Share Options Plans are set out below.

Option holder	Option price per ordinary share	Number of Ordinary Shares under option	Exercise period
Paul Pagano	£1.76	769,707	8 July 2021 – 8 July 2031
	US$0.079	114,579	19 Sept 2020 – 19 Sept 2030
	US$0.45	42,967	31 Dec 2019 – 31 Dec 2029
	US$0.45	85,934	1 July 2019 – 1 July 2029
	US$2.70	2,777	1 May 2016 – 1 May 2026
David Anderson	£1.76	386,703	8 July 2021 – 8 July 2031
	US$0.079	2,777	17 Sept 2020 – 17 Sept 2030
	US$0.45	2,777	1 July 2019 – 1 July 2029
Sara Barrington	US$0.079	61,014	31 March 2021 – 31 March 2031
	US$0.45	71,612	1 July 2019 – 1 July 2029
James McCullough	US$0.079	88,182	31 March 2021 – 31 March 2031
	US$0.45	36,110	31 Dec 2019 – 31 Dec 2029
	US$0.45	8,333	1 July 2019 – 1 July 2029

There were no exercises under the Share Option Plans by the Directors in either the year ended 31 December 2023 or 31 December 2022.

Approved by the Board on 3 April 2024 and signed on its behalf by:

Andrew Boteler
Senior Non-Executive Director, Chair of the Remuneration Committee

LungLife AI, Inc.

Report of the Audit Committee
for the year ended 31 December 2023

Dear Shareholder

I am pleased to present the Audit Committee report for the financial year ending 31 December 2023. The Committee has an important role to play in providing independent oversight and safeguarding shareholders' interests. In the year to 31 December 2023, we met once. A meeting scheduled before the year end subsequently took place in January 2024.

Committee Members

In addition to myself as Chair, Roy Davis, Sara Barrington and James McCullough are members of the Committee. Their biographical details are contained on pages 3 and 4.

The Board is satisfied that the Chair of the Committee has the necessary recent and relevant financial experience to chair the Audit Committee.

The CEO, CFO, the external audit engagement partner, are invited to attend Committee meetings as necessary.

Committee Terms of Reference

Committee responsibilities include oversight of:

- The accounting principles, policies and practices adopted by the Company
- The external financial reporting and associated announcements
- The appointment, independence, effectiveness and remuneration of the Company's external auditor
- The Company's risk identification and mitigation processes
- The Company's internal controls
- Fraud prevention arrangements and reports under the whistleblowing policy
- The work of the Company's external auditors
- The Company's financial reporting processes

Significant accounting risks and judgements made in the annual financial statements

As a Committee, we reviewed the key accounting matters with reference to areas of higher risk, areas that would have the most significant potential impact on performance and areas involving significant judgement. These were identified as going concern and the carrying value of the Mount Sinai license option agreement.

During the year, the Committee considered other matters, including reviews of certain Group-level risk and compliance policies to ensure that they were up to date and remained fit for purpose. More information is provided below.

Financial Reporting

The Committee reviewed and evaluated the appropriateness of the interim and annual financial statements (including the announcements regarding these results which were made to the London Stock Exchange) with both management and the external auditor. These reviewed included assessment of whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee also considered the clarity of disclosures and the reasonableness of the critical accounting policies, estimates and judgements used in preparation of the financial statements.

External Audit

The Committee reviewed the external auditor's performance and independence, by considering the qualifications, expertise and resources of Crowe U.K. LLP and its objectivity on an ongoing basis throughout the year. The Committee also reviewed the relationship with Crowe U.K. LLP as a whole, to confirm there are no relationships between the external auditor and the Company other than in the ordinary course of business which could adversely affect independence and objectivity.

The Committee has satisfied itself as to the independence of Crowe U.K. LLP.

Crowe U.K. LLP has been in role since 2020 and the timing of any future retendering plans is reviewed periodically by the Committee. There are no immediate plans to conduct an audit tender exercise.

Andrew Boteler
Senior Non-Executive Director, Chair of the Audit Committee

3 April 2024

LungLife AI, Inc.

Report of the audit of the financial statements
for the year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LUNGLIFE AI, INC.

Opinion

We have audited the financial statements of LungLife AI, Inc. (the "Company") for the year ended 31 December 2023 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards (UK IFRS).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK IFRS

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)").

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 independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern (Key Audit Matter)

We draw attention to the section headed Going Concern on page 58 of the financial statements, which details the factors the directors have considered when assessing the going concern position. As detailed in the relevant note on page 58, although the directors' projections indicate sufficient funds through to early April 2025, it is reasonably possible that the Company will require additional funding during, or shortly after a period of 12 months from the date of approval of these financial statements. The directors will seek to put in place funding arrangements which may from time to time be required but such arrangements are not presently committed. This represents a material uncertainty in relation to the Company's funding arrangements that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. Our evaluation of the Director's assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment of going concern and the underlying financial projections which support that assessment.
- testing to ensure the mathematical accuracy of the model presented.
- reviewing the assumptions used about future cash flows and timings.
- challenging the basis of management's estimates and assumptions in relation to cash flows for the business and available cost mitigations
- confirming the existence of cash balances which we relied on
- considering a range of sensitivities to assess reasonably likely changes to key inputs; and
- reviewing the appropriateness of the disclosures in the financial statements

Further details of the Directors' assessment of going concern is provided in Note 2.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be $275,000 (2022: $300,000) based on approximately 5% (2022: 5%) of the expected loss before tax at the planning stage. We did not consider it appropriate subsequently to amend our assessment.

We use a different level of materiality, performance materiality, to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Performance materiality was set at $192,500 (2022: $210,000).

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions and Directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of $13,750 (2022: $15,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Company's operations are based in the USA. In view of the early stage of development of the Company's business activities the audit team performed a full scope audit on the Company from the UK as a single component.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. Going concern, which is separately reported on above, was the matter which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. There were no other matters which were identified as key audit matters.

Other information

The Directors are responsible for the other information contained within the annual report. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the US Federal and State law as it impacts on corporations and relevant taxation legislation. Technical, clinical or regulatory laws and regulations which are inherent risks in drug development are mitigated and managed by the Board and management in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

Auditor's responsibilities for the audit of the financial statements *(continued)*

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock
(Senior Statutory Auditor)
for and on behalf of Crowe U.K. LLP Statutory Auditor, London

3 April 2024

LungLife AI, Inc.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Revenue	4	**46**	24
Cost of sales		**-**	-
Gross margin		**46**	24
Administrative expenses	6	**(5,238)**	(6,865)
Share-based payments	6	**(186)**	(614)
Depreciation	6	**(254)**	(285)
Loss from operations		**(5,632)**	(7,740)
Other operating income	6	**44**	102
Finance income	9	**223**	88
Finance expense	9	**(41)**	(52)
Loss before tax		**(5,406)**	(7,602)
Tax expense	10	**(7)**	(4)
Loss from continuing operations		**(5,413)**	(7,606)
Other comprehensive income		**-**	-
Loss and total comprehensive income attributable to the owners of the Company		**(5,413)**	(7,606)
Earnings per share attributable to the ordinary equity holders of the parent	11		
Loss per share			
Basic and diluted (US$ cents)		**(21.2)**	(29.8)

The results reflected above relate to continuing operations

The notes on pages 58 to 83 form part of these financial statements.

LungLife AI, Inc.

Statement of financial position
as at 31 December 2023

	Note	2023 US$'000	2022 US$'000
Assets			
Current assets			
Trade and other receivables	14	**474**	613
Short term deposits	5	**104**	4,922
Cash and cash equivalents	5	**2,724**	3,088
		3,302	8,623
Non-current assets			
Property, plant and equipment	12	**389**	566
Intangible assets	13	**5,818**	5,818
Other receivables	14	**13**	13
		6,220	6,397
Total assets		**9,522**	15,020
Liabilities			
Current liabilities			
Trade and other payables	15	**1,213**	1,229
Lease liabilities	16	**233**	255
		1,446	1,484
Non-current liabilities			
Lease liabilities	16	**113**	346
Provisions	17	**50**	50
Total liabilities		**1,609**	1,880
NET ASSETS		**7,913**	13,140
Issued capital and reserves attributable to owners of the parent			
Share capital	19	**3**	3
Share premium reserve	20	**91,266**	91,266
Share based payment reserve		**1,760**	1,574
Accumulated losses		**(85,116)**	(79,703)
TOTAL EQUITY		**7,913**	13,140

The financial statements on pages 53 to 83 were approved and authorised for issue by the Board of Directors on 3 April 2024 and were signed on its behalf by:

Paul Pagano – Director **David Anderson – Director**

The notes on pages 58 to 83 form part of these financial statements.

LungLife AI, Inc.

Statement of cash flows
for the year ended 31 December 2023

	Note	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Cash flows from operating activities			
Loss for the year		**(5,413)**	(7,606)
Adjustments for:			
Depreciation of property, plant and equipment		**254**	285
Gain on sale of tangible assets		**-**	(43)
Foreign exchange loss on short term deposits		**-**	562
Finance income		**(223)**	(88)
Finance expense		**41**	52
Taxation		**7**	4
Share-based payments expense		**186**	614
		(5,148)	(6,220)
(Increase) / decrease in trade and other receivables		**151**	128
(Decrease) / increase in trade and other payables		**(16)**	251
Income taxes paid		**(7)**	(4)
Net cash outflow from operating activities		**(5,020)**	(5,845)
Cash flows from investing activities			
Purchases of tangible assets		**(77)**	(85)
Interest received		**212**	88
Proceeds from sale of tangible assets		**-**	43
Short term deposits		**4,817**	(73)
Net cash generated by / (used in) investing activities		**4,952**	(27)
Cash flows from financing activities			
Issue of Common Stock		**-**	2
Interest paid		**(41)**	(52)
Repayment of lease liabilities		**(255)**	(207)
Net cash (used in) / from financing activities		**(296)**	(257)
Net decrease in cash and cash equivalents		**(364)**	(6,129)
Cash and cash equivalents at beginning of year		**3,088**	9,217
Cash and cash equivalents at end of year	5	**2,724**	3,088

The notes on pages 58 to 83 form part of these financial statements.

LungLife AI, Inc.

Statement of changes in equity
for the year ended 31 December 2023

	Share capital US$'000	Share premium US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total attributable to equity holders of parent US$'000	Total equity US$'000
1 January 2022	**3**	**91,264**	**960**	**(72,097)**	**20,130**	**20,130**
Comprehensive income for the year						
Loss	-	-	-	(7,606)	(7,606)	(7,606)
Other comprehensive Income	-	-	-	-	-	-
Total comprehensive Income for the year	**-**	**-**	**-**	(7,606)	(7,606)	(7,606)
Contributions by and distributions to owners						
Exercise of options	-	2	-	-	2	2
Share-based payment	-	-	614	-	614	614
Total contributions by and distributions to owners	-	2	614	-	616	616
31 December 2022	**3**	**91,266**	**1,574**	**(79,703)**	**13,140**	**13,140**

LungLife AI, Inc.

Statement of changes in equity
for the year ended 31 December 2023 *(continued)*

	Share capital US$'000	Share premium US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total attributable to equity holders of parent US$'000	Total equity US$'000
1 January 2023	3	91,266	1,574	(79,703)	13,140	13,140
Comprehensive income for the year						
Loss	-	-	-	(5,413)	(5,413)	(5,413)
Other comprehensive Income	-	-	-	-	-	-
Total comprehensive Income for the year	-	-	-	(5,413)	(5,413)	(5,413)
Contributions by and distributions to owners						
Share-based payments	-	-	186	-	186	186
Total contributions by and distributions to owners	-	-	186	-	186	186
31 December 2023	**3**	**91,266**	**1,760**	**(85,116)**	**7,913**	**7,913**

1 General Information

LungLife AI, Inc, (the **"Company"**) is a company based in Thousand Oaks, California which is developing a diagnostic test for the early detection of lung cancer. The Company was incorporated under the laws of the state of Delaware, USA, on 30 December 2009.

The Company's costs associated with developing and commercialising its test include costs associated with the development of intellectual property optimising the technology, and obtaining regulatory approval. To complete clinical trials the Company will continue to require additional operating funds. The Company has raised funds through offerings of debt, common stock and Series A Preferred Shares.

There are no restrictions on the Company's ability to access or use its assets and settle its liabilities.

2 Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards (**"UK IFRS"**).

These financial statements are prepared in accordance with UK IFRS under the historical cost convention, as modified by the use of fair value for certain financial instruments measured at fair value. The historical financial information is presented in United States Dollars (**"US$"**) except where otherwise indicated.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the yearspresented, unless otherwise stated.

(a) Going concern

These financial statements have been prepared on the going concern basis.

On 2 January 2024, LungLife reported positive validation study results for its LungLB® test, a minimally invasive blood draw test used for the early detection of lung cancer. These results are the catalyst for the Company to begin its commercialisation process for the test. In view of the early stage of its commercial development the group currently funds its activities from existing cash resources. In addition, it expects to generate cash receipts from commercial revenues in future periods and if required, from additional equity or debt funding for future working capital needs.

At 31 December 2023 the Company had available cash resources and short term deposits of $2.8 million (2022 - $8.0 million. The Company is focused on the commercial proof of concept of its test and expects minimal revenues in 2024. As there are uncertainties in relation to the quantum and timing of cash receipts the financial projections have been prepared without including any assumed receipts from commercial revenues.

As set out in note 23, on 21 March 2024 a special meeting of the Company approved the issue of 5,172,621 new shares of common stock of the Company at a price of 35 pence per share. The new shares represent approximately 16.9 per cent. of the enlarged share capital of the company. The issue of shares raised approximately £1.8 million (approximately US$2.3 million) (before fees and expenses). The net proceeds of the fundraising, along with the Company's existing cash resources, are expected to be utilised to establish the commercial proof of concept of the Company's LungLB® test, including:

- funding of evidence generating activities, including the Early Access Program and clinical utility studies to support reimbursement and test adoption;
- increasing expenditure to support engagement with payors and clinicians, and support the wider need to raise clinical awareness via key opinion leaders, publications and conferences; and
- accelerating the commercial pathway by pursuing licensing or other similar agreements.

The net proceeds of the fundraising will allow the Company to consider all of its strategic options in order to maximise shareholder value and, in conjunction with the implementation of certain cost-cutting actions, is expected to provide the Company with a cash runway to early April 2025.

Having taken into account the information and estimates available at the date of approving these financial statements, the directors consider it is appropriate to adopt the going concern basis in preparing the financial statements. Although the company's projections, including expected levels of revenue generation, indicate sufficient funds through to the second quarter of 2025, it is reasonably possible that the group will require additional funding during, or shortly after a period of 12 months from the date of approval of these financial statements. The directors will seek to put in place funding arrangements which may from time to time be required but such arrangements are not presently committed. This represents a material uncertainty in relation to the group's funding arrangements.

(b) **New standards, amendments and interpretations**

New standards are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

The Directors have considered those standards and interpretations which have not been applied in these financial statements but which are relevant to the Company's operations that are in issue but not yet effective and do not consider that they will have a material effect on the future result of operations, statement of position or statement of cash flows of the Company.

2 Basis of preparation *(continued)*

(c) **Revenue recognition**

Royalty income
Under the terms of a patent and technology sub license agreement the company is entitled to receive royalty income at 6% of the quarterly net sales invoiced by the sub licensee in the relevant quarter. Income is recognised in the period in which the underlying net sales are generated.

Cash is received from revenues recognised according to terms of trade within the relevant contractual relationship, usually in accordance with agreed events such as placing of order, fulfilment of order and delivery.

(d) **Intangible assets**

Licenses are measured at cost less accumulated amortization and any accumulated impairment losses.

(e) **Property, plant and equipment**

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the assetand the costs attributable to bringing the asset to its working condition for its intended use.When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

2 Basis of preparation *(continued)*

(e) **Property, plant and equipment** *(continued)*

Depreciation
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- computer and IT equipment – 33 per cent. straight line
- leasehold improvements – shorter of lease term and useful life
- plant and machinery – 20 per cent. straight line
- laboratory equipment – 20 per cent. straight line

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other operating income” in the statement of income.

(f) **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment annually in the case of not being available for use, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are considered at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) **Financial assets**

Classification
The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method.

Impairment of financial assets
Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the term’s receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired asset.

(h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

2 Basis of preparation *(continued)*

(i) **Financial liabilities**

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) **Provisions**

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

(k) **Share capital**

Ordinary shares are classified as equity. There are various classes of ordinary shares in issue, as detailed in note 19. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

2 Basis of preparation *(continued)*

(l) **Net finance costs**

Finance costs
Finance costs comprise interest payable on borrowings, direct issue costs and dividends on preference shares, and are expensed in the period in which they are incurred.

Finance income
Finance income comprises interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues using the effective interest method.

(m) **Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required todismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 17).

Subsequent to initial measurement lease liabilities increase as a result of interest chargedat a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorterthan the lease term.

2 Basis of preparation *(continued)*

(n) **Leases** *(continued)*

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised) it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

(o) **Income tax**

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognisedirectly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

The following temporary differences are not recognised if they arise from (a) the initial recognition of goodwill; and (b) for the initial recognition of other assets or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intentionto settle the balances on a net basis.

(p) **Foreign currency translation**

i) Function and presentational currency

Items included in the financial statements of the Company are measured using USD, the currency of the primary economic environment in which the entity operates (‘the functional currency’), which is also the Company’s presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies to USD, are recognised in the income statement.

3 Critical accounting judgements and estimates

The preparation of the Company's historical financial information under UK IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following judgement is likely to have the most significant effect on the amounts recognised in the financial information.

Classification of the Mount Sinai License as an intangible asset
As set out in note 13, on 18 June 2021, the Company entered into the Mount Sinai License Agreement, pursuant to which Mount Sinai granted an option to the Company to obtain a licence, on a non-exclusive basis, to use certain information held by Mount Sinai. After considering the criteria in IAS38 the directors have judged that the recognition criteria therein have been met and classified the Mount Sinai license as an intangible asset.

4 Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker has determined that the Company has one operating segment, the development and commercialisation of its lung cancer early detection test. Revenues are reviewed based on the products and services provided. All revenue arises from the same customer in both years.

The Company operates in the United States of America. Revenue by origin of geographical segment is as follows:

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Revenue		
People's Republic of China	**46**	24
	46	24

4 Segment analysis *(continued)*

	2023 US$'000	2022 US$'000
Non-current assets		
United States of America	**6,220**	6,397
	6,220	6,397

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Product and service revenue		
Royalty income	**46**	24
	46	24

5 Financial instruments - Risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk and
- Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Short term cash deposits
- Trade and other payables

5 Financial instruments - Risk management *(continued)*

(ii) Financial instruments by category

Financial asset

	Amortised Cost 2023 US$'000	Amortised cost 2022 US$'000
Cash and cash equivalents	**2,724**	3,088
Short term cash deposits	**104**	4,922
Trade and other receivables	**174**	155
Total financial assets	**3,002**	8,165

Financial liabilities

	Amortised Cost 2023 US$'000	Amortised cost 2022 US$'000
Trade and other payables	**1,039**	1,055
Total financial liabilities	**1,039**	1,055

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

See note 16 for information on lease liabilities.

5 Financial instruments - Risk management *(continued)*

(iv) Financial instruments

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Due to the current low level of revenue, the Company's exposure to credit risk is on cash at bank. The Company only deposits cash with major banks with high quality credit standing.

Cash in bank and short-term deposits

The credit quality of cash has been assessed by reference to external credit rating, based on Standard and Poor's long-term / senior issuer rating:

Cash in bank	**2023 Rating**	**2023 Cash at bank US$'000**	**2022 Rating**	**2022 Cash at bank US$'000**
Bank A	**A+**	**58**	A+	981
Bank B	**BBB+**	**2,588**	BBB+	2,002
Bank C	**A+**	**78**	A+	105
		2,724		3,088

Short term deposits	**2023 Rating**	**2023 US$'000**	**2022 Rating**	**2022 US$'000**
Bank B	**BBB+**	**104**	BBB+	4,922
		104		4,922

5 Financial instruments - Risk management *(continued)*

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company's policy is, where possible, to settle liabilities denominated in its functional currency. Currently the Company's liabilities are either US dollar or UK sterling. No forward contracts or other financial instruments are entered into to hedge foreign exchange movements, with funds raised in the UK being transferred to fund US operations using spot rates.

As at 31 December 2023 assets held in Sterling amounted to US$79,000 (2022 – US$5,275,000) and liabilities held in Sterling amounted to US$92,000 (2022 – US$65,000).

The effect of a 5% strengthening of the Sterling against US dollar at the reporting date on the Sterling denominated net assets carried at that date would, all other variables held constant, have resulted in a decrease in post-tax loss for the year and decrease of net assets of US$1,000 (2022 – increase US$260,000). A 5% weakening in the exchange rate would, on the same basis, have increased post-tax loss and decreased net assets by US$1,000 (2022 – US$260,000).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. This risk is managed by the production of annual cash flow projections. The Company's continued future operations depend on its ability to raise sufficient working capital through the issue of share capital and generating revenue.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities which can all be met from the cash resources currently available:

At 31 December 2023	**Up to 3 Months US$'000**	**Between 3 and 12 months US$'000**
Trade and other payables	**454**	**-**
Total	**454**	**-**

At 31 December 2022	**Up to 3 Months US$'000**	**Between 3 and 12 months US$'000**
Trade and other payables	371	**-**
Total	371	**-**

5 Financial instruments - Risk management *(continued)*

Capital Disclosures

The Company monitors its capital which comprises all components of equity (i.e., share capital, share premium, and accumulated losses).

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern.

6 Expenses by nature

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Employee benefit expenses (see note 8)	**2,908**	3,264
Share-based payments charge – non-employee and directors	**17**	37
Depreciation of property, plant and equipment	**254**	285
Gain on disposal of equipment	**-**	(43)
Research and development expenditure	**1,308**	1,981
Professional costs	**609**	643
Foreign exchange (gains) / losses	**(146)**	659
Other costs	**728**	938

Other operating income is claims made for Employee Retention Credits.

7 Auditors' remuneration

During the year the Company obtained the following services from the Company's auditor:

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Fees payable to the Company's auditor for the audit of the Company	**56**	48
Total	**56**	48

8 Employee benefit expenses

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**2,312**	2,262
Benefits	**185**	164
Share-based payments expense	**169**	577
Social security contributions and similar taxes	**171**	177
Pension	**71**	84
	2,908	3,264

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company.

	Year to 31 December 2023 US$	Year to 31 December 2022 US$
Salary	**683**	696
Share based payment expense	**124**	495
	807	1,191

The average number of employees (including Directors) in the Company in the year was 19 (2022 – 18).

9 Net finance costs

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Finance expense		
Interest expense on lease liabilities	**36**	52
Interest on short term funding	**5**	-
Total finance expense	**41**	52

9 Net finance costs *(continued)*

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Finance income		
Bank interest	**223**	88
Total finance income	**223**	88

10 Tax expense

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Current tax expense		
Current tax on loss for the year	**-**	-
Withholding tax on royalties	**7**	4
Total current tax	**7**	4
Deferred tax asset		
On losses generated in the year	**-**	-
	7	4

10 Tax expense *(continued)*

There were no charges to current corporation taxation due to the losses incurred by the Company in the year. The reasons for the difference between the actual tax charge for the year and the US federal income tax rate of 21% and state of California income tax rate of 8.84% are as follows:

	Year to 31 December 2023 US$'000	Year to 31 December 2022 US$'000
Loss for the year	**(5,413)**	(7,606)
Tax using 29.84%	**(1,615)**	(2,270)
Expenses not deductible for tax purposes	**37**	34
Unrecognised deferred tax assets for losses carried forward	**1,578**	2,236
Total tax expense	**-**	-

The unrecognised deferred tax is based on Federal taxable losses carried forward of US$56,623,000 (2022 – US$53,485,000) and a Federal capital loss of US$4,583,333 (2022 – US$4,583,333). No deferred tax asset is recognised for these losses due to early stage in the development of the Company's activities. Of the total Federal losses carried forward US$35,281,000 (2022 – US$35,281,000) expire in 2030 and can only be used against trading profits from the same trade. Losses of US$21,342,000 (2022 – US$18,204,000) do not expire but can only offset against 80% of taxable profits from the same trade.

11 Loss per share

Numerator	Year to 31 December 2023 Total US$	Year to 31 December 2022 Total US$
Loss for the year used in basic EPS	**(5,413,213)**	(7,605,585)
Denominator		
Weighted average number of ordinary shares used in basic EPS	**25,485,982**	25,481,800
Resulting loss per share	**(US$0.212)**	(US$0.298)

The Company has one category of dilutive potential ordinary share, being share options (see note 21). The potential shares were not dilutive in the year as the Company made a loss per share in line with IAS 33. As described in note 19, between 2 July 2021 and 7 July 2021 the Company implemented a pre-Admission reorganisation of its capital which included the conversion of Series A and B Preferred Shares into Common Shares and a reverse share split by way of the issue of one new Common Share and Preferred Share for every 18 old Common Shares and Preferred Shares held.

12 Tangible assets

	Leasehold improvements US$'000	Furniture and equipment US$'000	Computers and IT Equipment US$'000	Plant & machinery US$'000	Total US$
Cost or valuation					
At 1 January 2022	1,316	56	85	1,309	2,766
Additions	-	-	31	54	85
At 31 December 2022	1,316	56	116	1,363	2,851
Additions	-	-	-	77	77
At 31 December 2023	**1,316**	**56**	**116**	**1,440**	**2,928**
Accumulated depreciation and impairment					
At 1 January 2022	945	56	53	946	2,000
Depreciation	140	-	19	126	285
At 31 December 2022	1,085	56	72	1,072	2,285
Depreciation	131	-	22	101	254
At 31 December 2023	**1,216**	**56**	**94**	**1,173**	**2,539**
Net book value					
At 31 December 2023	**100**	**-**	**22**	**267**	**389**
At 31 December 2022	231	-	44	291	566

Included in leasehold improvements at 31 December 2023 are right of use assets with a cost of $1,282,000 (2022 - $1,282,000) and accumulated depreciation of $1,173,000 (2022 - $1,042,000).

13 Intangible assets

	License US$'000	Total US$'000
Cost		
At 31 December 2022 and 2023	**5,818**	**5,818**
Accumulated amortisation and impairment		
At 1 January 2022	-	-
Amortisation charge	-	-
At 31 December 2022	**-**	**-**
Amortisation charge		
At 31 December 2023	**-**	**-**
Net book value		
At 31 December 2023	**5,818**	**5,818**
At 31 December 2022	5,818	5,818

On 18 June 2021, the Company entered into the Mount Sinai Licence Agreement, pursuant to which the Icahn School of Medicine at Mount Sinai ("Mount Sinai") granted an option to the Company to obtain a licence, on a non-exclusive basis, to use certain information held by Mount Sinai. The Mount Sinai Licence Agreement automatically became effective on Admission. Exercise of the option contained in the Mount Sinai Licence Agreement is conditional on: (i) Admission; (ii) clearance by Mount Sinai's information security team; and (iii) IRB, data security and data use approvals. Mount Sinai is under an obligation to use commercially reasonable efforts to obtain such clearances and approvals (other than Admission). Pursuant to the Mount Sinai Licence Agreement, Mount Sinai has granted the Company an option to obtain a licence, on a non-exclusive basis, to use certain information held by Mount Sinai to be able to develop future products.

14 Trade and other receivables

	2023 US$'000	2022 US$'000
Amounts falling due within one year		
Prepayments	**299**	458
Accrued income	**31**	5
Other debtors	**144**	150
	474	613

	2023 US$'000	2022 US$'000
Amounts falling due after one year		
Rent deposit	**13**	13
	13	13

15 Trade and other payables

	2023 US$'000	2022 US$'000
Trade payables	**439**	358
Accruals and other payables	**759**	858
Total financial liabilities classified as financial liabilities measured at amortised cost	**1,198**	1,216
Other payables – tax and social security payments	**15**	13
Total trade and other payables	**1,213**	1,229

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

16 Lease Liabilities

	Land and buildings US$'000	Plant and machinery US$'000	Total US$'000
At 1 January 2022	504	304	808
Interest expense	37	15	52
Repayments	(134)	(125)	(259)
At 31 December 2022	**407**	**194**	**601**
Repayments	(166)	(125)	(291)
Interest expense	27	9	36
At 31 December 2023	**268**	**78**	**346**

	2023 US$'000	2022 US$'000
Maturity of lease liabilities		
Within 3 months	**74**	75
Between 3 – 12 months	**179**	225
Between 1 – 2 years	**117**	253
Between 2 – 5 years	**-**	117
	370	**670**

17 Provisions

	Dilapidations US$'000	Total US$'000
At 1 January 2022	50	50
Movement	-	-
At 31 December 2022	**50**	**50**
Movement	-	-
At 31 December 2023	**50**	**50**

Provision is made for the anticipated cost of returning the Company's premises to their prior state on termination of the lease. The lease terminates in August 2025.

18 Net cash /(debt) reconciliation

	2023 US$'000	2022 US$'000
Cash and cash equivalents	**2,724**	3,088
Lease liabilities	**(346)**	(601)
Net cash / (debt)	**2,378**	**2,487**

	Cash and cash equivalents US$'000	Borrowings and loans US$'000	Net Debt US$'000
Net debt at 1 January 2022	9,217	(808)	8,409
Cash flows	(6,129)	-	(6,129)
Other non-cash movements:			
Lease liabilities	-	207	207
Net debt at 31 December 2022	3,088	(601)	2,487
Cash flows			
Other non-cash movements:	**(364)**		**(364)**
Lease liabilities	**-**	**255**	**255**
Net debt at 31 December 2023	**2,724**	**(346)**	**2,378**

19 Share capital

	Issued and fully paid	
	Number	**US$**
Shares of US$0.0001 par value each		
At 1 January 2022	25,480,790	2,548
Exercise of 5,192 options in the year	5,192	5
Total issued share capital at 31 December 2022	25,485,982	2,553
Total issued share capital at 31 December 2023	**25,485,982**	**2,553**

Between 2 July 2021 and 7 July 2021 the Company implemented a pre-Admission reorganisation of its capital which included, inter alia, the following:

- A reverse share split by way of the issue of one new Common or Preferred Share for every 18 old Common or Preferred Shares held
- Conversion of Series A-1 and Series A-2 Convertible Notes and related Warrants into Common Shares
- Conversion of Series A Preferred Shares and Series B Preferred Shares into Common Shares

As a result the Company only has common shares in issue.

20 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payment reserve	Amount charged to date in respect of share based payment expense
Accumulated losses	All other net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

21 Share-based payment

Prior to Admission to AIM the Company operated two share option plans: the 2010 Stock Incentive Plan and approved by the Board on 1 January 2010 and the 2020 Stock Incentive Plan was approved on 14 May 2020:

(a) options granted under the 2010 Stock Incentive Plan fall into two groups:
  (i) options granted in or before 2016 over a total of 2,183,634 shares, with exercise prices ranging from $0.10 to $0.16 per share, these options are now fully vested; and
  (ii) options granted in 2019 over a total of 6,951,463 shares, with an exercise price of $0.025 per share: these options generally vest on a monthly basis over three or four years from the date of grant. However, those granted to current employees of the Company were amended so that they became exercisable in full on Admission.

(b) Options were granted in 2020 and 2021 under the 2020 Stock Incentive Plan over a total of 5,364,385 shares with an exercise price of $0.0044 per share. These options vest over four years from the date of grant on a monthly basis, but certain of these options accelerated immediately before Admission, and became fully exercisable at Admission.

On 14 May 2021 the Board approved the Company's 2021 Omnibus Long-Term Incentive Plan ("LTIP") and it was approved by shareholders on 27 May 2021 to become effective approximately three days prior to Admission. The LTIP provides for the grant of both EMI Options and non-tax favoured options. Options granted under the LTIP are subject to exercise conditions as summarised below.

The LTIP has a non-employee sub-plan for the grant of Options to the Company's advisors, consultants, non-executive directors, and entities providing, through an individual, such advisory, consultancy, or office holder services and a US sub-plan for the grant of Options to eligible participants in the LTIP and the Non-Employee Sub-Plan who are US residents and US taxpayers.

With the exception of options over 384,924 shares, which vested immediately on Admission, the options issued under the LTIP vest 25% on the first anniversary of the vesting commencement date and an additional one forty-eighth of the total number of options after each subsequent calendar month for employees. For consultants options issued under the LTIP vest 25% on the first anniversary of the vesting commencement date and an additional one sixteenth of the total number of options after each subsequent quarter. If options remain unexercised after the date one day before the tenth anniversary of grant such options expire. Vesting shall accelerate in full in the event of a change of control of the Company.

As described in note 19, between 2 July 2021 and 7 July 2021 the Company implemented a pre-Admission reorganisation of its capital which included a reverse share split by way of the issue of one new Common or Preferred Share for every 18 old Common or Preferred Shares held.

At the date of the reorganisation there were 14,499,482 pre-Admission options outstanding to 32 option holders comprising Directors, former Directors and employees with exercise prices between $0.0044 and $0.16 per share. Those options were varied to reflect the reverse share split so that they were replaced with 805,492 options with exercise prices of between $0.0792 and $2.88 per share. The directors consider that this was a mechanical variation modification of the awards and not a modification for the purposes of IFRS2. Comparative figures have been adjusted to restate numbers and values of share options issued as if the reverse share split had been in effect from 1 January 2020.

On Admission on 8 July 2021 the Board approved grants of 769,707 to Paul Pagano and 386,703 options to David Anderson and on 23 November 2021 and 27 December 2021 the Board approved further grants, of 112,500 and 5,000 options respectively, to employees and consultants.

21 Share-based payment *(continued)*

	Weighted average exercise price US$	Number
Outstanding at 31 December 2021	**1.74**	**2,065,527**
Granted during 2022	2.37	75,000
Exercised during 2022	0.45	(5,192)
Expired during 2022	1.80	(18,356)
Outstanding at 31 December 2022 and 2023	1.76	2,116,979
Exercisable at 31 December 2022	**1.62**	**1,506,180**
Exercisable at 31 December 2023	**1.71**	**1,817,206**

The exercise price of options outstanding at 31 December 2023 ranged between US$0.08 and US$2.70 and their weighted average remaining contractual life was 6.92 years and weighted average expected life was 3.55 years.

The Company recognised total expenses of US$186,000 (2022: US$614,000) within administrative expenses relating to equity-settled share-based payment transactions during the year.

22 Related party transactions

During the year an amount of US$85,000 (2022 – US$130,000) was invoiced by The Icahn School of Medicine at Mount Sinai for services rendered in the year. As of 31 December 2023 no amounts were owed to The Icahn School of Medicine at Mount Sinai (2022 – Nil).

During the year Paul Pagano and David Anderson, both directors of the Company, each purchased 7,123 shares in the Company using their own funds.

23 Events after the reporting date

On 21 March 2024 a special meeting of the Company approved the issue of 5,172,621 new shares of common stock of the Company at a price of 35 pence per share. The new shares represent approximately 16.9 per cent. of the enlarged share capital of the company. The issue of shares raised approximately £1.8 million (approximately US$2.3 million) (before fees and expenses).

LungLifeAI™

Our Vision.
To invert the 20:80 ratio such that in years to come at least 80% of lung cancer is detected early