UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2022

OR

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

Commission File Number: 001-37863

BIOMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-2645573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
17571 Von Karman Avenue, Irvine, CA	92614
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (949) 645-2111

(Former name, former address and former fiscal year, if changed since last report.)

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

(TITLE OF EACH CLASS)	(TICKER SYMBOL)	(NAME OF EACH EXCHANGE ON WHICH REGISTERED)
Common, par value $.08	BMRA	NASDAQ Capital Market

Indicate by check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [_]

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

Large accelerated filer [_]	Accelerated filer [_]
Non-accelerated filer [X]	Smaller reporting company [X]
	Emerging growth company [_]

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [_] No [X]

The number of shares of the registrant's common stock outstanding as of April 14, 2022 was 12,851,924.

BIOMERICA, INC.

INDEX

PART I - FINANCIAL INFORMATION
SUMMARIZED FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	February 28, 2022 (Unaudited)	May 31, 2021
Assets		
Current Assets:		
Cash and cash equivalents	$ 10,173,808	$ 4,199,311
Accounts receivable, less allowance for doubtful accounts of $20,293 and $837,415 as of February 28, 2022 and May 31, 2021, respectively	1,158,738	1,455,051
Inventories, net	3,231,430	3,206,255
Prepaid expenses and other	667,129	370,290
Total current assets	15,231,105	9,230,907
Property and equipment, net of accumulated depreciation and amortization of $2,046,612 and $1,972,357 as of February 28, 2022 and May 31, 2021, respectively	263,048	310,520
Right of use assets, net of accumulated amortization of $658,773 and $469,077 as of February 28, 2022 and May 31, 2021, respectively	1,367,863	1,553,081
Investments	165,324	165,324
Intangible assets, net of accumulated amortization of $49,253 and $126,769 as of February 28, 2022 and May 31, 2021, respectively	386,013	294,830
Other assets	146,980	264,151
Total Assets	$ 17,560,333	$ 11,818,813
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 2,608,840	$ 583,380
Accrued compensation	537,284	388,896
Advances from customers	3,213,052	-
Lease liability, current portion	338,744	327,944
Total current liabilities	6,697,920	1,300,220
Lease liability, net of current portion	1,104,611	1,291,570
Total Liabilities	7,802,531	2,591,790
Commitments and contingencies (Notes 1 and 6)		
Shareholders' Equity:		
Preferred stock, Series A 5% convertible, $0.08 par value, 571,429 shares authorized, none issued and outstanding as of February 28, 2022 and May 31, 2021	-	-
Preferred stock, undesignated, no par value, 4,428,571 shares authorized, none issued and outstanding as of February 28, 2022 and May 31, 2021	-	-
Common stock, $0.08 par value, 25,000,000 shares authorized, 12,851,924 and 12,307,157 issued and outstanding at February 28, 2022 and May 31, 2021, respectively	1,028,152	984,571
Additional paid-in-capital	42,108,865	38,836,743
Accumulated other comprehensive loss	(60,857)	(47,956)
Accumulated deficit	(33,318,358)	(30,546,335)
Total Shareholders' Equity	9,757,802	9,227,023
Total Liabilities and Shareholders' Equity	$ 17,560,333	$ 11,818,813

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2022	2021 (As Restated)	2022	2021 (As Restated)
Net sales	$ 7,660,501	$ 3,628,638	$ 13,569,188	$ 6,144,970
Cost of sales	(5,987,277)	(3,702,069)	(11,213,175)	(5,791,593)
Gross profit (loss)	1,673,224	(73,431)	2,356,013	353,377
Operating expenses:				
Selling, general and administrative	1,323,725	1,527,947	3,618,258	4,238,737
Research and development	456,998	563,967	1,515,384	1,892,033
Total operating expense	1,780,723	2,091,914	5,133,642	6,130,770
Loss from operations	(107,499)	(2,165,345)	(2,777,629)	(5,777,393)
Other income:				
Dividend and interest income	6,019	37,687	19,740	53,761
Loss before income taxes	(101,480)	(2,127,658)	(2,757,889)	(5,723,632)
(Provision) benefit for income taxes	(2,688)	3,117	(14,134)	(11,401)
Net loss	$ (104,168)	$ (2,124,541)	$ (2,772,023)	$ (5,735,033)
Basic net loss per common share	$ (0.01)	$ (0.18)	$ (0.22)	$ (0.49)
Diluted net loss per common share	$ (0.01)	$ (0.18)	$ (0.22)	$ (0.49)
Weighted average number of common and common equivalent shares:				
Basic	12,820,481	11,905,492	12,611,760	11,802,803
Diluted	12,820,481	11,905,492	12,611,760	11,802,803
Net loss	$ (104,168)	$ (2,124,541)	$ (2,772,023)	$ (5,735,033)
Other comprehensive loss, net of tax:				
Foreign currency translation	(2,538)	(5,437)	(12,901)	(8,687)
Comprehensive loss	$ (106,706)	$ (2,129,978)	$ (2,784,924)	$ (5,743,720)

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

For the Nine Months Ended February 28, 2021 (As Restated)

	Common Stock		Series A 5% Convertible Preferred Stock		Additional	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in Capital	Loss	Deficit	Total
Balances, May 31, 2020, restated	11,740,089	$ 939,205	321,429	$ 25,714	$ 36,388,056	$ (39,841)	$ (23,100,081)	$ 14,213,053
Exercise of stock options	81,750	6,540	-	-	89,915	-	-	96,455
Net proceeds from ATM	158,889	12,711	-	-	998,764	-	-	1,011,475
Foreign currency translation	-	-	-	-	-	(8,687)	-	(8,687)
Conversion of preferred to common stock	321,429	25,714	(321,429)	(25,714)	-	-	-	-
Compensation expense in connection with options granted	-	-	-	-	1,022,320	-	-	1,022,320
Net loss	-	-	-	-	-	-	(5,735,033)	(5,735,033)
Balances, February 28, 2021, restated	**12,302,157**	**$ 984,170**	**-**	**$ -**	**$ 38,499,055**	**$ (48,528)**	**$ (28,835,114)**	**$ 10,599,583**

For the Nine Months Ended February 28, 2022

	Common Stock		Series A 5% Convertible Preferred Stock		Additional	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in Capital	Loss	Deficit	Total
Balances, May 31, 2021	12,307,157	$ 984,571	-	$ -	$ 38,836,743	$ (47,956)	$ (30,546,335)	$ 9,227,023
Exercise of stock options	23,500	1,880	-	-	37,295	-	-	39,175
Net proceeds from ATM	521,267	41,701	-	-	2,275,459	-	-	2,317,160
Foreign currency translation	-	-	-	-	-	(12,901)	-	(12,901)
Compensation expense in connection with options granted	-	-	-	-	959,368	-	-	959,368
Net loss	-	-	-	-	-	-	(2,772,023)	(2,772,023)
Balances, February 28, 2022	**12,851,924**	**$ 1,028,152**	**-**	**$ -**	**$ 42,108,865**	**$ (60,857)**	**$ (33,318,358)**	**$ 9,757,802**

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended February 28,	
	2022	2021 (As Restated)
Cash flows from operating activities:		
Net loss	$ (2,772,023)	$ (5,735,033)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	102,272	94,550
Change in allowance on accounts receivable	(817,122)	578,438
Inventory reserve	270,805	1,437,547
Stock option expense	959,368	1,022,320
Amortization of right-of-use asset	189,696	173,919
Changes in assets and liabilities:		
Accounts receivable	1,113,435	(690,691)
Inventories	(295,980)	(1,446,766)
Prepaid expenses and other	(296,839)	734,966
Reduction in lease liability	(180,637)	(156,384)
Other assets	117,171	(114,664)
Accounts payable and accrued expenses	2,025,460	(230,575)
Accrued compensation	148,388	88,309
Advances from customers	3,213,052	-
Net cash provided by (used in) operating activities	3,777,046	(4,244,064)
Cash flows from investing activities:		
Increase in intangibles	(113,436)	(116,881)
Purchases of property and equipment	(32,547)	(106,760)
Net cash used in investing activities	(145,983)	(223,641)
Cash flows from financing activities:		
Proceeds from sale of common stock, net	2,317,160	1,011,475
Proceeds from exercise of stock options	39,175	96,455
Net cash provided by financing activities	2,356,335	1,107,930
Effect of exchange rate changes in cash	(12,901)	(8,687)
Net increase (decrease) in cash and cash equivalents	5,974,497	(3,368,462)
Cash and cash equivalents at beginning of period	4,199,311	8,641,027
Cash and cash equivalents at end of period	$ 10,173,808	$ 5,272,565
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$ 13,334	$ 13,730
Non-cash investing and financing activities:		
Increase in right-of-use asset due to lease extension or establishment	$ 4,478	$ -
Increase in lease liability due to lease extension or establishment	$ 4,478	$ -

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

Biomerica Inc. and subsidiaries (collectively the "Company", "Biomerica", "we", "us", or "our") develops, patents, manufactures and markets advanced diagnostic and therapeutic products used at the point-of-care (in home and physicians' offices) and in hospital/clinical laboratories for detection and/or treatment of medical conditions and diseases. The Company's products are designed to enhance the health and well-being of people, while reducing total healthcare costs.

Our primary focus is the research, development, and regulatory approval of patented, diagnostic-guided therapy ("DGT") products to treat gastrointestinal diseases, such as irritable bowel syndrome, and other inflammatory diseases. These products are directed at chronic inflammatory illnesses that are widespread and common, and as such address very large markets.

Our existing medical diagnostic products that are in the market are sold worldwide primarily in two markets: 1) clinical laboratories and 2) point-of-care (physicians' offices and drugstores like Walmart and Walgreens). Our diagnostic test kits are used to analyze blood, urine, nasal or fecal specimens from patients in the diagnosis of various diseases, food intolerances and other medical complications, by measuring or detecting the existence and/or level of specific bacteria, hormones, antibodies, antigens or other substances, which may exist in a patient's body, stools, or blood, often in extremely small concentrations.

Due to the global 2019 SARS-CoV-2 novel coronavirus pandemic, in March 2020 we began developing COVID-19 products to indicate if a person has been infected by COVID-19, or is currently infected. While the Company does offer a COVID-19 antibody diagnostic test, all of our COVID-19 revenues in fiscal 2022 have come from international sales of our COVID-19 antigen tests that use a patient's nasal fluid sample to detect if the patient is currently infected with the virus.

The other products we sell are primarily focused on gastrointestinal diseases, food intolerances, and certain esoteric tests. These diagnostic test products utilize immunoassay technology. Most of our commercial products are CE marked and/or sold for diagnostic use where they are registered by each country's regulatory agency. In addition, some products are cleared for sale in the U.S. by the FDA.

The information set forth in these condensed consolidated financial statements is unaudited and reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of the consolidated results of operations of Biomerica, Inc. and subsidiaries, for the periods indicated. It does not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. All adjustments that were made are of a normal recurring nature.

The unaudited, condensed consolidated financial statements and notes are presented as permitted by the requirements for Form 10-Q and do not contain certain information included in the annual financial statements and notes. The condensed consolidated balance sheet data as of May 31, 2021 was derived from restated, audited financial statements. The accompanying interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on August 27, 2021 for the fiscal year ended May 31, 2021, which have been restated as described in our Form 10-K/A as filed on October 14, 2021. The results of operations for the interim periods are not necessarily indicative of results to be achieved for the full fiscal year.

CORRECTION OF AN ERROR

As disclosed in our Form 10-K/A for the year ended May 31, 2021, filed on October 14, 2021, during the process of preparing our financial statements for the quarter ended August 31, 2021, we determined that our calculation of non-cash stock-based compensation expense related to issued stock options in previously issued financial statements was incorrect. Our calculation applied forfeiture adjustments to both vested and unvested outstanding options, including those for which the employee had provided the requisite service, which resulted in an understatement of stock compensation expense. Additionally, our calculation expensed the option at vesting dates versus pro-rata over the period the requisite service was provided. As a result of these errors, certain previously reported amounts in the condensed consolidated statement of operations, condensed consolidated statement of stockholders' equity and condensed consolidated statement of cash flows for the periods ended February 28, 2021, were materially misstated; accordingly, we have restated the prior period financial statements. See Note 8 to these Financial Statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of Biomerica, Inc. as well as its German subsidiary (BioEurope GmbH) and Mexican subsidiary (Biomerica de Mexico). All significant intercompany accounts and transactions have been eliminated in consolidation.

ACCOUNTING ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Estimates that are made include the allowance for doubtful accounts, which is estimated based on current as well as historical past practices with a customer; stock option forfeiture rates, which are calculated based on historical data; inventory obsolescence, which is based on projected and historical usage of materials; and lease liability and right-of-use assets, which are calculated based on certain assumptions such as borrowing rate, the likelihood of lease extensions to occur, asset valuation, among other things; and other items that may be necessary to estimate using current, historical and judgment based information. Actual results could materially differ from those estimates.

MARKETS AND METHODS OF DISTRIBUTION

Due to the Coronavirus global pandemic, the Company's operations have been negatively impacted. The Company has faced disruptions in certain of the following areas, and may face further challenges from supply chain disruptions, loss of contracts and/or customers, closure of the Company's manufacturing or distribution facilities or of the facilities of the Company's suppliers, partners and customers, travel, shipping and logistical disruptions, government responses of all types, international business risks in countries where the Company makes and/or sells its products, loss of human capital or personnel at the Company, its partners and its customers, interruptions of production, customer credit risk, and general economic calamities. These ongoing pandemic related disruptions have materially negatively impacted the Company's operations and financial performance and may continue to have significant material negative impacts on the Company.

LIQUIDITY

The Company has incurred net losses and negative cash flows from operations and has an accumulated deficit of approximately $33.3 million as of February 28, 2022. Management expects to continue to incur significant costs as it advances its clinical trials and product development activities.

On January 22, 2021, the Company filed a prospectus supplement for purposes of raising up to $15,000,000 to the base prospectus filed with the SEC on July 21, 2020 and included in the registration statement on Form S-3 (File No. 333-239980) that was declared effective by the SEC on September 30, 2020. The shares included in the prospectus supplement may be sold pursuant to the terms of an At-The- Market Issuance Sales Agreement between the Company and B. Riley Securities, Inc., as sales agent, the ATM Agreement.

The Company intends to use the net proceeds from such offering for general corporate purposes, including, without limitation, sales and marketing activities, clinical studies and product development, making acquisitions of assets, businesses, companies or securities, capital expenditures, and for working capital needs.

Under an ATM Agreement, sales of shares are deemed to be sold "at the market offerings" as defined in Rule 415 promulgated under the Securities Act. The sales agent under the ATM Agreement agrees to use commercially reasonable efforts to sell on the Company's behalf all of the shares requested to be sold from time to time by the Company, consistent with its normal trading and sales practices, on mutually agreed terms between the sales agent and the Company. The Company has no obligation to sell any of the shares under the ATM Agreement, and may at any time suspend offers under, or terminate the ATM Agreement.

As a result of cash and cash equivalents on hand at February 28, 2022, and the ability to raise additional funds through the ATM Agreement noted above, management believes the Company has sufficient funds to operate through May 2023.

CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at certain financial institutions in excess of amounts insured by federal agencies. As of February 28, 2022, the Company had approximately $9,765,000 of uninsured cash. The Company does not believe it is exposed to any significant credit risks.

For the nine months ended February 28, 2022 and 2021, the Company had three and two key customers who are located in foreign countries which accounted for 75% and 66% of net consolidated sales, respectively. At February 28, 2022 and May 31, 2021, the Company had one and two key customers who are located in foreign countries which accounted for a total of 67% and 73%, respectively, of gross accounts receivable.

For the nine months ended February 28, 2022 and 2021, the Company had one key vendor which accounted for 85% and 62% of the purchases of raw materials, respectively. As of February 28, 2022 and May 31, 2021, the Company had one key vendor which accounted for 80% and 17%, respectively, of accounts payable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and money market accounts with original maturities of less than three months.

ACCOUNTS RECEIVABLE

The Company extends unsecured credit to its customers on a regular basis. International accounts are usually required to prepay until they establish a history with the Company and at that time, they are extended credit at levels based on a number of criteria. Based on various criteria, initial credit levels for individual distributors are approved by designated officers and managers of the Company. All increases in credit limits are also approved by designated upper-level management. Management evaluates receivables on a quarterly basis and adjusts the allowance for doubtful accounts accordingly. Balances over ninety days old are usually reserved for unless collection is reasonably assured.

Occasionally certain long-standing customers, who routinely place large orders, will have unusually large receivables balances relative to the total gross receivables. Management monitors the payments for these large balances closely and very often requires payment of existing invoices before shipping new sales orders.

The Company has established a reserve of approximately $20,000 for doubtful accounts as of February 28, 2022.

PREPAID EXPENSES AND OTHER

The Company occasionally prepays for items such as inventory, insurance and other items. These items are reported as prepaid expenses and other, until either the inventory is physically received or the insurance and other items are expensed.

As of February 28, 2022 and May 31, 2021, the prepaid expenses and other were approximately $667,000 and $370,000, respectively. The prepaid expenses and other balance were composed of prepayments to raw materials suppliers, insurance and various other suppliers.

INVENTORIES, NET

The Company values inventory at the lower of cost (determined using a combination of specific lot identification and the first-in, first-out methods) or net realizable value. Management periodically reviews inventory for excess quantities and obsolescence. Management evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. The inventory reserve (as described below) is adjusted based on such evaluation, with a corresponding provision included in cost of sales. Abnormal amounts of idle facility expenses, freight, handling costs and wasted material are recognized as current period charges and the allocation of fixed production overhead is based on the normal capacity of the production facilities.

Net inventories are approximately the following:

	February 28, 2022	May 31, 2021
Raw materials	$ 1,360,000	$ 1,583,000
Work in progress	714,000	1,006,000
Finished products	1,157,000	617,000
Total	$ 3,231,000	$ 3,206,000

Reserves for inventory obsolescence are recorded as necessary to reduce obsolete inventory carrying value to estimated realizable value or to specifically reserve for obsolete inventory that the Company intends to dispose of. As of February 28, 2022 and May 31, 2021, inventory reserves were approximately $1,888,000 and $1,617,000, respectively. Of the inventory reserve as of February 28, 2022, approximately $1,686,000 was related to a market downturn in our COVID-19 antibody test and materials, as the market shifted to COVID-19 PCR viral tests and antigen tests.

PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost. Expenditures for additions and major improvements are capitalized. Repairs and maintenance costs are charged to operations as incurred. When property and equipment are sold, retired or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts, and gains or losses from sales, retirements and dispositions are credited or charged to income.

Depreciation and amortization are provided over the estimated useful lives of the related assets, ranging from 5 to 10 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Depreciation and amortization expense on property and equipment were approximately $26,000 for the three months ended February 28, 2022 and 2021, and approximately $80,000 and $78,000 for the nine months ended February 28, 2022 and 2021, respectively.

INTANGIBLE ASSETS, NET

Intangible assets include trademarks, product rights, technology rights and patents, and are accounted for based on Accounting Standards Codification, ASC 350 Intangibles – Goodwill and Other. In that regard, intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Intangible assets are being amortized using the straight-line method over the useful life, not to exceed 18 years for marketing and distribution rights, 10 years for purchased technology use rights, and 20 years for patents. Amortization was approximately $8,000 and $4,000 for the three months ended February 28, 2022 and 2021 and approximately $22,000 and $16,000 for the nine months ended February 28, 2022 and 2021, respectively.

The Company assesses the recoverability of these intangible assets by determining whether the amortization of the asset's balance over its remaining life can be recovered through projected undiscounted future cash flows. The Company uses a qualitative assessment to determine whether there was any impairment. No impairment adjustment was required as of February 28, 2022 or 2021.

INVESTMENTS

From time-to-time, the Company makes investments in privately-held companies. The Company determines whether the fair values of any investments in privately-held entities have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considers any such decline to be other than temporary (based on various factors, including historical financial results, and the overall health of the investee's industry), a write-down to estimated fair value is recorded. Investments represent the Company's equity investment in a Polish-based distribution company which is primarily engaged in distributing medical products and devices, including those manufactured by the Company, and in certain cases, manufacturing the products they sell. The Company currently has not written down the investment and has no information that would indicate the carrying value is greater than the fair value. The Company owns approximately 6% of the Polish distribution company, and accordingly, applies the cost method to account for the investment. Under the cost method, investments are recorded at cost, with gains and losses recognized as of the sale date, and income recorded when received.

SHARE-BASED COMPENSATION

The Company follows the guidance of the accounting provisions of Accounting Standards Codification 718, Share-based Compensation, which requires the use of the fair-value based method to determine compensation expense for all arrangements under which employees, directors and others are granted shares of the Company's common stock or equity instruments (stock options). The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions for expected volatility, expected dividends, expected forfeiture rate, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on weighted averages of the historical volatility of the Company's common stock estimated over the expected term of the options. The expected forfeiture rate is based on historical forfeitures experienced. The expected term of options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term as historically the Company had limited activity surrounding its options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

The following summary presents the options and warrants granted, exercised, expired, canceled and outstanding for the nine months ended February 28, 2022:

	Option Shares	Exercise Price Weighted Average
Outstanding May 31, 2021	2,081,366	$ 3.59
Granted	307,000	4.44
Exercised	(23,500)	1.71
Cancelled or expired	(28,750)	3.49
Outstanding February 28, 2022	2,336,116	$ 3.72

During the nine months ended February 28, 2022, options to purchase 23,500 shares of common stock were exercised at prices ranging from $1.20 to $3.62. Total net proceeds to the Company were $39,175.

During the nine months ended February 28, 2022, the Company granted 307,000 options to purchase common stock at an average purchase price of $4.44.

REVENUE RECOGNITION

The Company has various contracts with customers. All of the contracts specify that revenues from product sales are recognized at the time the product is shipped, customarily FOB shipping point, which is when the transfer of control of goods has occurred and at which point title passes.

The Company does not typically allow for returns from international customers except in the event of defective merchandise and therefore does not establish an allowance for returns. The Company does allow for a return merchandise allowance of approximately one percent of sales to certain domestic retailers. This allowance reduces revenue recognition by approximately one percent, and is included in sales discounts. In addition, the Company has contracts with customers wherein they receive purchase discounts for achieving specified sales volumes. The Company evaluated the status of these contracts as of February 28, 2022 and 2021, and does not believe that any additional discounts will be given through the end of the contract periods.

Services for contract works performed by the Company for others are invoiced and recognized as work that has been performed as the project progresses. The Company sells clinical lab products to domestic and international distributors, including hospitals and clinical laboratories, medical research institutions, medical schools and pharmaceutical companies. OTC products are sold directly to drug stores and e-commerce customers as well as to distributors. Physicians' office products are sold to physicians and distributors, all of whom are categorized below according to the type of products sold to them. We also manufacture certain components on a contract basis for domestic and international manufacturers.

During the quarter ended February 28, 2022, the Company had approximately $3,213,000 of advances from certain foreign customers. The majority of these advances are prepayments on orders that are expected to ship during our fourth quarter ended May 31, 2022.

Disaggregation of revenue:

The following is a breakdown of revenues according to markets to which the products are sold:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2022	2021	2022	2021
Physician's office	$ 6,518,000	$ 2,384,000	$ 10,134,000	$ 2,735,000
Clinical lab	731,000	967,000	2,259,000	2,441,000
Over-the-counter	244,000	148,000	857,000	605,000
Contract manufacturing	167,000	130,000	319,000	364,000
Total	$ 7,660,000	$ 3,629,000	$ 13,569,000	$ 6,145,000

See Note 4 for additional information regarding revenue concentrations.

SHIPPING AND HANDLING FEES

The Company includes shipping and handling fees billed to customers in net sales.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. The Company expensed approximately $457,000 and $564,000 of research and development costs during the three months ended February 28, 2022 and 2021 and approximately $1,515,000 and $1,892,000 during the nine months ended February 28, 2022 and 2021, respectively.

INCOME TAXES

The Company has provided a valuation allowance on deferred income tax assets of approximately $6,479,000 and $5,904,000 as of February 28, 2022 and May 31, 2021, respectively.

FOREIGN CURRENCY TRANSLATION

The subsidiary located in Mexico operates primarily using the Mexican peso. The subsidiary located in Germany operates primarily using the U.S. dollar, with an immaterial amount of transactions occurring using the Euro. Accordingly, assets and liabilities of these subsidiaries are translated using exchange rates in effect at the end of the period, and revenues and costs are translated using average exchange rates for the period. The resulting adjustments to assets and liabilities are presented as a separate component of accumulated other comprehensive loss. There are no adjustments to foreign currency loss that are included in the consolidated statements of operations for the three and nine months ended February 28, 2022 and 2021.

RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The Company follows the guidance of ASC 842, Leases, which requires lessees to recognize most leases on the balance sheet with a corresponding right-of-use asset. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Company leases office space and copy machines, all of which are operating leases. The Company has elected to exclude short-term leases. Most leases include the option to renew and the exercise of the renewal options is at the Company's sole discretion. Options to extend or terminate a lease are considered in the lease term to the extent that the option is reasonably certain of exercise. The leases do not include the options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

NET LOSS PER SHARE

Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities using the treasury stock method. The total amount of anti-dilutive stock options not included in the loss per share calculation at February 28, 2022 and 2021 was 2,336,116 and 1,360,192, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent ASUs issued by the Financial Accounting Standards Board and guidance issued by the Securities and Exchange Commission ("SEC") did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

NOTE 3: SHAREHOLDERS' EQUITY

Stock option expense during the nine months ended February 28, 2022 and 2021 was approximately $959,000 and $1,022,000 (as restated, see Note 8 to these Financial Statements), respectively.

During the nine months ended February 28, 2022, the Company sold 521,267 shares of its common stock at prices ranging from $4.02 to $5.63 under its January 22, 2021 prospectus supplement and the ATM Agreement (see Note 2 to these Financial Statements) which resulted in gross proceeds of approximately $2,402,000 and net proceeds to the Company of approximately $2,317,000 after deducting commissions for each sale and legal, accounting and other fees related to the filing of the Form S-3.

NOTE 4: GEOGRAPHIC INFORMATION

The Company operates as one segment. Geographic information regarding net sales is approximately as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2022	2021	2022	2021
Revenues from sales to unaffiliated customers:				
Asia	$ 4,877,000	$ 756,000	$ 8,925,000	$ 1,653,000
Europe	2,416,000	2,611,000	3,683,000	3,781,000
North America	286,000	133,000	820,000	374,000
South America	81,000	64,000	87,000	146,000
Middle East	-	65,000	54,000	191,000
	$ 7,660,000	$ 3,629,000	$ 13,569,000	$ 6,145,000

As of February 28, 2022 and May 31, 2021, approximately $142,000 and $803,000 of Biomerica's gross inventory was located in Mexicali, Mexico, respectively. As of February 28, 2022 and May 31, 2021, approximately $19,000 and $25,000 of Biomerica's property and equipment, net of accumulated depreciation and amortization, was located in Mexicali, Mexico, respectively.

NOTE 5: LEASES

On June 18, 2009, the Company entered into an agreement to lease a building in Irvine, California. The lease commenced September 1, 2009 and ended August 31, 2016. On November 30, 2015, the Company entered into the First Amendment to Lease wherein it exercised its option to extend its lease until August 31, 2021. The initial base rent for the lease extension was $21,000 per month, increasing to $23,637 through August 31, 2021. On April 9, 2021, the Company exercised its second option to extend its lease for an additional five years through August 2026. The Company was also granted an additional five years lease extension option through August 2031. The rent is currently $25,588 per month. The security deposit of $22,078 remains the same.

In November 2016, the Company's subsidiary, Biomerica de Mexico, entered into a ten-year lease for approximately 8,104 square feet at a monthly rent of $2,926. The Company has one 10-year option to renew at the end of the initial lease period. The yearly rate is subject to an annual adjustment for inflation according to the United States Bureau of Labor Statistics Consumer Price Index for All Urban Consumers. The monthly rate is currently $3,438. Biomerica, Inc. is not a guarantor of such lease. Biomerica de Mexico also leases a smaller unit on a month-to-month basis for use in one manufacturing process.

In addition, the Company leases a small office in Lindau, Germany on a month-to-month basis, as headquarters for BioEurope GmbH, its Germany subsidiary.

Rent expense in the U.S. for the nine months ended February 28, 2022 and 2021 was approximately $230,000 and $227,000, respectively. Rent expense for the Mexico facility for the nine months ended February 28, 2022 and 2021 was approximately $31,000.

For purposes of determining straight-line rent expense, the lease term is calculated from the date the Company first takes possession of the facility, including any periods of free rent and any renewal option periods that the Company is reasonably certain of exercising. The Company's office and equipment leases generally have contractually specified minimum rent and annual rent increases are included in the measurement of the right-of-use asset and related lease liability. Additionally, under these lease arrangements, the Company may be required to pay directly, or reimburse the lessors, for some maintenance and operating costs. Such amounts are generally variable and therefore not included in the measurement of the right-of-use asset and related lease liability but are instead recognized as variable lease expense in the Consolidated Statements of Operations and Comprehensive Loss when they are incurred.

Supplemental cash flow information related to leases for the nine months ended February 28, 2022:

Operating cash flows from operating leases	$ 252,252
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -
Weighted average remaining lease term (in years)	4.53
Weighted average discount rate	6.50%

The approximate maturity of lease liabilities as of February 28, 2022 are as follows:

Less than 1 year	$	349,000
1 to 2 years		359,000
2 to 3 years		370,000
3 to 4 years		381,000
4 to 5 years		201,000
Total undiscounted lease payments		1,660,000
Less imputed interest		217,000
Total operating lease liabilities	$	1,443,000

According to the terms of the lease in Irvine, the Company is also responsible for routine repairs of the building and for certain increases in property tax.

The Company also has various insignificant leases for office equipment.

NOTE 6: COMMITMENTS AND CONTINGENCIES

LITIGATION

The Company is, from time to time, involved in legal proceedings, claims and litigation arising in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability cannot presently be determined because of considerable uncertainties that exist. Therefore, it is possible the outcome of such legal proceedings, claims and litigation could have a material effect on quarterly or annual operating results or cash flows when resolved in a future period. However, based on facts currently available, management believes such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. There were no legal proceedings pending as of February 28, 2022.

CONTRACTS AND LICENSING AGREEMENTS

None

NOTE 7: SUBSEQUENT EVENTS

None.

NOTE 8: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During September 2021, the Company determined that errors were included in the previously issued financial statements as described below. As a result, we restated our financial statements for the periods ended February 28, 2021.

The Company discovered the errors listed below. The restatement corrects these errors.

Our non-cash stock-based compensation expenses calculation applied forfeiture adjustments to both vested and unvested outstanding options, including those for which the employee had provided the requisite service and vesting had occurred, which resulted in an understatement of stock compensation expense. Additionally, our calculation expensed all issued options at vesting dates versus pro- rata over the period the requisite service was provided.

Stock-based compensation expense shown on the statement of operations is a non-cash expense, and impacts accumulated deficit and additional paid-in capital on the balance sheet. However, this does not impact the Company’s cash, revenues or other aspects of ongoing operations.

The restatement for the quarter ended February 28, 2021 resulted in no changes in the provision for income taxes.

The effect of the restatement on the consolidated statement of operations for the three months ended February 28, 2021 is as follows:

	As Previously Reported	Adjustments	As Restated
Cost of sales	$ 3,667,143	$ 34,926	$ 3,702,069
Gross Profit	(38,505)	(34,926)	(73,431)
Operating Expenses:			
Selling, general and administrative	1,278,393	249,554	1,527,947
Research and development	563,216	751	563,967
Total operating expense	1,841,609	250,305	2,091,914
Loss from operations	(1,880,114)	(285,231)	(2,165,345)
Loss before income taxes	(1,842,427)	(285,231)	(2,127,658)
Net loss	$ (1,839,310)	$ (285,231)	$ (2,124,541)
Basic net loss per common share	$ (0.15)	$ (0.03)	$ (0.18)
Diluted net loss per common share	$ (0.15)	$ (0.03)	$ (0.18)
Comprehensive loss	$ (1,844,747)	$ (285,231)	$ (2,129,978)

The effect of the restatement on the consolidated statement of operations for the nine months ended February 28, 2021 is as follows:

	As Previously Reported	Adjustments	As Restated
Cost of sales	$ 5,639,103	$ 152,490	$ 5,791,593
Gross Profit	505,867	(152,490)	353,377
Operating Expenses:			
Selling, general and administrative	3,697,804	540,933	4,238,737
Research and development	1,824,312	67,721	1,892,033
Total operating expense	5,522,116	608,654	6,130,770
Loss from operations	(5,016,249)	(761,144)	(5,777,393)
Loss before income taxes	(4,962,488)	(761,144)	(5,723,632)
Net loss	$ (4,973,889)	$ (761,144)	$ (5,735,033)
Basic net loss per common share	$ (0.42)	$ (0.07)	$ (0.49)
Diluted net loss per common share	$ (0.42)	$ (0.07)	$ (0.49)
Comprehensive loss	$ (4,982,576)	$ (761,144)	$ (5,743,720)

The effect of the restatement on the consolidated statement of cash flows for the period ended February 28, 2021 is as follows:

	As Previously Reported	Adjustments	As Restated
Cash flows from operating activities:			
Net loss	$ (4,973,889)	$ (761,144)	$ (5,735,033)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock option expense	261,176	761,144	1,022,320
Net cash used in operating activities	(4,244,064)	-	(4,244,064)
Cash and cash equivalents at end of period	$ 5,272,565	$ -	$ 5,272,565

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes thereto included in Part II, Item 8 of this Report. This discussion and analysis contains forward-looking statements that are based on our management's current beliefs and assumptions, which statements are subject to substantial risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those discussed in "Risk Factors" included in Part I, Item 1A of this Report.

OVERVIEW

Biomerica, Inc. and its subsidiaries (which includes wholly-owned subsidiaries, Biomerica de Mexico and BioEurope GmbH), is a biomedical technology company that develops, patents, manufactures and markets advanced diagnostic and therapeutic products used at the point-of-care (in home and physicians' offices) and in hospital/clinical laboratories for detection and/or treatment of medical conditions and diseases. The Company's products are designed to enhance the health and well-being of people, while reducing total healthcare costs.

Our primary focus is the research and development of revolutionary, patented, diagnostic-guided therapy, or DGT, products to treat gastrointestinal diseases, such as irritable bowel syndrome, and other inflammatory diseases. These products are directed at chronic inflammatory illnesses that are widespread and common, and as such address very large markets. If these DGT products prove effective in their clinical trials, and are ultimately cleared for sale by the U.S. Food and Drug Administration, we believe the revenue potential to the Company is significant.

We recently completed an endpoint determination clinical trial on our InFoods® IBS product. This trial was conducted at Mayo Clinics in Florida and Arizona, Beth Israel Deaconess Medical Center Inc., a Harvard Medical School Teaching Hospital, University of Texas Health Science Center at Houston, Houston Methodist, the University of Michigan and other institutions. This trial monitored IBS patients over an 8-week period to determine the efficacy of our InFoods® IBS product to improve the patients' IBS symptoms. The top-line trial results were reported in February 2022. Multiple endpoints demonstrated statistically significant improvements, indicating that the elimination of specific foods may meaningfully reduce the symptoms of IBS in all patient subtypes (including patients with IBS-Constipation, IBS-Diarrhea & IBS-Mixed). The greatest clinical improvements, including but not limited to abdominal pain and bloating, were seen in patients diagnosed with IBS-Mixed and IBS-Constipation, in the top line data. The purpose of the endpoint study was to determine the symptom endpoint, or endpoints to be used in a final pivotal trial that will be conducted to attain the validation data needed to apply for FDA clearance for the product. We are now in the process of reviewing the complete data-set and selecting the target endpoint(s) to be used in the pivotal trial. We are also writing the protocols for this trial and expect to present these protocols to the FDA over the next several months, with the intention of beginning the trial in calendar year 2022. The trial is expected to include the large medical institution participants that conducted the endpoint trial, in addition to other new institutions and a Clinical Research Organization. We are also beginning the work of selecting and validating at least one new disease (such as ulcerative colitis or migraines), where there is evidence that certain foods can trigger or contribute to the symptoms found in these indications. We expect any new disease we target will follow a similar development pathway as InFoods IBS in seeking FDA clearance of the diagnostic guided therapy.

We will also continue to evaluate partnership/licensing opportunities, as they arise, with U.S and multinational companies that could help us commercialize the InFoods products in the U.S and overseas.

Our existing medical diagnostic products are sold worldwide primarily in two markets: 1) clinical laboratories and 2) point-of-care (physicians' offices and over-the-counter drugstores like Walmart and Walgreens). The diagnostic test kits are used to analyze blood, urine, nasal or fecal specimens from patients in the diagnosis of various diseases, food intolerances and other medical complications, by measuring or detecting the existence and/or level of specific bacteria, hormones, antibodies, antigens or other substances, which may exist in a patient's body, stools, or blood, often in extremely small concentrations.

Due to the global 2019 SARS-CoV-2 novel coronavirus pandemic, in March 2020 we began developing COVID-19 products to indicate if a person has been infected by COVID-19, or is currently infected. While the Company does offer a COVID-19 antibody diagnostic test, all of our COVID-19 revenues in fiscal 2022 have come from international sales of our COVID-19 antigen tests that use a patient's nasal fluid sample to detect if the patient is currently infected with the virus.

The other products we sell are primarily focused on gastrointestinal diseases, food intolerances, and certain esoteric tests. These diagnostic test products utilize immunoassay technology. Most of our products are CE marked and/or sold for diagnostic use where they are registered by each country's regulatory agency. In addition, some products are cleared for sale in the U.S. by the FDA.

While sales continue to occur in our COVID-19 products, the majority of our research and development efforts are focused on development and commercialization of non-COVID related products such as our H. Pylori product, and our InFoods® IBS product.

We also recently added several new employees in our sales and marketing department in order to increase sales of existing products during fiscal 2022. Through these efforts, our EZ Detect colon disease home screening test is seeing a significant increased interest from retailers such as Walmart, distributors, and screening programs in other countries.

RESULTS OF OPERATIONS

As disclosed in Note 8 of Item 1 to these unaudited condensed consolidated financial statements, during the fiscal quarter ended November 30, 2021, we determined that our calculation of non-cash stock-based compensation expense related to issued stock options in previously issued financial statements was incorrect. Our calculation applied forfeiture adjustments to both vested and unvested outstanding options, including those for which the employee had provided the requisite service, which resulted in an understatement of stock compensation expense. Additionally, our calculation expensed the option at vesting dates versus pro rata over the period the requisite service was provided. These errors resulted in an understatement of stock compensation expense during the nine months ended February 28, 2021, and periods prior to May 31, 2020, resulting in a cumulative adjustment to equity accounts. As a result, our previously issued financial statements for the nine months ended February 28, 2021 have been restated.

Three months ended February 28, 2022

Net Sales and Cost of Sales

The following is a breakdown of revenues according to markets to which the products are sold:

	Three Months Ended February 28,,		Increase (Decrease)	
	2022	2021	$	%
Physician's office	$ 6,518,000	$ 2,384,000	$ 4,134,000	173%
Clinical lab	731,000	967,000	(236,000)	-24%
Over-the-counter	244,000	148,000	96,000	65%
Contract manufacturing	167,000	130,000	37,000	28%
Total	$ 7,660,000	$ 3,629,000	$ 4,031,000	111%

Consolidated net sales were approximately $7,660,000 for the three months ended February 28, 2022, as compared to $3,629,000 for the three months ended February 28, 2021. This represents an increase of approximately $4,031,000 or 111%. The increase for the three months ended February 28, 2022, as compared to the three months ended February 28, 2021, was primarily due to the sale of our COVID-19 product to distributors in Asia and Europe.

Consolidated cost of sales was approximately $5,987,000 or 78% of net sales, for the three months ended February 28, 2022, as compared to $3,702,000 or 102% of net sales, for the three months ended February 28, 2021. This represents an increase of approximately $2,285,000 or 62%. The increase for the three months ended February 28, 2022, as compared to the three months ended February 28, 2021, was primarily due to the sale of our COVID-19 product to distributors in Asia and Europe.

Operating Expenses

The following is a summary of operating expenses:

	Three Months Ended February 28,					
	2022		2021		Increase (Decrease)	
	Operating Expense	As a % of Total Revenues	Operating Expense	As a % of Total Revenues	$	%
Selling, General and Administrative Expenses	$ 1,324,000	17%	$ 1,528,000	42%	$ (204,000)	-13%
Research and Development	$ 457,000	6%	$ 564,000	16%	$ (107,000)	-19%

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses were approximately $1,324,000 for the three months ended February 28, 2022, as compared to $1,528,000 for the three months ended February 28, 2021. This represents a decrease of approximately $204,000 or 13%. The decrease in the three months ended February 28, 2022, was primarily due to a reduction of bad debt expense, partially offset by increases in compensation and outside services expense.

Research and Development

Consolidated research and development expenses were approximately $457,000 for the three months ended February 28, 2022, as compared to $564,000 for the three months ended February 28, 2021. This represents a decrease of approximately $107,000 or 19%. The decrease in the three months ended February 28, 2022, was primarily a result of decreases in costs related to the research, development, and validation of COVID-19 tests.

Interest and Dividend Income

Interest and dividend income were approximately $6,000 for the three months ended February 28, 2022, as compared to $38,000 for the three months ended February 28, 2021. This represents a decrease of $32,000 or 84%.

Nine months ended February 28, 2022

Net Sales and Cost of Sales

The following is a breakdown of revenues according to markets to which the products are sold:

	Nine Months Ended February 28,		Increase (Decrease)	
	2022	2021	$	%
Physician's office	$ 10,134,000	$ 2,735,000	$ 7,399,000	271%
Clinical lab	2,259,000	2,441,000	(182,000)	-7%
Over-the-counter	857,000	605,000	252,000	42%
Contract manufacturing	319,000	364,000	(45,000)	-12%
Total	$ 13,569,000	$ 6,145,000	$ 7,424,000	121%

Consolidated net sales were approximately $13,569,000 for the nine months ended February 28, 2022, as compared to $6,145,000 for the nine months ended February 28, 2021. This represents an increase of approximately $7,424,000 or 121%. The increase for the nine months ended February 28, 2022, as compared to the nine months ended February 28, 2021, was primarily due to the sale of our COVID-19 product to distributors in Asia and Europe.

Consolidated cost of sales was approximately $11,213,000 or 83% of net sales, for the nine months ended February 28, 2022, as compared to $5,792,000 or 94% of net sales, for the nine months ended February 28, 2021. This represents an increase of approximately $5,421,000 or 94%. The increase for the nine months ended February 28, 2022, as compared to the nine months ended February 28, 2021, was primarily due to the sale of our COVID-19 product to distributors in Asia and Europe.

Operating Expenses

The following is a summary of operating expenses:

	Nine Months Ended February 28,					
	2022		2021		Increase (Decrease)	
	Operating Expense	As a % of Total Revenues	Operating Expense	As a % of Total Revenues	$	%
Selling, General and Administrative Expenses	$ 3,618,000	27%	$ 4,239,000	69%	$ (621,000)	-15%
Research and Development	$ 1,515,000	11%	$ 1,892,000	31%	$ (377,000)	-20%

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses were approximately $3,618,000 for the nine months ended February 28, 2022, as compared to $4,239,000 for the nine months ended February 28, 2021. This represents a decrease of approximately $621,000 or 15%. The decrease in the nine months ended February 28, 2022, was primarily due to a reduction of bad debt expense, partially offset by increases in compensation and outside services expense.

Research and Development

Consolidated research and development expenses were approximately $1,515,000 for the nine months ended February 28, 2022, as compared to $1,892,000 for the nine months ended February 28, 2021. This represents a decrease of approximately $377,000 or 20%. The decrease in the nine months ended February 28, 2022, was primarily a result of decreases in costs related to the research, development, and validation of COVID-19 tests.

Interest and Dividend Income

Interest and dividend income were approximately $20,000 for the nine months ended February 28, 2022, as compared to $54,000 for the nine months ended February 28, 2021. This represents a decrease of $34,000 or 63%.

LIQUIDITY AND CAPITAL RESOURCES

The following are the principal sources of liquidity:

	February 28, 2022	May 31, 2021
Cash and cash equivalents	$ 10,174,000	$ 4,199,000
Working capital including cash and cash equivalents	$ 8,533,000	$ 7,931,000

As of February 28, 2022 and May 31, 2021, we had cash and cash equivalents of approximately $10,174,000 and $4,199,000, respectively, and working capital of approximately $8,533,000 and $7,931,000, respectively. As a result of cash and cash equivalents on hand at February 28, 2022, and our ability to raise additional funds through our ATM Agreement, management believes we have sufficient funds to operate through the next twelve months or more.

Operating Activities

Cash provided by operating activities of approximately $3,777,000 during the nine months ended February 28, 2022, reflects a net loss of approximately $2,772,000 and non-cash adjustments of $705,000 primarily associated with depreciation, amortization, stock-based compensation, adjustments to allowance for doubtful accounts, and inventory reserves. In addition, we realized an increase in net working capital of approximately $5,844,000 primarily driven by an increase in advances from customers and accounts payable. For the nine months ended February 28, 2021, cash used by operating activities of approximately $4,244,000 reflects a net loss of $5,735,000 and non-cash adjustments of $3,307,000 primarily associated with depreciation, amortization, stock-based compensation, and inventory reserves. The non-cash adjustments were partially offset by a decline in net working capital of approximately $1,816,000 primarily driven by an increase in inventory.

Investing Activities

Cash used in investing activities for the nine months ended February 28, 2022, was approximately $33,000 for purchases of property and equipment and $113,000 for increased intangibles. Cash used in investing activities for the nine months ended February 28, 2021, was approximately $107,000 for purchases of property and equipment and $117,000 for increased intangibles.

Financing Activities

Cash provided by financing activities for the nine months ended February 28, 2022, was approximately $2,356,000 which was a result of stock option exercises of $39,000 and net proceeds from the sale of common stock of $2,317,000. Cash provided by financing activities for the nine months ended February 28, 2021, was approximately $1,108,000 which was a result of stock option exercises of $96,000 and proceeds from the sale of comment stock of $1,011,000.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as of February 28, 2022.

CRITICAL ACCOUNTING POLICIES

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable under the current conditions; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These relate to revenue recognition, accounts receivable reserves, inventory valuation, lease liabilities, right-of-use assets, and stock-based compensation. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial conditions or results of operations. We suggest that our significant accounting policies be read in conjunction with this Management’s Discussion and Analysis of Financial Condition and Results of Operations. See Note 2 to these Financial Statements for information on Significant Accounting Policies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Our management evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives and the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the "reasonable assurance" level. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms; and (2) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in legal proceedings, claims and litigation arising in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability cannot presently be determined because of considerable uncertainties that exist. Therefore, it is possible the outcome of such legal proceedings, claims and litigation could have a material effect on quarterly or annual operating results or cash flows when resolved in a future period. However, based on facts currently available, management believes such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. There were no legal proceedings pending as of February 28, 2022.

ITEM 1A. RISKS AND UNCERTAINTIES.

An investment in our common stock involves risks. Before making an investment decision, you should carefully consider all the information within this Quarterly Report, including the information contained in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as in our condensed consolidated financial statements and the related notes contained in Part I, Item 1 within this Quarterly Report. In addition, you should carefully consider the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2021 Annual Report on Form 10-K/A, as well as in our other public filings with the SEC. If any of the identified risks are realized, our business, results of operations, financial condition, liquidity, and prospects could be materially and adversely affected. In that case, the trading price of our common stock may decline, and you could lose all or part of your investment. In addition, other risks of which we are currently unaware, or which we do not currently view as material, could have a material adverse effect on our business, results of operations, financial condition, and prospects.

During the nine months ended February 28, 2022, there were no material changes to the risks and uncertainties described in Part I, Item 1A, “Risk Factors,” of our 2021 Annual Report on Form 10-K/A.

ITEM 5. OTHER INFORMATION

See Note 8 to the Financial Statements for discussion of our prior period financial restatements.

ITEM 6. EXHIBITS.

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

Exhibit No.		Description
31.1	*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Zackary S. Irani
31.2	*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Steve Sloan
32.1	*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act — Zackary S. Irani
32.2	*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act — Steve Sloan
101		Interactive data files pursuant to Rule 405 Regulation S-T, as follows:

101.INS-XBRL Instance Document
101.SCH-XBRL Taxonomy Extension Schema Document
101.CAL-XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF–XBRL Taxonomy Extension Definition Linkbase Document
101.LAB-XBRL Taxonomy Extension Label Linkbase Document
101.PRE-XBRL Taxonomy Extension Presentation Linkbase Document
*Filed herewith.

SIGNATURES

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

BIOMERICA, INC.

Date: April 14, 2022

By: /S/ Zackary S. Irani
Zackary S. Irani
Chief Executive Officer
(Principal Executive Officer)

Date: April 14, 2022

By: /S/ Steve Sloan
Steve Sloan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zackary S. Irani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biomerica, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 14, 2022

/s/ Zackary S. Irani

Zackary S. Irani
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steve Sloan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biomerica, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 14, 2022
/s/ Steve Sloan
Steve Sloan Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Biomerica, Inc. (the "Company") on Form 10-Q for the period ending February 28, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zackary Irani, Chief Executive Officer of the Company, certify, to the best of my knowledge, Pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002,

i. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Zackary S. Irani
Zackary S. Irani
Chief Executive Officer

Date: April 14, 2022

EXHIBIT 32.2

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

In connection with the Quarterly Report of Biomerica, Inc. (the "Company") on Form 10-Q for the period ending February 28, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steve Sloan, Chief Financial Officer of the Company, certify, to the best of my knowledge, Pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002,

i. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steve Sloan
Steve Sloan
Chief Financial Officer

Date: April 14, 2022