LungLifeAI™

9 September 2021

LungLife AI, Inc.
(the "**Company**" or "**LungLife**")

Half-year Report

LungLife AI (AIM: LLAI), a developer of clinical diagnostic solutions for the early detection of lung cancer enhanced by artificial intelligence, announces its maiden unaudited half-year report for the six months ended 30 June 2021 following admission to trading on AIM on 8 July 2021.

LungLife, based in California, USA, is a developer of clinical diagnostic solutions for the early detection of lung cancer from a simple blood draw, 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, and its global incidence has increased by 37% from 2007-2017.

Summary and Highlights:

- H1 2021 Revenues of $107k which entirely relates to resale of FISH probes to the licensee of the LungLB technology in China
- Loss before tax of $4.57m, after charging IPO costs of $2.1m. Adjusted EBITDA[1] loss of $2.23m.
- Admission to AIM & successful £17m (gross) fundraising at an issue price of 176p on 8 July 2021
- Net proceeds to be used to complete its multi-centre pivotal validation studies and support progress towards regulatory authorisation and reimbursement
- Since IPO:
  - CRO for clinical studies has been engaged
  - Actively seeking our first new hires: Directors of R&D and Quality and a Clinical Laboratory Scientist
  - On track for PLA code application
- Targeting commercialisation of LungLB® in 2023

Commenting on outlook, Paul Pagano, Chief Executive Officer of LungLife, said: *"Early detection is absolutely key to ensure better outcomes for people with lung cancer and we believe our LungLB® test will give physicians the additional information needed to identify this disease earlier and reduce its impact.*

"The funding provided through our AIM IPO allows us to proceed to a larger multi-centre pivotal validation study and secure regulatory authorisation and reimbursement support. We are now laying the groundwork for successful implementation of our clinical programmes."

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Notes:

1. Earnings before income tax, depreciation and amortisation, adjusted to exclude exceptional item and other operating income

About LungLife
LungLife is a developer of clinical diagnostic solutions for lung cancer enhanced by artificial intelligence. The Company's diagnostic solutions are designed to make a significant impact in the early detection of lung cancer.

The Company's technology is a combination of the recovery of rare cells and blood-based biomarkers shown to be altered in lung cancer. The Company employs machine learning to improve biomarker detection, and intends to build a deep, novel pool of lung cancer-related data for AI-enabled applications designed to improve its diagnostic solutions over time.

The Company's core technologies are integrated in the LungLB® test, which 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 nodules that may be lung cancer following a CT scan. There are estimated to be over 1.5 million individuals with indeterminate lung nodules diagnosed each year in the United States. The LungLB® test may have additional utilities, the most significant of which is likely to be in monitoring individuals for recurrence following surgical removal of cancerous lung nodules.

The Company has completed a 149 subject pilot study to evaluate the LungLB® test, which showed a well-balanced performance and a Positive Predictive Value of 89 per cent. The Company is now gearing up to proceed to a larger, multi-centre validation study to garner regulatory and reimbursement support and facilitate commercialisation.

Chairman's Statement

I am delighted to provide our first shareholder report since our admission to AIM in July 2021.

Our Admission to AIM, and the securing of the funds needed to drive our clinical development and commercialisation plans, has been a key catalyst in our efforts to advance our AI-enabled LungLB® test for early lung cancer detection.

Since 2019, the business has focussed on the development of its LungLB® test, an AI-enhanced, blood-based test that uses circulating tumour cells ("**CTC**") to stratify cancerous and benign lung nodules identified by CT scan. The test is designed to support the physician's decision to biopsy or to monitor non-invasively using additional imaging. We have completed a 149 subject pilot study with subjects with indeterminate lung nodules, worked to reduce reagent and labour costs, and filed multiple patent applications with a view to protecting additional aspects of the LungLB® test.

Our focus now is to undertake a multi-centre clinical validation study to support a submission for FDA authorisation, as well as a clinical utility study programme to measure the LungLB® test's short and long-term impacts on patient health and healthcare costs, in support of reimbursement. We believe that following Admission we have the funds required to take the company through to commercialisation and first revenues targeted for 2023, as well as to support potential technology in-licensing opportunities. We have now engaged with the CRO who will be leading on the clinical validation study.

We are delighted with our collaboration with Mount Sinai, an international leader in medical and scientific training and biomedical research. Mount Sinai has recently established its Center of Excellence for Thoracic Oncology programme, demonstrating their commitment to building a world-renowned lung cancer programme with expertise in screening, early detection and biomarker research. We expect that Mount Sinai will be the lead site for our validation study. The Mount Sinai Health System has approximately 6,600 associated physicians, eight hospitals, more than 300 community locations throughout the New York metropolitan area and receives approximately 4 million out-patient visits per year.

Whilst we are at the early stages of our journey towards commericalisation of our LungLB® test, we have a clear path to regulatory approval and reimbursement over the next two years. During that time we expect to provide updates to shareholders covering progress in the following areas:

- Commencement, progress and conclusion of our clinical validation and clinical utility studies
- Regulatory submissions for Breakthrough Device designation and FDA approval
- Updates on reimbursement codes, pricing determination and coverage

We are confident that we have the components required for LungLife to become a leader in early lung cancer detection, a significantly unmet medical need. 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 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.

The methods available to physicians to diagnose cancer from an indeterminate nodule are inadequate and potentially result in harm to the patient and significant costs to the healthcare system. We believe that our 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 that may otherwise afford cure.

We are hugely grateful to the support received from new shareholders who participated in our recent fundraise and I would like to thank all shareholders for their continued support. The next two years are incredibly exciting for LungLife and we look forward to updating shareholders as we hit key milestones during that time.

Roy Davis
Non-Executive Chairman

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2021

	Note	**6 months ended 30 June 2021 US$ Unaudited**	**6 months ended 30 June 2020 US$ Unaudited**	**Year ended 31 December 2020 US$ Audited**
Revenue	*(3)*	107,012	101,066	205,180
Cost of sales		(91,909)	(97,770)	(188,178)
Gross profit		**15,103**	**3,296**	**17,002**
Administrative expenses		(2,247,083)	(1,605,462)	(3,458,984)
Exceptional costs – IPO expenses		(2,084,274)	-	(337,201)
Depreciation		(139,302)	(143,352)	(282,654)
Operating loss		**(4,455,556)**	**(1,745,518)**	**(4,061,837)**
Other operating income		206,328	-	-
Finance charges		(317,039)	(344,437)	(777,186)
Loss before taxation		**(4,566,267)**	**(2,089,955)**	**(4,839,023)**
Taxation		-	-	-
Loss for the period / year		**(4,566,267)**	**(2,089,955)**	**(4,839,023)**
Other comprehensive income		-	-	-
Total comprehensive loss for the period / year		**(4,566,267)**	**(2,089,955)**	**(4,839,023)**
Loss per share from continuing activities attributable to the ordinary equity holders of the Company				
Basic and diluted (US Dollars per share)	*(4)*	(0.053)	(0.025)	(0.057)

STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	30 June 2021 US$ Unaudited	30 June 2020 US$ Unaudited	31 December 2020 US$ Audited
Assets				
Non-current assets				
Property, plant and equipment		308,548	597,412	463,437
Other receivables		13,235	13,235	13,235
Total non-current assets		**321,783**	**610,647**	**476,672**
Current assets				
Trade and other receivables	*(5)*	137,656	111,402	169,801
Cash and cash equivalents		120,732	442,300	127,628
Total current assets		**258,388**	**553,702**	**297,429**
Total assets		**580,171**	**1,164,349**	**774,101**
Equity and liabilities				
Equity				
Called up share capital		8,665	8,483	8,665
Share premium		52,194,390	52,104,062	52,194,390
Other equity		942,400	817,326	843,137
Share based payment reserve		713,607	355,744	550,511
Accumulated losses		(69,468,985)	(62,153,650)	(64,902,718)
Total equity		**(15,609,923)**	**(8,868,035)**	**(11,306,015)**
Non-current liabilities				
Lease liabilities		74,895	275,610	167,488
Provisions		50,000	50,000	50,000
		124,895	**325,610**	**217,488**
Current liabilities				
Trade and other payables	*(7)*	3,810,206	698,370	1,225,836
Lease liabilities		171,834	142,332	169,955
Discontinued operations		174,057	174,057	174,057
Convertible notes	*(9)*	11,909,102	8,445,511	10,086,616
Borrowings and loans	*(8)*	-	246,504	206,164
Total current liabilities		**16,065,199**	**9,706,774**	**11,862,628**
Total liabilities		**16,190,094**	**10,032,384**	**12,080,116**
Total equity and liabilities		**580,171**	**1,164,349**	**774,101**

STATEMENT OF CHANGES IN EQUITY
As at 30 June 2021

	Share capital US$	Share premium US$	Other equity US$	Share based payment reserve US$	Retained deficit US$	Total equity US$
Balance at 1 January 2020	**8,483**	**52,104,062**	**828,318**	**324,876**	**(60,063,695)**	**(6,797,956)**
Comprehensive income:						
Loss for the period	-	-	-	-	(2,089,955)	(2,089,955)
Transactions with owners:						
Convertible debt	-	-	(10,992)	-	-	(10,992)
Share based payments	-	-	-	30,868	-	30,868
Balance at 30 June 2020	**8,483**	**52,104,062**	**817,326**	**355,744**	**(62,153,650)**	**(8,868,035)**
Balance at 30 June 2020	**8,483**	**52,104,062**	**817,326**	**355,744**	**(62,153,650)**	**(8,868,035)**
Comprehensive income:						
Loss for the period	-	-	-	-	(2,749,068)	(2,749,068)
Transactions with owners:						
Issue of common stock	182	90,328	-	-	-	90,510
Convertible debt	-	-	25,811	-	-	25,811
Share based payments	-	-	-	194,767	-	194,767
Balance at 31 December 2020	**8,665**	**52,194,390**	**843,137**	**550,511**	**(64,902,718)**	**(11,306,015)**
Balance at 1 January 2021	**8,665**	**52,194,390**	**843,137**	**550,511**	**(64,902,718)**	**(11,306,015)**
Comprehensive income:						
Loss for the period	-	-	-	-	(4,566,267)	(4,566,267)
Transactions with owners:						
Convertible debt	-	-	99,263	-	-	99,263
Share based payments	-	-	-	163,096	-	163,096
Balance at 30 June 2021	**8,665**	**52,194,390**	**942,400**	**713,607**	**(69,468,985)**	**(15,609,923)**

STATEMENT OF CASH FLOWS
For the period ended 30 June 2021

	Note	**6 months ended 30 June 2021 US$ Unaudited**	**6 months ended 30 June 2020 US$ Unaudited**	**Year ended 31 December 2020 US$ Audited**
Cash flows from operating activities				
Loss for the year		(4,566,267)	(2,089,955)	(4,839,023)
Adjustments for non-cash/non-operating items:				
Depreciation		139,302	143,351	282,654
Gain on sale of tangible assets		(35,752)	-	-
Other operating income		(206,164)		
Finance expense		317,039	344,437	777,186
Share based compensation		163,096	30,868	225,635
		(4,188,746)	**(1,571,299)**	**(3,553,548)**
Changes in working capital				
(Increase)/ decrease in trade and other receivables		32,145	140,521	82,127
(Decrease)/increase in trade and other payables		2,584,370	70,025	597,396
Cash outflow from operations		**(1,572,231)**	**(1,360,753)**	**(2,874,025)**
Taxation paid		**-**	**-**	**-**
Net cash outflow from operating activities		**(1,572,231)**	**(1,360,753)**	**(2,874,025)**
Cash inflow / (outflows) from investing activities				
Proceeds from sale of tangible assets		35,752	-	-
Landlord improvement contribution		15,587	-	-
Purchase of property, plant and equipment		-	-	(5,328)
Net cash flows from investing activities		**51,339**	**-**	**(5,328)**
Cash flows from financing activities				
Issue of Convertible Notes		1,612,422	1,039,666	2,290,899
Issue of common stock		-	-	90,510
Interest paid		-	(12,629)	(6,297)
Paycheck Protection Program loan		-	205,822	205,822
Issuance /(repayment) of loans		-	(80,029)	(120,368)
Repayment of lease liabilities		(98,426)	(76,571)	(180,379)
Net cash inflow from financing activities		**1,513,996**	**1,076,259**	**2,280,187**
Net increase/(decrease) in cash and cash equivalents		(6,896)	(284,494)	(599,166)
Cash and cash equivalents brought forward		127,628	726,794	726,794
Cash and cash equivalents carried forward		**120,732**	**442,300**	**127,628**

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 on 30 December 2009.

(a) Basis of preparation

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those of the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2020. No new IFRS standards, amendments or interpretations became effective in the six months to 30 June 2021.

Statement of compliance

This interim consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and the AIM Rules of UK companies. This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the period ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS as adopted by the European Union) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 June 2021 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2020 are unaudited.

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

(b) Going concern

This historical financial information relating to the Company has been prepared on the going concern basis.

The directors of LungLife AI, Inc. (the "Directors") have a reasonable expectation that the Company has adequate resources, including the proceeds of the Placing and Subscription, to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons, they continue to adopt the going concern basis in preparing the Company's historical financial information.

(c) New standards, amendments and interpretations effective from 1 January 2019

New standards impacting the Company that have been adopted in the preparation of the financial information for the three years ended 31 December 2019 and reflected in the Company's accounting policies are:

- IFRS 16 *Leases* (IFRS 16); and
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23)

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements of the Company 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.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)
- IFRS 3 *Business Combinations* (Amendment – Definition of Business)

- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its convertible debt instruments which are classified within non-current liabilities.

(d) Revenue recognition

Sale of goods

Revenue comprises the fair value of the sale of FISH probes used to identify the properties of blood samples under the terms of a sub license agreement with a third party, net of applicable sales taxes. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue on goods delivered is recognised when the customer accepts delivery and on services when those services have been rendered.

Rendering of services

Under the terms of a patent and sub license agreement the company receives a fixed license fee. As the patent and technology transferred under the agreement is considered to have stand-alone functionality as any improvements carried out by the sublicensee are for their benefit, the fee is recognised in full.

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.

(e) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

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 – 33 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 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).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(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 terms 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.

(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.

Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Other equity" within shareholders' equity, net of income tax effects.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are de-recognised from the statement of financial position when the obligation specified in the contract is discharged, is cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other operating income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) 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.

(l) Share capital
Ordinary shares are classified as equity. There are various classes of ordinary shares in issue, as detailed in note 14. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(m) Net finance costs
Finance costs
Finance costs comprise interest payable on borrowings, direct issue costs, dividends on preference shares and foreign exchange losses, and are expensed in the period in which they are incurred.

Finance income
Finance income comprises interest receivable on funds invested, and foreign exchange gains.

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

(n) 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 group’s incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. 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 group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 21).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at 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 shorter than the lease term.

When the group 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 recognised directly 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 intention to settle the balances on a net basis.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's historical financial information under IFRS as endorsed by the EU 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 estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial information.

Carrying value of intangible assets, property, plant and equipment

In determining whether there are indicators of impairment of the Company's intangible assets, the directors take into consideration various factors including the economic viability and expected future financial performance of the asset and when it relates to the intangible assets arising on a business combination, the expected future performance of the business acquired.

3. 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 LungLife AI, Inc 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.

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

Revenue	**6 months ended 30 June 2021 US$ Unaudited**	**6 months ended 30 June 2020 US$ Unaudited**	**Year ended 31 December 2020 US$ Audited**
People's Republic of China	107,012	101,066	205,180
	107,012	**101,066**	**205,180**

Non-current assets	**30 June 2021 US$ Unaudited**	**30 June 2020 US$ Unaudited**	**31 December 2020 US$ Audited**
United States of America	321,783	610,647	476,672
	321,783	**610,647**	**476,672**

Product and service revenue	**6 months ended 30 June 2021 US$ Unaudited**	**6 months ended 30 June 2020 US$ Unaudited**	**Year ended 31 December 2020 US$ Audited**
Consumable items	107,012	101,066	205,180
	107,012	**101,066**	**205,180**

4. LOSS PER SHARE

The basic loss per share from continuing activities is based on a loss for the year attributable to equity holders of the Parent Company of $4,566,267 for the 6 months ended 30 June 2021 (6 months ended 30 June 2020 loss $2,089,955; year ended 31 December 2020: loss $4,839,023) and the weighted average number of shares in issue for the 6 months to 30 June 2021 of 86,651,806 (6 months to 30 June 2020: 84,831,399, and year to 31 December 2020: 84,988,201).

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive warrants and convertible loans over ordinary shares. Potential ordinary shares resulting from the exercise of warrants and the conversion of convertible loans have an anti-dilutive effect due to the Company being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share.

5. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	**30 June 2021 US$ Unaudited**	**30 June 2020 US$ Unaudited**	**31 December 2020 US$ Audited**
Trade receivables	67,456	-	-
Other receivables	-	-	-
Prepayments	70,200	111,402	169,801
	127,656	**111,402**	**169,801**

Amounts falling due after one year

Rent deposit	13,235	13,235	13,235
	13,235	**13,235**	**13,235**

All receivables are denominated in US dollars

6. SHARE BASED PAYMENTS

The following is an analysis of movement in options issued and outstanding to purchase shares in the Company:

	Total options Number	Weighted average exercise price US$
At 1 January 2020	12,230,198	0.025
Modified	(2,993,540)	0.025
At 30 June 2020	**9,236,658**	**0.025**
Exercised	(51,561)	0.025
Cancelled	(25,000)	0.025
	2,678,825	0.004
At 31 December 2020	**11,838,922**	**0.020**
Granted	2,660,560	0.004
At 31 June 2021	**14,499,482**	**0.020**

7. TRADE AND OTHER PAYABLES

	30 June 2021 US$ Unaudited	30 June 2020 US$ Unaudited	31 December 2020 US$ Audited
Trade payables	1,224,741	585,624	786,018
Accruals and other payables	2,585,465	112,746	439,818
	3,810,206	**698,370**	**1,225,836**

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. All trade and other payables are due in less than a year. All balances are denominated in US Dollars. Included within accruals and other payables is an accrual for IPO costs of $2,421,475.

8. BORROWINGS AND LOANS

	30 June 2021 US$ Unaudited	30 June 2020 US$ Unaudited	31 December 2020 US$ Audited
Payroll Protection Loan	-	206,164	206,164
Loans payable	-	40,340	-
	-	**246,504**	**206,164**

In May 2020 the Company applied for and received a loan of $205,822 under the US Government Paycheck Protection Program. An application for forgiveness of the entire principal balance as permitted under the Program was successfully made in the six months to 30 June 2021.

9. CONVERTIBLE NOTES

	30 June 2021 US$ Unaudited	30 June 2020 US$ Unaudited	31 December 2020 US$ Audited
Due within one year:			
Convertible Secured Promissory Notes	11,909,102	8,445,511	10,086,616
	11,909,102	**8,445,511**	**10,086,616**

On 26 October 2017 the Company issued a Convertible Secured Promissory Note Purchase Agreement ('the Notes") that provided for the issuance of up to a principal amount US$3m on which interest of 8% accrued. Unless converted into shares the principal and accrued interest are payable in full at the earlier of the maturity date of 26 January 2020 or the occurrence of a defined corporate transaction.

On 31 December 2018 the total principal amount of Notes that could be issued increased to US$6m and on 20 August 2019 the total principal amounts of Notes that could be issued increased to US$7.5m. On 20 August 2019 the Company determined that the Notes issued before that date should be classified as Series A-1 Notes and those issued after that date Series A-2 Notes. The Series A-2 Notes have a different conversion term and are repayable in preference to the Series A-1 Notes.

As the conversion feature results in the conversion of a fixed amount of stated principal into a fixed number of shares, it satisfies the 'fixed for fixed' criterion and, therefore, it is classified as an equity instrument.

The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

The fair value of the liability component, included above, at inception was calculated using a market interest rate for an equivalent instrument without conversion option. The discount rate applied was 8%.

10. SUBSEQUENT EVENTS

On 8 July 2021 the common shares of the Company were admitted to AIM.