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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2019.

or

☐ Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________

Commission file number: 001-37850

ATOMERA INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**30-0509586**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

750 University Avenue, Suite 280
Los Gatos, California 95032
(Address, including zip code, of registrant's principal executive offices)

(408) 442-5248
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock: Par value $0.001	ATOM	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has 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 ☒ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	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 checkmark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act: Yes☐ No ☒

The number of outstanding shares of the Registrant's Common Stock, par value $.001 per share, as of October 28, 2019 was 17,116,654.

Atomera Incorporated

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PART I. Financial Information

Item 1. Financial Statements

Atomera Incorporated
Condensed Balance Sheets
(in thousands, except per share data)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,800	$ 18,933
Accounts receivable	187	185
Prepaid expenses and other current assets	179	170
Total current assets	17,166	19,288
Property and equipment, net	74	56
Operating lease right-of-use asset	196	–
Security deposit	13	13
Total assets	$ 17,449	$ 19,357
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 205	$ 348
Accrued expenses	266	224
Accrued payroll related expenses	622	984
Current operating lease liability	147	–
Deferred revenue	–	55
Total current liabilities	1,240	1,611
Long term operating lease liability	40	–
Total liabilities	1,280	1,611
Commitments and contingencies (see Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value, authorized 2,500 shares; none issued and outstanding at September 30, 2019 and December 31, 2018.	–	–
Common stock, $0.001 par value, authorized 47,500 shares; 17,074 and 15,034 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively.	17	15
Additional paid-in capital	148,368	139,693
Accumulated deficit	(132,216)	(121,962)
Total stockholders' equity	16,169	17,746
Total liabilities and stockholders' equity	$ 17,449	$ 19,357

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

Atomera Incorporated
Condensed Statements of Operations
(Unaudited)
(in thousands, except per share data)

	Three Months ended September 30,		Nine Months ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 254	$ –	$ 395	$ 96
Cost of revenue	(204)	–	(224)	(113)
Gross margin	50	–	171	(17)
Operating expenses				
Research and development	1,746	1,922	5,930	5,350
General and administrative	1,239	1,324	4,048	3,781
Selling and marketing	240	237	712	695
Total operating expenses	3,225	3,483	10,690	9,826
Loss from operations	(3,175)	(3,483)	(10,519)	(9,843)
Other income				
Interest income	89	48	265	145
Total other income	89	48	265	145
Net loss	$ (3,086)	$ (3,435)	$ (10,254)	$ (9,698)
Net loss per common share, basic and diluted	$ (0.19)	$ (0.28)	$ (0.66)	$ (0.80)
Weighted average number of common shares outstanding, basic and diluted	16,567	12,117	15,597	12,079

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

Atomera Incorporated
Statement of Stockholders' Equity
For the Nine Months Ended September 30, 2019 and 2018
(Unaudited)
(in thousands)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance January 1, 2019	15,034	$ 15	$ 139,693	$ (121,962)	$ 17,746
Stock-based compensation	298	–	694	–	694
Net loss	–	–	–	(3,534)	(3,534)
Balance March 31, 2019	15,332	$ 15	$ 140,387	$ (125,496)	$ 14,906
Registered direct offering of common stock, net of commissions and other offering expenses	1,675	2	6,395	–	6,397
Stock-based compensation	67	–	788	–	788
Net loss	–	–	–	(3,634)	(3,634)
Balance June 30, 2019	17,074	$ 17	$ 147,570	$ (129,130)	$ 18,457
Stock-based compensation	–	–	798	–	798
Net loss	–	–	–	(3,086)	(3,086)
Balance September 30, 2019	17,074	$ 17	$ 148,368	$ (132,216)	$ 16,169

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance January 1, 2018	12,161	$ 12	$ 125,911	$ (109,065)	$ 16,858
Stock-based compensation	200	–	546	–	546
Net loss	–	–	–	(3,092)	(3,092)
Balance March 31, 2018	12,361	$ 12	$ 126,457	$ (112,157)	$ 14,312
Stock-based compensation	48	–	621	–	621
Net loss	–	–	–	(3,171)	(3,171)
Balance June 30, 2018	12,409	$ 12	$ 127,078	$ (115,328)	$ 11,762
Stock-based compensation	–	–	630	–	630
Net loss	–	–	–	(3,435)	(3,435)
Balance September 30, 2018	12,409	$ 12	$ 127,708	$ (118,763)	$ 8,957

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

Atomera Incorporated
Condensed Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (10,254)	$ (9,698)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	33	24
Stock-based compensation	2,280	1,796
Loss on disposal of equipment	–	1
Changes in operating assets and liabilities:		
Accounts receivable	(2)	35
Prepaid expenses and other current assets	(22)	21
Accounts payable	(143)	141
Accrued expenses	46	58
Accrued payroll expenses	(362)	191
Deferred revenue	(55)	75
Net cash used in operating activities	(8,479)	(7,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(51)	(21)
Net cash used in investing activities	(51)	(21)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from registered direct offering of common stock, net	6,397	–
Payment of offering costs	–	(35)
Net cash provided by/ (used in) financing activities	6,397	(35)
Net decrease in cash and cash equivalents	(2,133)	(7,412)
Cash and cash equivalents at beginning of period	18,933	17,369
Cash and cash equivalents at end of period	$ 16,800	$ 9,957
Supplemental information:		
Cash paid for interest	$ –	$ –
Cash paid for taxes	$ –	$ –
Non-cash financing activity:		
Accrued offering costs	$ –	$ 38

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

ATOMERA INCORPORATED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the Three and Nine Months Ended September 30, 2019 and 2018

1. NATURE OF OPERATIONS

Atomera Incorporated ("Atomera" or the "Company") was incorporated in the state of Delaware in March 2007 under the name MEARS Technologies, Inc. and is engaged in the development, commercialization and licensing of proprietary processes and technologies for the semiconductor industry. On January 12, 2016, the Company changed its name to Atomera Incorporated.

The Company is in the development stage, having only recently begun limited revenue-generating activities, and is devoting substantially all of its efforts toward technology research and development and to obtaining initial customers. The Company has primarily financed operations through private placements of equity and debt securities and the Company's Initial Public Offering (the "IPO") which was consummated on August 10, 2016, its underwritten public offering of common stock consummated on October 15, 2018 and a registered direct offering of common stock consummated on May 30, 2019.

2. LIQUIDITY AND MANAGEMENT PLANS

At September 30, 2019, the Company had cash and cash equivalents of approximately $16.8 million and working capital of approximately $15.9 million. The Company has only generated limited revenues since inception and has incurred recurring operating losses. At September 30, 2019, the Company had an accumulated deficit of approximately $132.2 million.

The Company's operating plans for the next 12 months include increased research and development headcount and increased spending on outsourced fabrication and testing. Based on the funds it has available as of the date of the filing of this report, the Company believes that it has sufficient capital to fund its current business plans and obligations over, at least, 12 months from the date that these financial statements have been issued. However, as the Company has generated only limited revenue from its principal operations, it is subject to all the risks inherent in the initial organization, financing, expenditures, complications and delays in a new business. Accordingly, the Company may require additional capital, the receipt of which cannot be assured. In the event the Company requires additional capital, there can be no guarantee that funds will be available on commercially reasonable terms, if at all.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 11, 2019 except those noted below under the caption "Adoption of recent accounting standards".

Basis of presentation of unaudited condensed financial information

The unaudited condensed financial statements of the Company for the three and nine months ended September 30, 2019 and 2018 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the Company's financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2018 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the SEC on March 11, 2019. These financial statements should be read in conjunction with that report.

Adoption of recent accounting standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2016-02, *Leases (Topic 842)*, establishing Accounting Standard Codification ("ASC") Topic 842, which requires the recognition of the right-of-use assets and related operating and finance lease liabilities on the balance sheet. As permitted by ASC Topic 842, the Company elected the adoption date of January 1, 2019, which is the date of initial application, using a modified retrospective approach for all leases existing at January 1, 2019 and elected to apply the available practical expedients and implemented internal controls and key system functionality to enable the preparation of financial information on adoption. ASC Topic 842 requires the Company to make significant judgments and estimates. Additionally, the Company has expanded data gathering procedures to comply with the additional disclosure requirements and ongoing contract review requirements. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated, continues to be reported under ASC Topic 840, *Leases*, which did not require the recognition of operating lease liabilities on the balance sheet, and is not comparative. Under ASC Topic 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The adoption of ASC Topic 842 had an impact on the Company's balance sheet, but did not have an impact on the Company's statements of operations or statements of cash flows upon adoption. See Note 6 for more information.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The guidance in this ASU expands the scope of ASC Topic 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. The Company adopted ASU No. 2018-07 effective January 1, 2019. The Company's adoption of ASU No. 2018-07 did not have a material impact on its financial position, results of operations or financial statement disclosure.

4. REVENUE

The Company recognizes revenue when it satisfies a performance obligation by transferring the product or service to the customer, either at a point in time or over time. The Company usually recognizes revenue from integration service agreements at a point in time and integration license agreements over a period of time.

Disaggregation of revenue:

The following table provides information about disaggregated revenue by primary geographical markets and timing of revenue recognition for the three and nine months ended September 30, 2019 (in thousands):

	Integration Services	
	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Primary geographic markets		
North America	$ 50	$ 50
Europe	104	187
Asia Pacific	100	158
Total	$ 254	$ 395
Timing of revenue recognition		
Products and services transferred at a point in time	$ 222	$ 240
Products and services transferred over time	32	155
Total	$ 254	$ 395

Unbilled contracts receivable and deferred revenue:

Timing of revenue recognition may differ from the timing of invoicing customers. Accounts receivable includes amounts billed and currently due from customers. Unbilled contracts receivable represents unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed, and the right to receive payment is subject to the underlying contractual terms. Unbilled contracts receivable amounts may not exceed their net realizable value and are classified as long-term assets if the payments are expected to be received more than one year from the reporting date.

The Company records deferred revenue when revenue will be recognized after invoicing. During the three and nine months ended September 30, 2019, the Company recognized approximately $16,000 and $55,000, respectively, of revenue that was included in deferred revenue as of December 31, 2018.

5. BASIC AND DILUTED LOSS PER SHARE

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the sum of the weighted average number of shares of common stock outstanding and the dilutive common stock equivalent shares outstanding during the period. The Company's potentially dilutive common stock equivalent shares, which include incremental common shares issuable upon (i) the exercise of outstanding stock options and warrants and (ii) vesting of restricted stock units and restricted stock awards, are only included in the calculation of diluted net loss per share when their effect is dilutive. Since the Company has had net losses for all periods presented, all potentially dilutive securities are anti-dilutive. Accordingly, basic and diluted net loss per share are equal.

The following potential common stock equivalents were not included in the calculation of diluted net loss per common share because the inclusion thereof would be anti-dilutive (in thousands):

	Three and Nine Months Ended September 30,	
	2019	**2018**
Stock Options	2,935	2,477
Unvested restricted stock	480	276
Warrants	765	765
Total	4,180	3,518

6. LEASES

The Company leases corporate office space in Los Gatos, California. This lease has a remaining term of 16 months as of September 30, 2019. This lease is accounted for under ASC Topic 842 and as a result, the most significant impact was the recognition of the operating lease right-of-use assets and the liability for operating leases. Upon adoption the Company recorded an operating lease right-of-use asset and the related lease liability. The lease liability is based on the present value of the remaining minimum lease payments, discounted using the Company's estimated incremental borrowing rate of 10% at the effective date of January 1, 2019. As permitted under ASC Topic 842, the Company elected several practical expedients that permit it to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs.

The impact of the adoption of ASC Topic 842 on the balance sheet at January 1, 2019 was (in thousands):

	As reported December 31, 2018	**Adoption of ASC Topic 842**	**Balance January 1, 2019**
Prepaid expenses and other current assets	$ 170	$ (13)	$ 157
Operating lease of right-of-use assets	$ –	$ 295	$ 295
Total assets	$ 19,357	$ 282	$ 19,639
Other current liabilities	$ 1,611	$ 129	$ 1,740
Long-term liabilities operating leases	$ –	$ 153	$ 153
Total liabilities	$ 1,611	$ 282	$ 1,893

The current lease accounted for under ASC Topic 842 contains escalating payments on the anniversary of the commencement. These additional lease components are included in the measurement of the initial lease liability. Additional payments based on a change in the Company's share of the operating expenses, including real estate taxes and insurance, are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability. Lease expense for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions, and is recognized on a straight-line basis over the lease term.

Future minimum payments under non-cancellable leases as of September 30, 2019 were as follows (in thousands):

For the Year Ended December 31,		Amount
Remaining 2019	$	27
2020		165
2021		14
Total future minimum lease payments		206
Less imputed interest		(19)
Total lease liability	$	187

The below table provides supplemental information and non-cash activity related to the Company's operating leases are as follows (in thousands):

		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019
Operating cash flow information:				
Cash paid for amounts included in the measurement of lease liabilities	$	40	$	120
Non-cash activity:				
Right-of-use assets obtained in exchange for the lease obligations[1]	$	–	$	295

(1) Represents the initial right-of-use asset valuation of the Los Gatos lease on January 1, 2019

In October 2016, the Company entered into lease agreement for approximately 200 square feet of office space in Cambridge, Massachusetts. The lease, with monthly payments of $2,074 per month, commenced on October 24, 2016. The lease rate increased to $2,619 on January 1, 2019 and will increase to $2,942 on January 1, 2020. Because the lease is month to month and can be cancelled with a 30-day notice, the future lease payments are not included in the Company's lease accounting under ASC Topic 842.

7. STOCK BASED COMPENSATION

In May 2017, the Company's shareholders approved its 2017 Stock Incentive Plan ("2017 Plan") after its 2007 Stock Incentive Plan ("2007 Plan") had expired in March 2017. The 2017 Plan provides for the grant of non-qualified stock options and incentive stock options to purchase shares of the Company's common stock and for the grant of restricted and unrestricted shares. The 2017 Plan provides for the issuance of 3,750,000 shares of common stock. All of the Company's employees and any subsidiary employees (including officers and directors who are also employees), as well as all of the Company's nonemployee directors and other consultants, advisors and other persons who provide services to the Company are eligible to receive incentive awards under the 2017 Plan. Generally, stock options and restricted stock vest over a one to four-year period from the date of grant under the 2017 Plan.

The following table summarizes the stock-based compensation expense recorded in the Company's results of operations during the three and nine months ended September 30, 2019 and 2018 for stock options and restricted stock granted under the 2017 Plan and the 2007 Plan (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
Research and development	$	223	$	149	$	622	$	409
General and administrative		541		449		1,557		1,291
Selling and Marketing		34		32		101		96
	$	798	$	630	$	2,280	$	1,796

As September 30, 2019, there was approximately $4.6 million of total unrecognized compensation expense related to unvested share-based compensation arrangements that are expected to vest. This cost is expected to be recognized over a weighted-average period of 2.5 years.

The weighted average grant date fair value per share of the options granted under the Company's 2017 Plan was $2.50 and $3.63 for the nine months ended September 30, 2019 and 2018, respectively.

The following table summarizes stock option activity during the nine months ended September 30, 2019 (in thousands except exercise prices and contractual terms):

	Number of Shares	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (In Years)	Intrinsic Value
Outstanding at January 1, 2019	2,477	$ 6.81	–	
Granted	458	$ 3.90	–	
Outstanding at September 30, 2019	2,935	$ 6.36	7.18	$ –
Exercisable at September 30, 2019	2,023	$ 6.84	6.61	$ –

During the nine months ended September 30, 2019 the Company granted options under the 2017 Plan to purchase approximately 458,000 shares of its common stock to its employees. The fair value of these options was approximately $1.1 million at the time of grant.

The Company issues restricted stock to employees, directors and consultants and estimates the fair value based on the closing price on the day of grant. The following table summarizes all restricted stock activity during the nine months ended September 30, 2019 (in thousands except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2019	258	$ 6.04
Granted	365	$ 3.95
Vested	(143)	$ 5.50
Outstanding non-vested shares at September 30, 2019	480	$ 4.61

During the nine months ended September 30, 2019 the Company granted approximately 365,000 restricted stock awards under the 2017 Plan to its employees and directors. The fair value of these awards was approximately $1.4 million at the time of grant.

8. COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

The Company may be subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. The Company is not party to any material litigation as of September 30, 2019, or through the date these financial statements have been issued.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date these financial statements were issued.

On October 9, 2019, the Company entered into an agreement to lease a tool for use in the development of the Company's technology. The lease is for five years at $150,000 per month. The lease commencement date is anticipated to be March 1, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Atomera Incorporated should be read in conjunction with our unaudited condensed financial statements and the accompanying notes that appear elsewhere in this filing. Statements in this Quarterly Report on Form 10-Q include forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. Although forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those risk factors set forth in our Prospectus Supplement with the SEC on May 30, 2019 and referenced under the heading "Risk Factors" within Part II, Item 1A of this Quarterly Report and other documents we subsequently file from time to time with the SEC, such as our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview

We are engaged in the business of developing, commercializing and licensing proprietary processes and technologies for the $450+ billion semiconductor industry. Our lead technology, named Mears Silicon Technology™, or MST®, is a thin film of reengineered silicon, typically 100 to 300 angstroms (or approximately 20 to 60 silicon atomic unit cells) thick. MST can be applied as a transistor channel enhancement to CMOS-type transistors, the most widely used transistor type in the semiconductor industry. MST is our proprietary and patent-protected performance enhancement technology that we believe addresses a number of key engineering challenges facing the semiconductor industry. We believe that by incorporating MST, transistors can be made smaller, with increased speed, reliability and energy efficiency. In addition, since MST is an additive and low-cost technology, we believe it can be deployed on an industrial scale, with machines commonly used in semiconductor manufacturing. We believe that MST can be widely incorporated into the most common types of semiconductor products, including analog, logic, optical and memory integrated circuits.

We do not intend to design or manufacture integrated circuits directly. Instead, we intend to develop and license technologies and processes that we believe will offer the designers and manufacturers of integrated circuits a low-cost solution to the industry's need for greater performance and lower power consumption. Our customers and partners are expected to include:

- foundries, which manufacture integrated circuits on behalf of fabless manufacturers;
- integrated device manufacturers, or IDMs, which are the fully integrated designers and manufacturers of integrated circuits;
- fabless semiconductor manufacturers, which are designers of integrated circuits who outsource the manufacture of their chips to foundries;
- original equipment manufacturers, or OEMs, that manufacture the epitaxial, or EPI, machines used to deposit semiconductor layers, such as the MST, onto the base silicon wafer; and
- electronic design automation companies, which make tools used throughout the industry to simulate performance of semiconductor products using different materials, design structures and process technologies.

We intend to generate revenue through licensing arrangements whereby foundries and IDMs pay us a license fee for their right to use MST technology in the manufacture of silicon wafers as well as a royalty for each silicon wafer or device that incorporates our MST technology. We also intend to enter into licensing arrangements with fabless semiconductor manufacturers pursuant to which we will charge them a royalty for each device they sell that incorporates our MST technology.

We were organized as a Delaware limited liability company under the name Nanovis LLC on November 26, 2001. On March 13, 2007, we converted to a Delaware corporation under the name Mears Technologies, Inc. On January 12, 2016, we changed our name to Atomera Incorporated.

On August 10, 2016, we closed our initial public offering of 3,680,000 shares of common stock at a public offering price of $7.50 per share. We received approximately $24.7 million in net proceeds after deducting underwriting discounts and commission and other offering expenses.

On October 15, 2018, we closed an underwritten public offering of 2,625,000 shares of common stock at a public offering price of $4.75 per share, resulting in approximately $11.4 million of net proceeds to us after deducting underwriting discounts and commission and other offering expenses.

On May 30, 2019, we closed a registered direct offering of 1,675,000 shares of common stock at a price of $4.00 per share, resulting in approximately $6.4 million of net proceeds to us after deducting placement agent fees and other offering expenses.

Results of Operations

Revenues. To date, we have only generated limited revenue from customer engagements for integration engineering services and integration license agreements. In the future, we expect to collect increased fees from license agreements as well as royalties from customer sales of products that incorporate our MST technology, subject to our ability to enter into manufacturing and distribution license agreements with our current and future licensees. Our integration services consist of depositing our MST film on semiconductor wafers, delivering such wafers to customers to finalize building devices, and performing tests for customers evaluating MST. The integration license agreements we have entered into to date grant the licensees the right to build products that integrate our MST technology deposited by us onto their semiconductor wafers, but the agreements do not grant the licensees the rights to manufacture on their site or to sell products incorporating MST. Revenue is recognized upon transfer of control of promised products, services or intellectual property (IP) rights in an amount that reflects the consideration that we expect to receive in exchange for those products, services or licensing of IP rights. The integration license agreements that we currently have in place do not specify the number of wafers to be delivered by us, so we recognize revenue over the period during which we estimate that we will deliver wafers under each contract.

Revenue for the three months ended September 30, 2019 and 2018 was approximately $254,000 and $0, respectively. Revenue for the nine months ended September 30, 2019 and 2018 was approximately $395,000 and $96,000, respectively. Our revenue during these periods was generated from integration license agreements and integration services agreements.

Cost of Revenue. Cost of revenue from integration service agreements consists of costs of materials, as well as direct compensation and expenses incurred to provide such services. Cost of revenue from integration license agreements consists of third-party royalties, if any, incurred to grant such licenses. Cost of revenue for the three and nine months ended September 30, 2019 approximately $204,000 and $224,000, respectively. Cost of revenue for the three and nine months ended September 30, 2018 was approximately $0 and $113,000, respectively.

Operating Expenses. Operating expenses consist of research and development, general and administrative, and selling and marketing expenses. For the three months ended September 30, 2019 and 2018 our operating expenses totaled approximately $3.2 million and $3.5 million, respectively. The decrease in operating expenses was due to a decrease of approximately $176,000 in research and development expense and a decrease of approximately $85,000 in general and administrative expense. For the nine months ended September 30, 2019 and 2018 our operating expenses totaled approximately $10.7 million and $9.8 million, respectively. The increase in operating expenses was due to an increase of approximately $580,000 in research and development expense and an increase of approximately $267,000 in general and administrative expense.

Research and development expense. To date, our operations have focused on the research, development, patent protection, and commercialization of our processes and technologies, including our proprietary and patent-protected MST performance enhancement technology. Our research and development costs primarily consist of payroll and benefit costs for our engineering staff and costs of outsourced fabrication and metrology of semiconductor wafers incorporating our MST technology.

For the three months ended September 30, 2019 and 2018, we incurred approximately $1.7 million and $1.9 million, respectively, of research and development expense, a decrease of approximately $176,000 or 9%. The decrease in research and development expense is primarily due to a decrease of approximately $220,000 in spending on outsourced fabrication and metrology and a decrease of approximately $40,000 in payroll expense reflecting a decrease in accrued bonuses. The decreases are partly offset by an approximately $74,000 increase in stock-based compensation expense.

For the nine months ended September 30, 2019 and 2018, we incurred approximately $5.9 million and $5.4 million, respectively, of research and development expense, an increase of approximately $580,000 or 11%. The increase in research and development expense is primarily due to an increase of approximately $267,000 in spending on outsourced fabrication and metrology to support increased engagements with customers evaluating MST, an increase of approximately $104,000 in payroll expense reflecting an increase in engineering headcount and accrued bonuses and an increase in stock-based compensation expense of approximately $213,000.

General and administrative expense. General and administrative expenses consist primarily of payroll and benefit costs for administrative personnel, office-related costs and professional fees. General and administrative costs for the three months ended September 30, 2019 and 2018 were approximately $1.2 million and $1.3 million, respectively, representing a decrease of approximately $85,000 or 6%. The decrease in costs was primarily due to a decrease of approximately $110,000 in legal expenses and a decrease in bonus accrual of approximately $69,000, offset in part by an increase of approximately $93,000 in stock-based compensation as compared to the three months ended September 30, 2018.

General and administrative costs for the nine months ended September 30, 2019 and 2018 were approximately $4.0 million and $3.8 million, respectively, representing an increase of approximately $267,000 or 7%. The increase in costs was primarily due to an increase of approximately $266,000 in stock-based compensation expense compared to the nine months ended September 30, 2018.

Selling and marketing expense. Selling and marketing expenses consist primarily of salary and benefits for our sales and marketing personnel and business development services. Selling and marketing expenses for the three months ended September 30, 2019 and 2018 were approximately $240,000 and $237,000, respectively.

Selling and marketing expenses for the nine months ended September 30, 2019 and 2018 were approximately $712,000 and $695,000, respectively, representing an increase of approximately $17,000, or 2%.

Interest income. Interest income for the three months ended September 30, 2019 and 2018 was approximately $89,000 and $48,000, respectively. Interest income for the nine months ended September 30, 2019 and 2018 was approximately $265,000 and $145,000, respectively. Interest income for each period related to interest earned on our cash and cash equivalents.

Liquidity and Capital Resources

On May 30, 2019, we closed a registered direct offering of 1,675,000 shares of common stock at a price of $4.00 per share, resulting in approximately $6.4 million of net proceeds to us after deducting commission and other offering expenses.

As of September 30, 2019, we had cash and cash equivalents of approximately $16.8 million and working capital of approximately $15.9 million. For the nine months ended September 30, 2019, we had a net loss of approximately $10.3 million and used approximately $8.5 million of cash and cash equivalents in operations. Since inception, we have incurred recurring operating losses. At September 30, 2019, we had an accumulated deficit of approximately $132.2 million.

As of the date of this report, we believe that our available working capital is sufficient to fund our presently forecasted working capital requirements for, at least, the next 12 months following the date of the filing of this report. If we are unable to generate meaningful revenue from manufacturing license fees and royalty-based distribution agreements or otherwise, we may need to raise additional capital. However, the semiconductor industry is generally slow to adopt new manufacturing process technologies and conducts long testing and qualification processes which we have limited ability to control, and there can be no assurance of the timing of our receipt of meaningful amounts of revenue.

If we are not able to generate sufficient revenue from engineering services, license fees and royalties in a timeframe that satisfies our cash needs, we will need to raise more capital. In the event we require additional capital, we will endeavor to acquire additional funds through various financing sources, including follow-on equity offerings, debt financing and joint ventures with industry partners. In addition, we will consider alternatives to our current business plan that may enable to us to achieve revenue-producing operations and meaningful commercial success with a smaller amount of capital. However, there can be no guarantees that additional capital, will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to further pursue our business plan and we may be unable to continue operations.

Cash Flows from Operating, Investing and Financing Activities

Net cash used in operating activities of approximately $8.5 million for the nine months ended September 30, 2019 resulted primarily from our net loss of approximately $10.3 million adjusted by approximately $2.3 million for stock-based compensation expense and a decrease in liabilities of approximately $514,000.

Net cash used in operating activities of approximately $7.4 million for the nine months ended September 30, 2018 resulted primarily from out net loss of approximately $9.7 million adjusted by approximately $1.8 million for stock-based compensation expense.

Net cash used in investing activities of approximately $51,000 for the nine months ended September 30, 2019 and approximately $21,000 for nine months ended September 30, 2018 consisted of the purchase of computers and lab tools.

Net cash provided by financing activities of approximately $6.4 million for the nine months ended September 30, 2019 related to the net proceeds from our registered direct offering of common stock in May 2019. Net cash used in financial activities of approximately $35,000 for the nine months ended September 30, 2018 related to the October 2018 underwritten public offering.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements or issued guarantees to third parties.

Recent Accounting Standards

We are required to adopt certain new accounting standards including Accounting Standards Update ("ASU") No 2016-02,*Leases (Topic 842)*. See note 3 to the condensed financial statements included in Item 1 of this Form 10-Q.

Critical Accounting Policies

There have been no changes to our critical accounting policies from those included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 11, 2019 except for the adoption of ASC Topic 842 as noted above under the caption "Recent Accounting Standards."

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and principal financial and accounting officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of September 30, 2019.

Changes in Internal Control over Financial Reporting

There have not been any changes to our internal controls over financial reporting (as defined by Rule 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the three-month period ended September 30, 2019 that have material affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. Other Information

Item 1A. Risk Factors

The primary risk factors affecting our business have not changed materially from the risk factors set forth in our Prospectus Supplement filed with the SEC on May 30, 2019.

Item 6. Exhibits

The following is a list of exhibits files as part of this Report on Form 10-Q:

Exhibit No.	Description	Method of Filing
31.1	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith
31.2	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).	Filed electronically herewith
101.INS	XBRL Instance Document	Filed electronically herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed electronically herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed electronically herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed electronically herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed electronically herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed electronically herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and the on the date indicated.

ATOMERA INCORPORATED.

Date: November 5, 2019

By: */s/ Scott A. Bibaud*
Scott A. Bibaud
Chief Executive Officer,
(Principal Executive Officer)
and Director

Date: November 5, 2019

By: */s/ Francis B. Laurencio*
Francis B. Laurencio
Chief Financial Officer
(Principal Financial and
Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Scott A. Bibaud, certify that:

(1) I have reviewed this Form 10-Q of Atomera Incorporated (the “Company”);

(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 Company as of, and for, the periods presented in this report;

(4) The Company’s other certifying officer(s) 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) and15d- 15(f)) for the company 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 Company, 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 generally accepted accounting principles;

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

(d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; And

(5) The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or 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 Company’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 Company’s internal control over financial reporting.

ATOMERA INCORPORATED

Date: November 5, 2019

By: /s/ *Scott A. Bibaud*
Scott A. Bibaud, Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Francis B. Laurencio, certify that:

(1) I have reviewed this Form 10-Q of Atomera Incorporated (the “Company”);

(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 Company as of, and for, the periods presented in this report;

(4) The Company’s other certifying officer(s) 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) and15d- 15(f)) for the company 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 Company, 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 generally accepted accounting principles;

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

(d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; And

(5) The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or 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 Company’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 Company’s internal control over financial reporting.

ATOMERA INCORPORATED

Date: November 5, 2019

By: /s/ *Francis B. Laurencio*
Francis B. Laurencio, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Atomera Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Bibaud, the Chief Executive Officer, and Francis B. Laurencio, the Chief Financial Officer, of the Company, respectively, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

By: /s/ *Scott A. Bibaud* Dated: November 5, 2019
Scott A. Bibaud
Title: President and Chief Executive Officer

By: /s/ *Francis B. Laurencio* Dated: November 5, 2019
Francis B. Laurencio
Title: Chief Financial Officer

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.