# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## ENDRA Life Sciences Inc.

### Form: 10-Q

### Date Filed: 2017-11-14

Corporate Issuer CIK: 1681682

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

# FORM 10-Q

**(Mark One)**

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017**
**OR**

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

**COMMISSION FILE NUMBER 001-37969**

# ENDRA LIFE SCIENCES INC.
*(Exact name of registrant as specified in its charter)*

| **Delaware** | **26-0579295** |
|---|---|
| *(State of incorporation)* | *(I.R.S. Employer Identification No.)* |

**3600 Green Court, Suite 350, Ann Arbor, MI 48105-1570**
*(Address of principal executive office)* (*Zip code*)

**(734) 335-0468**
*(Registrant's telephone number, including area code)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | 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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 14, 2017, there were 3,907,027 shares of our Common Stock, par value $0.0001 per share, outstanding.

**ENDRA LIFE SCIENCES INC.**
**FORM 10-Q**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**INDEX**

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ENDRA Life Sciences Inc.**
**Condensed Consolidated Balance Sheets**

| Assets | September 30, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | (Unaudited) | |
| Cash | $ 6,977,462 | $ 144,953 |
| Prepaid expenses | 101,254 | - |
| Inventory | 131,679 | 40,105 |
| Other current assets | 12,422 | 10,535 |
| Total Current Assets | 7,222,817 | 195,594 |
| **Other Assets** | | |
| Fixed assets, net | 256,909 | 295,168 |
| **Total Assets** | $ 7,479,726 | $ 490,761 |
| | | |
| **Liabilities and Stockholders' Equity (Deficit)** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 312,042 | $ 434,552 |
| Notes payable | - | 50,000 |
| Convertible notes payable, related party, net of discount | - | 99,804 |
| Convertible notes payable, net of discount | - | 800,172 |
| Total Current Liabilities | 312,042 | 1,384,528 |
| **Total Liabilities** | 312,042 | 1,384,528 |
| | | |
| **Stockholders' Equity (Deficit)** | | |
| Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued or outstanding | - | - |
| Common stock, $0.0001 par value; 50,000,000 shares authorized; 3,907,027 and 723,335 shares issued and outstanding at September 30, 2017 and December 31, 2016 | 390 | 72 |
| Stock payable | - | 81,000 |
| Additional paid in capital | 22,768,089 | 11,543,634 |
| Accumulated deficit | (15,600,795) | (12,518,473) |
| Total Stockholders' Equity (Deficit) | 7,167,684 | (893,767) |
| **Total Liabilities and Stockholders' Equity (Deficit)** | $ 7,479,726 | $ 490,761 |

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

**ENDRA Life Sciences Inc.**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine months Ended September 30, 2017 | Nine months Ended September 30, 2016 |
|---|---|---|---|---|
| **Revenue** | $ 287,000 | $ - | $ 344,772 | $ - |
| Cost of Goods Sold | 118,270 | - | 169,697 | - |
| **Gross Profit** | $ 168,730 | $ - | $ 175,075 | $ - |
| **Operating Expenses** | | | | |
| Research and development | 300,527 | 137,540 | 571,066 | 336,417 |
| Sales and marketing | 47,375 | 16,040 | 55,403 | 26,197 |
| General and administrative | 731,762 | 451,530 | 1,878,093 | 1,110,263 |
| Total operating expenses | 1,079,664 | 605,110 | 2,504,562 | 1,472,877 |
| Operating loss | (910,934) | (605,110) | (2,329,487) | (1,472,877) |
| **Other Expenses** | | | | |
| Loss on warrant exercise | - | - | - | (5,823) |
| Interest expense | (2,026) | (372,789) | (752,835) | (607,789) |
| Total other expenses | (2,026) | (372,789) | (752,835) | (607,789) |
| Loss from operations before income taxes | (908,908) | (977,898) | (3,082,322) | (2,086,490) |
| Provision for income taxes | - | - | - | - |
| **Net Loss** | $ (908,908) | $ (977,898) | $ (3,082,322) | $ (2,086,490) |
| **Net loss per share – basic and diluted** | $ (0.23) | $ (1.35) | $ (1.30) | $ (2.88) |
| **Weighted average common shares – basic and diluted** | 3,907,027 | 723,335 | 2,367,452 | 723,266 |

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

**ENDRA Life Sciences Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| | Nine months Ended September 30, 2017 | Nine months Ended September 30, 2016 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net loss | $ (3,082,322) | $ (2,086,490) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 46,121 | 48,612 |
| Common stock, options and warrants issued for services | 600,514 | 199,723 |
| Additional warrants issued during exchange | - | 5,823 |
| Amortization of discount of convertible debt | 711,472 | 561,812 |
| Imputed interest on promissory notes | 1,480 | - |
| Changes in operating assets and liabilities: | | |
| Increase in prepaid expenses | (101,254) | - |
| Increase in inventory | (91,574) | (21,375) |
| Increase in other assets | (1,887) | (439) |
| Increase (decrease) in accounts payable and accrued liabilities | (7,879) | 19,918 |
| Net cash used in operating activities | (1,925,329) | (769,459) |
| | | |
| **Cash Flows from Investing Activities:** | | |
| Purchases of fixed assets | (7,862) | - |
| Net cash used in investing activities | (7,862) | - |
| | | |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issuance of common stock | 8,590,700 | 5,000 |
| Proceeds from notes payable | - | 50,000 |
| Repayment of notes payable | (50,000) | - |
| Proceeds from convertible notes | 225,000 | 1,386,448 |
| Net cash provided by financing activities | 8,765,700 | 1,441,448 |
| | | |
| Net increase in cash | 6,832,509 | 56,415 |
| | | |
| Cash, beginning of period | 144,953 | 19,128 |
| | | |
| **Cash, end of period** | $ 6,977,462 | $ 75,543 |
| | | |
| Supplemental disclosures: | | |
| Interest paid | $ - | $ - |
| Income tax paid | $ - | $ - |
| | | |
| Supplemental disclosures of non-cash Items: | | |
| Discount on convertible notes | $ 225,000 | $ - |
| Common shares to be issued for accrued salaries - related parties | $ - | $ 60,910 |
| Conversion of convertible notes and accrued interest | $ 1,726,079 | $ - |

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

**Note 1 – Nature of the Business**

ENDRA Life Sciences Inc. ("ENDRA" or the "Company") is developing a medical imaging technology based on the thermoacoustic effect that improves the sensitivity and specificity of clinical ultrasound.

On May 8, 2017, the Company effected a one-for-3.5 reverse stock split (the "Reverse Split") of the Company's common stock, with no reduction in authorized capital stock. In the Reverse Split, every 3.5 outstanding shares of common stock became one share of common stock. See Note 6 below.

All common stock and stock incentive plan information in these financial statements reflect the Reverse Split.

ENDRA was incorporated on July 18, 2007 as a Delaware corporation.

ENDRA Life Sciences Canada Inc. was organized under the laws of Ontario, Canada on July 6, 2017, and is wholly owned by the Company.

**Note 2 – Summary of Significant Accounting Policies**

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management makes estimates that affect certain accounts including deferred income tax assets, accrued expenses, fair value of equity instruments and reserves for any other commitments or contingencies. Any adjustments applied to estimates are recognized in the period in which such adjustments are determined.

Principles of Consolidation

The Company's consolidated financial statements include all accounts of the Company and its consolidated subsidiaries and/or entities as of reporting period ending date(s) and for the reporting period(s) then ended. All inter-company balances and transactions have been eliminated.

Basis of Presentation

The accompanying unaudited financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month periods ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ended December 31, 2017. The balance sheet at December 31, 2016 has been derived from the audited financial statements at such date. For further information, refer to the financial statements and footnotes thereto included in ENDRA Life Sciences Inc. annual financial statements for the year ended December 31, 2016 included in Amendment No. 10 to the Company's Registration Statement on Form S-1 filed with the SEC on May 1, 2017.

Cash and Cash Equivalents

The Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents. As of September 30, 2017 and December 31, 2016, the Company had no cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Inventory

The Company's inventory is stated at the lower of cost or estimated realizable value, with cost primarily determined on a weighted-average cost basis on the first-in, first-out ("FIFO") method. The Company periodically determines whether a reserve should be taken for devaluation or obsolescence of inventory. As of September 30, 2017 and December 31, 2016, no such reserve was taken.

Capitalization of Fixed Assets

The Company capitalizes expenditures related to property and equipment, subject to a minimum rule, that have a useful life greater than one year for: (1) assets purchased; (2) existing assets that are replaced, improved or the useful lives have been extended; or (3) all land, regardless of cost. Acquisitions of new assets, additions, replacements and improvements (other than land) costing less than the minimum rule in addition to maintenance and repair costs, including any planned major maintenance activities, are expensed as incurred.

Capitalization of Intangible Assets

The Company records the purchase of intangible assets not purchased in a business combination in accordance with the ASC Topic 350.

Revenue Recognition

The Company recognizes revenue in accordance with the requirements of ASC 605-10-599, which directs that it should recognize revenue when (1) persuasive evidence of an arrangement exists (contracts); (2) delivery has occurred; (3) the seller's price is fixed or determinable (per the customer's contract); and (4) collectability is reasonably assured (based upon our credit policy). For products sold to end-users revenue is recognized when title has passed to the customer and collectability is reasonably assured; and no further efforts are required. Future revenue from anticipated new products will follow this same policy.

Income Taxes

The Company utilizes ASC 740, "Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

The Company generated a deferred tax asset through net operating loss carry-forwards. However, a valuation allowance of 100% has been established due to the uncertainty of the Company's realization of the net operating loss carry forward prior to its expiration.

Research and Development Costs

The Company follows ASC 730-10, "Research and Development". Research and development costs are charged to the statement of operations as incurred. During the three and nine months ended September 30, 2017, the Company incurred $300,527 and $571,066 of expenses related to research and development costs, respectively. During the three and nine months ended September 30, 2016, the Company incurred $137,540 and $336,417 of expenses related to research and development costs, respectively.

Net Earnings (Loss) Per Common Share

The Company computes earnings per share under ASC Subtopic 260-10, Earnings Per Share ("ASC 260-10"). Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to the common stockholders (the numerator) by the weighted average number of shares of common stock outstanding (the denominator) during the reporting periods. Diluted loss per share is computed by increasing the denominator by the weighted average number of additional shares that could have been outstanding from securities convertible into common stock (using the "treasury stock" method), unless their effect on net loss per share is anti-dilutive. There were 3,186,262 and 1,346,441 potentially dilutive shares, which include outstanding common stock options, warrants, and convertible notes, as of September 30, 2017 and December 31, 2016, respectively.

The potential shares, which are excluded from the determination of basic and diluted net loss per share as their effect is anti-dilutive, are as follows:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Options to purchase common stock | 938,121 | 151,881 |
| Warrants to purchase common stock | 2,248,141 | 152,812 |
| Convertible notes | - | 1,041,748 |
| Potential equivalent shares excluded | 3,186,262 | 1,346,441 |

Fair Value Measurements

Disclosures about fair value of financial instruments require disclosure of the fair value information, whether or not recognized in our balance sheet, where it is practicable to estimate that value. As of September 30, 2017 and December 31, 2016, the amounts reported for cash, accrued liabilities and accrued interest approximated fair value because of their short maturities.

In accordance with ASC Topic 820, “Fair Value Measurements and Disclosures,” the Company measures certain financial instruments at fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts of the Company’s financial assets and liabilities, including cash, prepaid expenses, accounts payable, accrued expenses, and other current liabilities, approximate their fair values because of the short maturity of these instruments. The fair value of notes payable and convertible notes approximates their fair values since the current interest rates and terms on these obligations are the same as prevailing market rates.

Share-based Compensation

The Company’s 2016 Omnibus Incentive Plan, which has been approved by its board of directors, permits the grant of share options and shares to its employees, consultants and non-employee members of the board of directors for up to 1,345,074 shares of common stock, of which approximately 500,000 remain available to be granted. The Company records share-based compensation in accordance with the provisions of the Share-based Compensation Topic of the FASB Codification. The guidance requires the use of option-pricing models that require the input of highly subjective assumptions, including the option’s expected life and the price volatility of the underlying stock. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model, and the resulting charge is expensed using the straight-line attribution method over the vesting period. The Company has elected to use the calculated value method to account for the options it issued in 2017 (prior to commencement on June 28, 2017 of public trading in the Company’s common stock) and in 2016. A nonpublic entity that is unable to estimate the expected volatility of the price of its underlying share may measure awards based on a “calculated value,” which substitutes the volatility of appropriate public companies (representative of the company’s size and industry) as a bench mark for the volatility of the entity’s own share price. Prior to June 28, 2017, there was no active market for the Company’s common shares. The Company has used the historical closing values of these companies to estimate volatility, which was calculated to be 90%.

Stock compensation expense recognized during the period is based on the value of share-based awards that were expected to vest during the period adjusted for estimated forfeitures. The estimated fair value of grants of stock options and warrants to non-employees of the Company is charged to expense, if applicable, in the financial statements. These options vest in the same manner as the employee options granted under the stock incentive plan as described above.

Beneficial Conversion Feature

If the conversion feature of conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF and the Company amortizes the discount to interest expense over the life of the debt using the effective interest method.

Debt Discount

The Company determines if the convertible debenture should be accounted for as liability or equity under ASC 480, Liabilities — Distinguishing Liabilities from Equity. ASC 480 applies to certain contracts involving a company's own equity, and requires that issuers classify the following freestanding financial instruments as liabilities: mandatorily redeemable financial instruments, obligations that require or may require repurchase of the issuer's equity shares by transferring assets (e.g., written put options and forward purchase contracts), and certain obligations where at inception the monetary value of the obligation is based solely or predominantly on:

- A fixed monetary amount known at inception, for example, a payable settleable with a variable number of the issuer's equity shares with an issuance date fair value equal to a fixed dollar amount;

- Variations in something other than the fair value of the issuer's equity shares, for example, a financial instrument indexed to the S&P 500 and settleable with a variable number of the issuer's equity shares; or

- Variations inversely related to changes in the fair value of the issuer's equity shares, for example, a written put that could be net share settled. If the entity determined the instrument meets the guidance under ASC 480 the instrument is accounted for as a liability with a respective debt discount. The Company records debt discounts in connection with raising funds through the issuance of promissory notes (see Note 5). These costs are amortized to noncash interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States ("U.S. GAAP") applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a limited operating history and had a cumulative net loss from inception to September 30, 2017 of $15,600,795. The Company had working capital of $6,910,775 as of September 30, 2017. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and to allow it to continue as a going concern. The accompanying financial statements for the period ended September 30, 2017 have been prepared assuming the Company will continue as a going concern. The Company's cash resources could be insufficient to meet its anticipated needs during the next twelve months. The Company will require additional financing to fund its future planned operations, including research and development and commercialization of its products.

The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it establishes a revenue stream and becomes profitable. Management's plans to continue as a going concern include raising additional capital through sales of equity securities and borrowing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. If the Company is not able to obtain the necessary additional financing on a timely basis, the Company will be forced to delay or scale down some or all of its development activities or perhaps even cease the operation of its business. The ability of the Company to continue as a going concern is dependent upon its ability to successfully secure other sources of financing and attain profitable operations. There is substantial doubt about the ability of the Company to continue as a going concern within one year after the date that the financial statements are issued. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has recently issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, and ASU 2016-20, all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance on its financial position, results of operations, and cash flows. The Company plans to adopt the provisions of this statement in the first quarter of fiscal 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**Note 3 – Inventory**

As of September 30, 2017 and 2016, inventory consisted of raw materials to be used in the assembly of a Nexus 128 system. As of September 30, 2017 and 2016 the Company had no orders pending for the sale of a Nexus 128 system.

**Note 4 – Fixed Assets**

As of September 30, 2017 and December 31, 2016, fixed assets consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Computer equipment and fixtures | $ 579,179 | $ 571,318 |
| Accumulated depreciation | (322,270) | (276,150) |
| Fixed assets, net | $ 256,909 | $ 295,168 |

Depreciation expense for the three months ended September 30, 2017 and 2016 was $15,157 and $16,324, respectively. Depreciation expense for the nine months ended September 30, 2017 and 2016 was $46,121 and $48,612, respectively.

**Note 5 – Current Liabilities**

As of September 30, 2017 and December 31, 2016, current liabilities consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Accounts payable | $ 228,266 | $ 227,744 |
| Accrued payroll | 16,324 | 105,258 |
| Accrued employee benefits | 67,452 | 29,552 |
| Accrued interest | - | 71,998 |
| Notes payable | - | 50,000 |
| Convertible notes, related party, net of discount | - | 99,804 |
| Convertible notes, net of discount | - | 800,172 |
| Total | $ 312,042 | $ 1,384,528 |

On January 28, 2016, the Company entered into promissory notes with three investors for a total amount of $50,000. The notes matured one year from the issue date, accrued no interest and were payable at maturity. Prior to the maturity date, the Company and the promissory note holders agreed to extend the maturity date of all three notes to July 31, 2017, on the same terms as previously agreed. The Company accounted for imputed interest of $0 and $1,480 for the three and nine months ended September 30, 2017, respectively, which was calculated at a rate of 8% per annum, consistent with other notes issued by the Company. During the nine-month period ended September 30, 2017, the promissory notes were repaid in full to all holders.

During 2016, the Company entered into convertible promissory notes with approximately 60 investors for a total principal amount of $1,386,448, $132,000 of which were purchased by related parties (the “2016 Notes”). On March 15, 2017, the Company extended the 2016 Notes offering by $250,000. The extension was made available only to existing noteholders and obtained subscriptions for $225,000. Pursuant to the terms of the 2016 Notes, noteholders holding a majority of the outstanding principal amount of the 2016 Notes elected to convert the principal and accrued interest on all outstanding 2016 Notes into shares of the Company’s common stock at a conversion price of $1.40 per share immediately prior to the Company’s initial public offering. 1,232,859 shares of the Company’s common stock were issued upon such conversion (see Note 6). In connection with the issuance of the 2016 Notes, the Company recorded a debt discount at an initial aggregate value of $1,611,448, of which $0 and $711,472 was amortized during the three and nine months ended September 30, 2017, respectively, resulting in a debt discount balance of $0 as of September 30, 2017. The Company had interest expenses of $0 and $42,633 for the three- and nine-month periods ended September 30, 2017, respectively.

In connection with the funding of the IPO, on May 12, 2017, the principal and interest due under the Company’s convertible notes, in an aggregate amount of $1,726,079, was converted into 1,232,859 shares of the Company’s common stock. The purchasers of the convertible notes are subject to lock-up requirements with respect to the conversion shares for periods that expire on May 9, 2018.

**Note 6 – Capital Stock**

At September 30, 2017, the authorized capital of the Company consisted of 60,000,000 shares of capital stock, consisting of 50,000,000 shares of common stock with a par value of $0.0001 per share, and 10,000,000 shares of preferred stock with a par value of $0.0001 per share.

*Reverse Stock Split*

On May 8, 2017, the Company filed a certificate of amendment (the “Certificate of Amendment”) to its certificate of incorporation with the Secretary of State of the State of Delaware to effect the Reverse Split of the Company’s common stock, with no reduction in authorized capital stock. Pursuant to the terms of the Certificate of Amendment, the Reverse Split became effective at 11:59 p.m. Eastern Time on May 8, 2017. In the Reverse Split, every 3.5 outstanding shares of common stock became one share of common stock. No fractional shares were issued in connection with the Reverse Split. Subject to the terms of the Certificate of Amendment, stockholders who were otherwise entitled to receive a fractional share of common stock received one whole share of common stock.

The Reverse Split was previously approved by holders of a majority of the Company’s issued and outstanding common stock. All common stock and stock incentive plan information in these financial statements has been restated to reflect this split.

*Initial Public Offering of Units*

The Company’s Registration Statement on Form S-1, as amended (Reg. No. 333-214724), was declared effective by the Securities and Exchange Commission (the “SEC”) on May 8, 2017, and the Company’s Registration Statement on Form S-1 (Reg. No. 333-217788), which was filed on May 8, 2017 with the SEC pursuant to Rule 462(b) of the Securities Act of 1933, as amended (the “Securities Act”), became effective upon filing. These registration statements registered the securities offered in the Company’s initial public offering (the “IPO”). In the IPO, the Company sold 1,932,000 units at a price to the public of $5.00 per unit, including the full exercise of the underwriters’ option to purchase additional units. Each unit consisted of one share of the Company’s common stock and a warrant to purchase a share of the Company’s common stock at an exercise price of $6.25 per share. The warrants terminate on May 12, 2022.

The IPO closed on May 12, 2017 and the underwriters exercised their overallotment option as of May 22, 2017, as a result of which the Company raised net proceeds of approximately $8.6 million after deducting approximately $773,000 in underwriting discounts, commissions and expenses and approximately $297,000 in offering expenses payable by the Company. National Securities Corporation and Dougherty & Company LLC were the underwriters of the IPO. No payments were made by the Company to its directors or officers or persons owning ten percent or more of its common stock or to their associates, or to the Company’s affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service.

The shares of common stock and warrants initially traded together on the Nasdaq Capital Market as units under the symbol “NDRAU”.

Effective at 12:01 a.m. on June 28, 2017, each of the Company's units issued in the IPO separated into one share of the Company's common stock and a warrant to purchase a share of the Company's common stock. Following separation, the common stock and warrants included in the units commenced trading on The Nasdaq Capital Market separately under the symbols "NDRA" and "NDRAW," respectively, and trading of the units under the symbol "NDRAU" was suspended.

*Conversion of Convertible Notes*

In connection with the funding of the IPO, on May 12, 2017, the principal and interest due under the Company's convertible notes, in an aggregate amount of $1,726,079, was converted into 1,232,859 shares of the Company's common stock. The purchasers of the convertible notes are subject to lock-up requirements with respect to the conversion shares for periods that expire on May 9, 2018.

During the nine months ended September 30, 2017, the Company issued 18,833 shares of common stock for services valued at $94,165 to a firm owned by David R. Wells, the Company's Chief Financial Officer.

As of September 30, 2017, there were 3,907,027 shares of common stock issued and outstanding and no preferred stock outstanding.

**Note 7 – Stock Options and Warrants**

Stock options are awarded to the Company's employees, consultants and non-employee members of the board of directors under the 2016 Omnibus Incentive Plan and are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The fair value of these stock options granted by the Company during the nine months ended September 30, 2017 was determined to be $3,241,392 using the Black-Scholes-Merton option-pricing model based on the following assumptions: (i) volatility rate of 90%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 4 to 8 years. A summary of option activity under the Company's stock options as of September 30, 2017, and changes during the nine-month period then ended is presented below:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Balance outstanding at December 31, 2016 | 151,890 | $ 9.99 | 2.47 |
| Granted | 801,216 | 4.93 | 7.53 |
| Exercised | - | - | - |
| Forfeited | - | - | - |
| Cancelled or expired | (14,985) | 10.02 | - |
| Balance outstanding at September 30, 2017 | 938,121 | $ 5.67 | 6.71 |
| Exercisable at September 30, 2017 | 144,110 | $ 8.92 | 2.89 |

During the nine months ended September 30, 2017, in connection with the closing of the IPO, the Company issued to the underwriters and their designees warrants to purchase an aggregate of 154,560 shares of the Company's common stock (the "Underwriters' Warrants") at an exercise price of $6.25 per share with an expiration date of May 8, 2022. The Underwriters' Warrants become exercisable on November 8, 2017.

During the nine months ended September 30, 2017, the Company granted warrants to purchase 10,000 shares of common stock with an exercise price of $5.50 per share for services. The warrants vest in six monthly installments beginning on June 12, 2017. The fair value of these warrants was determined to be $27,779 using the Black-Scholes-Merton option-pricing model based on the following assumptions: (i) volatility rate of 90%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 3 years. During the nine months ended September 30, 2017, $20,834 was expensed.

The following table summarizes all stock warrant activity of the Company for the nine months ended September 30, 2017:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Balance outstanding at December 31, 2016 | 152,828 | $ 5.41 | 3.30 |
| Granted | 2,096,563 | 6.25 | 4.61 |
| Exercised | - | - | - |
| Forfeited | - | - | - |
| Expired | (1,250) | 10.02 | - |
| Balance outstanding at September 30, 2017 | 2,248,141 | $ 7.11 | 4.47 |
| Exercisable at September 30, 2017 | 2,089,411 | $ 7.18 | 4.46 |

**Note 8 – Commitments & Contingencies**

*Office Lease*

Effective January 1, 2015, the Company entered into an office lease agreement with Green Court, LLC, a Michigan limited liability company, for approximately 3,657 rentable square feet of space, for the initial monthly rent of $5,986, which commenced on January 1, 2015 for an initial term of 60 months. Under the terms of the lease the Company has an option on the same space for an additional 60-month term. Future minimum payments under this lease are as follows:

| | |
|---|---|
| 2017 | $ 17,904 |
| 2018 | 77,348 |
| 2019 | 79,269 |
| Total | $ 174,521 |

For the three- and nine-month periods ended September 30, 2017, the Company incurred rent expenses of $20,828 and $52,527, respectively. For the three- and nine-month periods ended September 30, 2016, the Company incurred rent expenses of $18,562 and $55,687, respectively.

*Employment and Consulting Agreements*

On November 11, 2007, the Company entered into an at-will employment agreement with Michael Thornton, its Chief Operating Officer (now its Chief Technology Officer). The employment agreement required annual base salary payments of $200,000 per year, with a bonus potential of 20% of the then current base salary. In addition, the executive was granted an option to purchase 29,429 shares of Company's common stock exercisable at $10.01 per share, vesting in 3 equal annual installments on each anniversary of its three year term. The agreement also provided for severance compensation if terminated other than for cause (as defined therein) of 6 months of the then applicable base salary if he had been employed at least 6 months, and compensation equal to 12 months of the then applicable base salary if employed over 12 months. Effective May 12, 2017, the Company and Mr. Thornton entered into a new employment agreement, as described below.

On August 28, 2014, the Company entered into a services agreement with StoryCorp Consulting dba Wells Compliance Group ("StoryCorp") for financial reporting and compliance services. David R. Wells is the owner of this firm and is the Company's Chief Financial Officer. The services agreement called for monthly payments of $5,000, and accrued an additional $3,000 per month in fees to be paid by common stock at the time of a public offering. The accrued balance due under the cash portion as of September 30, 2017 and December 31, 2016 was $0 and $25,000, respectively, and the accrued balance due under the stock portion was $0 and $81,000, respectively. Effective May 12, 2017, the Company entered into a consulting agreement with StoryCorp that superseded the services agreement, as described below.

On April 16, 2015, the Company entered into an at-will employment agreement with Francois Michelon, its Chief Executive Officer. The employment agreement required annual base salary payments of $250,000 per year with a bonus potential of 50% of the then current base salary. In addition, the executive was granted an option to purchase 35,499 shares of Company's common stock exercisable at $10.01 per share, vesting in 3 equal annual installments on each anniversary of its three year term. The agreement also provided for severance compensation if terminated other than for cause (as defined therein) of 6 months of the then applicable base salary if he has been employed at least 6 months, and compensation equal to 12 months of the then applicable base salary if employed over 12 months. Effective May 12, 2017, the Company and Mr. Michelon entered into a new employment agreement, as described below.

Effective as of May 12, 2017, upon the closing of the IPO, the Company entered into amended and restated employment agreements with Mr. Michelon and Mr. Thornton. Mr. Michelon's employment agreement provides for an annual base salary of $325,000 and eligibility for an annual cash bonus up to a percentage of such base salary (in 2016, up to 35% of his base salary then in effect). Mr. Thornton's employment agreement provides for an annual base salary of $245,000 and eligibility for an annual cash bonus up to a percentage of such base salary (in 2016, up to 22% of his base salary then in effect). The employment agreements also provide for eligibility to receive benefits substantially similar to those of the Company's other senior executive officers.

Pursuant to the employment agreements, in connection with the closing of the IPO, Mr. Michelon and Mr. Thornton were granted stock options to purchase 339,270 and 345,298 shares of the Company's common stock, respectively, which, taken together with the number of shares such officer already held, equaled 5.0% of the Company's total issued and outstanding shares of common stock on a fully diluted basis following the IPO and underwriters' exercise of their overallotment option. The stock options have a weighted average exercise price of approximately $4.96, and vest in three equal annual installments beginning on May 12, 2018.

Effective as of May 12, 2017, the Company entered into a consulting agreement with StoryCorp, pursuant to which Mr. Wells will continue to provide services to the Company as its Chief Financial Officer. Pursuant to the consulting agreement, the Company will pay to StoryCorp a monthly fee of $9,000. Additionally, pursuant to the consulting agreement, the Company granted to Mr. Wells a stock option to purchase 15,000 shares of common stock in connection with the closing of the IPO, having an exercise price per share equal to $5.00 (the price per unit to the public in the IPO) and vesting in twelve equal quarterly installments, and will grant to Mr. Wells a stock option to purchase the same number of shares of common stock with the same terms on each annual anniversary of the date of the consulting agreement. The consulting agreement supersedes the services agreement previously in effect between the Company and StoryCorp.

*Litigation*

From time to time the Company may become a party to litigation in the normal course of business. Management believes that there are no current legal matters that would have a material effect on the Company's financial position or results of operations.

**Note 9 – Subsequent Events**

None.

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

**Forward-Looking Statements**

As used in this Quarterly Report on Form 10-Q (this "Form 10-Q"), unless the context otherwise requires, the terms "we," "us," "our," "ENDRA" and the "Company" refer to ENDRA Life Sciences Inc., a Delaware corporation. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical financial statements and related notes thereto in this Form 10-Q. This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "could," "seek," "intend," "plan," "estimate," "anticipate" or other comparable terms. All statements other than statements of historical facts included in this Form 10-Q regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding expectations for revenues, cash flows and financial performance, the anticipated results of our development efforts and the timing for receipt of required regulatory approvals and product launches. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: our ability to develop a commercially feasible technology; receipt of necessary regulatory approvals; our ability to find and maintain development partners, market acceptance of our technology, the amount and nature of competition in our industry; our ability to protect our intellectual property; and the other risks and uncertainties described in the Risk Factors section of our Quarterly Report on Form 10-Q for the period ended March 31, 2017, as filed with the SEC on June 21, 2017, and in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-Q. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

**Overview**

We have commercialized an enhanced ultrasound technology for the pre-clinical research market and are leveraging that expertise to develop technology for increasing the capabilities of clinical diagnostic ultrasound, to broaden patient access to the safe diagnosis and treatment of a number of significant medical conditions in circumstances where expensive X-ray computed tomography ("CT") and magnetic resonance imaging ("MRI") technology is unavailable or impractical.

Since 2010, we have marketed and sold our Nexus 128 system, which combines light-based thermoacoustics and ultrasound, to address the imaging needs of researchers studying disease models in pre-clinical applications. Sales of the Nexus 128 system were approximately $1.4 million in 2015 and $515,000 in 2016. Our Nexus 128 system is used in a number of leading global academic research centers, including Stanford University, The University of Michigan, Shanghai Jiao Tong University, and Purdue University. We expect to continue to sell our Nexus 128 system to maintain a base level of revenue, but believe the market potential for our clinical systems is much higher.

Building on our expertise in thermoacoustics, we developed a next-generation technology platform — Thermo Acoustic Enhanced Ultrasound, or TAEUS — which is intended to enhance the capability of clinical ultrasound technology and support the diagnosis and treatment of a number of significant medical conditions that currently require the use of expensive CT or MRI imaging or where imaging is not practical using existing technology.

Unlike the near-infrared light pulses used in our Nexus 128 system, our TAEUS technology uses radio frequency ("RF") pulses to stimulate tissues, using a small fraction of the energy transmitted into the body during an MRI scan. The use of RF energy allows our TAEUS technology to penetrate deep into tissue, enabling the imaging of human anatomy at depths equivalent to those of conventional ultrasound. The RF pulses are absorbed by tissue and converted into ultrasound signals, which are detected by an external ultrasound receiver and a digital acquisition system that is part of the TAEUS system. The detected ultrasound is processed into images using our proprietary algorithms and overlaid in real time onto conventional gray-scale ultrasound images.

We expect that the first-generation TAEUS application will be a standalone ultrasound accessory designed to cost-effectively quantify fat in the liver and stage progression of non-alcoholic fatty liver disease, or ("NAFLD"), which can only be achieved today with impractical surgical biopsies or MRI scans. Subsequent TAEUS offerings are expected to be implemented via a second generation hardware platform that can run multiple clinical software applications that we will offer TAEUS users for a one-time licensing fee – adding ongoing customer value to the TAEUS platform and a growing software revenue stream for our Company.

Each of our TAEUS platform applications will require regulatory approvals before we are able to sell or license the application. Based on certain factors, such as the installed base of ultrasound systems, availability of other imaging technologies, such as CT and MRI, economic strength and applicable regulatory requirements, we intend to seek initial approval of our applications for sale in the European Union, followed by the United States and China.

In April 2016, we entered into a Collaborative Research Agreement with General Electric Company, acting through its GE Healthcare business unit and the GE Global Research Center (collectively, "GE Healthcare"). Under the terms of the agreement, GE Healthcare has agreed to assist us in our efforts to commercialize our TAEUS technology for use in a fatty liver application by, among other things, providing equipment and technical advice, and facilitating introductions to GE Healthcare clinical ultrasound customers. In return for this assistance, we have agreed to afford GE Healthcare certain rights of first offer with respect to manufacturing and licensing rights for the target application. More specifically, we have agreed that, prior to commercially releasing our NAFLD TAEUS application, we will offer to negotiate an exclusive ultrasound manufacturer relationship with GE Healthcare for a period of at least one year of commercial sales. The commercial sales would involve, within our sole discretion, either our Company commercially selling GE Healthcare ultrasound systems as the exclusive ultrasound system with our TAEUS fatty liver application embedded, or GE Healthcare being the exclusive ultrasound manufacturer to sell ultrasound systems with our TAEUS fatty liver application embedded. The agreement is subject to termination by either party upon not less than 60 days' notice. On April 21, 2017, we and GE Healthcare entered into an amendment to our agreement, extending its term by one year to April 22, 2018.

Subsequent to the period ended September 30, 2017 we announced that we have partnered with StarFish Medical ("StarFish"), Canada's largest medical device development and contract manufacturing company, and CriTech Research Inc. ("CriTech"), a U.S. firm specializing in medical device software development, to commence productization of our TAEUS device targeting Non-Alcoholic Fatty Liver Disease (NAFLD). The agreements call for StarFish and CriTech to provide us with the specialized engineering resources necessary to translate our current prototype TAEUS device into a clinical product meeting CE regulatory requirements required for commercial launch in the European Union, targeted for 2018, followed by FDA submission for the U.S. market. StarFish is an ISO 13485 certified product engineering firm with offices in Victoria, British Columbia and Toronto, Ontario dedicated to the medical device and life science marketplace. CriTech Research Inc., headquartered in Saline, Michigan, has more than 20 years of experience in the development and testing of safety-critical software for medical devices. CriTech is certified to ISO13485 and ISO 9001 for software development.

**Financial Operations Overview**

*Revenue*

To date our revenue has been generated by the placement and sale of our Nexus 128 system for use in pre-clinical applications.

*Cost of Goods Sold*

Our cost of goods sold is related to our direct costs associated with the development and shipment of our thermoacoustic imaging systems placed in pre-clinical settings.

*Research and Development Expenses*

Our research and development expenses primarily include wages, fees and equipment for the development of our TAEUS technology platform and our proposed applications. Additionally, we incur certain costs associated with the protection of our products and inventions through a combination of patents, licenses, applications and disclosures.

*Sales and Marketing Expenses*

Sales and marketing expenses consist primarily of advertising, marketing and consulting expenses and headcount. Currently, our marketing efforts for our pre-clinical business are through distributors in China, the European Union, Australia, Korea and the United Kingdom, our website, and attendance of key industry meetings. In connection with the commercialization of our TAEUS applications, we expect to build a small sales and marketing team to train and support global ultrasound distributors, as well as execute traditional marketing activities such as promotional materials, electronic media and participation in industry conferences.

*General and Administrative Expenses*

General and administrative expenses consist primarily of salaries and related expenses for our management and personnel, and professional fees, such as accounting, consulting and legal.

**Critical Accounting Policies and Estimates**

*Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management makes estimates that affect certain accounts including deferred income tax assets, accrued expenses, fair value of equity instruments and reserves for any other commitments or contingencies. Any adjustments applied to estimates are recognized in the period in which such adjustments are determined.

*Share-based Compensation*

Our 2016 Omnibus Incentive Plan, which has been approved by our board of directors, permits the grant of share options and shares to our employees, consultants and non-employee members of our board of directors for up to 1,345,074 shares of common stock. We record share-based compensation in accordance with the provisions of the Share-based Compensation Topic of the FASB Codification. The guidance requires the use of option-pricing models that require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends, and the resulting charge is expensed using the straight-line attribution method over the vesting period.

Stock compensation expense recognized during the period is based on the value of share-based awards that were expected to vest during the period adjusted for estimated forfeitures. The estimated fair value of grants of stock options and warrants to non-employees is charged to expense, if applicable, in the financial statements.

*Recent Accounting Pronouncements*

See Note 2 of the financial statements for a discussion of recently issued accounting standards.

**Results of Operations**

***Three Months Ended September 30, 2017 and 2016***

*Revenues*

We had revenue of $287,000 for the three months ended September 30, 2017, as compared to $0 for the three months ended September 30, 2016. The revenue was a result of the sale of one of our Nexus 128 laboratory imaging systems in the three months ended September 30, 2017.

*Cost of Goods Sold*

Cost of goods sold was $118,270 and $0 for the three months ended September 30, 2017 and 2016, respectively. The cost of goods sold was a result of direct costs associated with the sale of one of our Nexus 128 laboratory imaging systems. Gross margin was approximately 59% for the three months ended September 30, 2017.

*Research and Development*

Research and development expenses were $300,527 for the three months ended September 30, 2017, as compared to $137,540 for the three months ended September 30, 2016, an increase of $162,987, or 119%. The costs include primarily wages, fees and equipment for the development of our TAEUS product line. Research and development expenses increased from the same period for the prior year due primarily to increased wages and employment related expenses.

*Sales and Marketing*

Sales and marketing expenses were $47,375 for the three months ended September 30, 2017, as compared to $16,040 for the three months ended September 30, 2016, an increase of $31,335, or 195%. The increase was primarily due to commissions paid on the sale of our Nexus 128 system. Currently our marketing efforts for our pre-clinical business are coordinated and led by a recently hired full-time employee who is responsible for the sales of our Nexus 128 systems, as well as coordinating sales through distributors in China, the European Union, Australia and the United Kingdom, our website and attendance of key industry meetings. Our future clinical business will involve hiring and training additional staff to support our sales efforts. As we seek to complete the development and commercialization of our TAEUS applications, we intend to build a small sales and marketing team to train and support global ultrasound distributors, as well as execute traditional marketing activities such as promotional materials, electronic media and participation in industry conferences.

*General and Administrative*

Our general and administrative expenses for the three months ended September 30, 2017 were $731,763, an increase of $280,533, or 62%, compared to $451,530 for the three months ended September 30, 2016. General and administrative expenses increased due to an increase in headcount and related operations after our IPO in May 2017. Our wage and related expenses for the three months ended September 30, 2017 were $376,810, compared to $231,918 for the three months ended September 30, 2016. Wage and related expenses in the three month period ended September 30, 2017 included $183,473 of stock compensation expense related to the issuance and vesting of options, compared to $103,483 of stock compensation expense for the same period in 2016. Our professional fees for the three months ended September 30, 2017 were $201,733, compared to $149,454 for the three months ended September 30, 2016.

*Net loss*

As a result of the foregoing, for the three months ended September 30, 2017, we recorded a net loss of $908,908 compared to a net loss of $977,898 for the three months ended September 30, 2016.

***Nine months Ended September 30, 2017 and 2016***

*Revenues*

We had revenue of $344,772 for the nine months ended September 30, 2017, as compared to $0 for the nine months ended September 30, 2016. The revenue was a result of the sale of one of our Nexus 128 laboratory imaging systems, and product service fees generated from our installed base of Nexus 128 laboratory imaging systems, for the nine months ended September 30, 2017.

*Cost of Goods Sold*

Cost of goods sold was $169,697 and $0 for the nine months ended September 30, 2017 and 2016, respectively. The cost of goods sold was a result of direct costs associated with the sale of one of our Nexus 128 laboratory imaging systems, and product service materials required for the service of a unit in our installed base of Nexus 128 laboratory imaging systems. Gross margin was approximately 51% for the nine months ended September 30, 2017.

*Research and Development*

Research and development expenses were $571,066 for the nine months ended September 30, 2017, as compared to $336,417 for the nine months ended September 30, 2016, an increase of $234,649, or 70%. The costs include primarily wages, fees and equipment for the development of our TAEUS product line. Research and development expenses increased from the same period for the prior year due primarily to increased wages and employment related expenses.

*Sales and Marketing*

Sales and marketing expenses were $55,403 for the nine months ended September 30, 2017, as compared to $26,197 for the nine months ended September 30, 2016, an increase of $29,206, or 111%. The increase was primarily due to commissions paid on the sale of our Nexus 128 system. Currently our marketing efforts for our pre-clinical business are through distributors in China, the European Union, Australia and the United Kingdom, our website and attendance of key industry meetings. Our future clinical business will involve hiring and training additional staff to support our sales efforts. As we seek to complete the development and commercialization of our TAEUS applications, we intend to build a small sales and marketing team to train and support global ultrasound distributors, as well as execute traditional marketing activities such as promotional materials, electronic media and participation in industry conferences.

*General and Administrative*

Our general and administrative expenses for the nine months ended September 30, 2017 were $1,878,093, an increase of $767,830, or 69%, compared to $1,110,263 for the nine months ended September 30, 2016. General and administrative expenses increased due to an increase in headcount and one-time expenses related to the IPO. Our wage and related expenses for the nine months ended September 30, 2017 were $876,016, compared to $549,429 for the nine months ended September 30, 2016. Wage and related expenses in the nine month period ended September 30, 2017 included $422,698 of stock compensation expense related to the issuance and vesting of options, compared to $172,723 of stock compensation expense for the same period in 2016. Our professional fees for the nine months ended September 30, 2017 were $688,649, compared to $384,399 for the nine months ended September 30, 2016.

*Net loss*

As a result of the foregoing, for the nine months ended September 30, 2017, we recorded a net loss of $3,082,322 compared to a net loss of $2,086,490 for the nine months ended September 30, 2016.

**Liquidity and Capital Resources**

To date, we have generated only limited revenues from sales of our Nexus 128 system. We have funded our operations to date through private and public sales of our securities. As of September 30, 2017, we had $6,977,462 in cash. In May 2017, we completed the IPO, raising net proceeds of approximately $8.6 million after deducting offering expenses of approximately $773,000 in underwriting discounts, commissions and expenses and approximately $297,000 in offering expenses payable by the Company.

We believe that cash on hand at September 30, 2017 and other potential sources of cash, including revenues we generate from sales of our Nexus 128 system, will be sufficient to fund our current operations into the fourth quarter of 2018. We plan to explore potential financing options that may be available to us, including additional sales of our common stock. However, we have no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If the Company is unable to obtain additional financing in a timely fashion and on terms acceptable to the Company, the Company's financial condition and results of operations may be materially adversely affected and the Company may not be able to continue operations or execute its commercialization plan.

The financial statements included in this Form 10-Q have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying financial statements, during the nine months ended September 30, 2017, the Company incurred net losses of $3,082,322, and used cash in operations of $1,925,329. These and other factors raise substantial doubt about the Company's ability to continue as a going concern for one year from the issuance of the financial statements. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

***Operating Activities***

During the nine months ended September 30, 2017, the Company used $1,925,329 of cash in operating activities primarily as a result of its net loss of $3,082,322, offset by amortization of discount of convertible debt of $711,472, share-based compensation of $600,514, $46,121 in depreciation and amortization expenses, and net changes in operating assets and liabilities of $(202,594).

During the nine months ended September 30, 2016, the Company used $769,459 of cash in operating activities primarily as a result of its net loss of $2,086,490, offset in part by net changes in operating assets and liabilities of $(114,513), $48,612 in depreciation and amortization expense, $199,723 in non-cash stock compensation expense, amortization of discount of convertible debt of $561,812, and additional warrants of $5,823 issued during the warrant exchange program, pursuant to which the Company issued warrants to participating warrant holders in exchange for such participants' exercising their then-held warrants.

***Investing Activities***

During the nine months ended September 30, 2017, the Company used $7,862 in investing activities related to purchase of equipment. There were no investing activities for the nine months ended September 30, 2016.

***Financing Activities***

During the nine months ended September 30, 2017, financing activities provided $8,590,700 in proceeds from the IPO and $225,000 in proceeds from convertible notes. The Company used $50,000 in repayments of notes payable.

During the nine months ended September 30, 2016, financing activities provided $1,441,448, including $5,000 from common stock issued for cash, $50,000 in proceeds from notes payable, and $1,386,448 in proceeds from convertible notes.

**Funding Requirements**

We have not completed development of our TAEUS technology platform applications. We expect to continue to incur significant expenses for the foreseeable future. We anticipate that our expenses will increase substantially as we:

- advance the engineering design and development of our NAFLD TAEUS application;
- prepare applications required for marketing approval of our NAFLD TAEUS application in the European Union and the United States;
- seek to hire a small internal marketing team to engage and support channel partners and clinical customers for our NAFLD TAEUS application;
- commence marketing of our NAFLD TAEUS application;
- advance development of our other TAEUS applications; and
- add operational, financial and management information systems and personnel, including personnel to support our product development, planned commercialization efforts and our operation as a public company.

We believe that our existing cash, taking into account the net proceeds of our IPO, will be sufficient for us to fund the development and regulatory approval and to prepare for the commercialization of our NAFLD TAEUS application in the European Union. It is possible that we will not achieve the progress that we expect because the actual costs and timing of completing the development and regulatory approvals for a new medical device are difficult to predict and are subject to substantial risks and delays. We have no committed external sources of funds. We do not expect that our existing cash will be sufficient for us to complete the commercialization of our NAFLD TAEUS application or to complete the development of any other TAEUS application and we will need to raise substantial additional capital for those purposes. As a result, we will need to finance our future cash needs through public or private equity offerings, debt financings, corporate collaboration and licensing arrangements or other financing alternatives. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed in the section of our Quarterly Report on Form 10-Q for the period ended March 31, 2017 entitled “Risk Factors” and elsewhere in this Form 10-Q. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

Until we can generate a sufficient amount of revenue from our TAEUS platform applications, if ever, we expect to finance future cash needs through public or private equity offerings, debt financings or corporate collaborations and licensing arrangements. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs or our commercialization efforts. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience additional dilution, and debt financing, if available, may involve restrictive covenants. To the extent that we raise additional funds through collaborations and licensing arrangements, it may be necessary to relinquish some rights to our technologies or applications or grant licenses on terms that may not be favorable to us. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time.

***Off Balance Sheet Transactions***

We do not have any off balance sheet transactions.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

The information required by Item 3 is not required to be provided by issuers that satisfy the definition of “smaller reporting company” under Securities and Exchange Commission rules.

## Item 4. Controls and Procedures

***Evaluation of Disclosure Controls and Procedures***

As of the end of the period covered by this Form 10-Q, management performed, with the participation of our principal executive officer and principal financial officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures. Based on the evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2017, our disclosure controls and procedures were not effective.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We identified the following material weakness as of September 30, 2017: insufficient personnel resources within the accounting function to segregate the duties over financial transaction processing and reporting.

To remediate our internal control weaknesses, management intends to implement the following measures, as finances allow:

- We will add sufficient accounting personnel or outside consultants to properly segregate duties and to effect a timely, accurate preparation of the financial statements.

- Upon the hiring of additional accounting personnel or outside consultants, we will develop and maintain adequate written accounting policies and procedures.

The additional hiring is contingent upon our efforts to obtain additional funding and the results of our operations. Management expects to secure funds in the coming fiscal year but provides no assurances that it will be able to do so.

***Changes in Internal Control over Financial Reporting***

There was no change to our internal controls or in other factors that could affect these controls during the three month period ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, our management is currently seeking resolutions to improve our controls and procedures in an effort to remediate the deficiency described above.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently a party to any pending legal proceedings that we believe will have a material adverse effect on our business or financial conditions. We may, however, be subject to various claims and legal actions arising in the ordinary course of business from time to time.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under “Risk Factors” in our Quarterly Report on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on June 21, 2017. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this report.

### Item 2. Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

***Use of Proceeds from Offering of Registered Securities***

On May 8, 2017, our Registration Statement on Form S-1, as amended (Reg. No. 333-193522), was declared effective by the SEC and, on May 8, 2017, our Registration Statement on Form S-1 (Reg. No. 333-217788) became effective upon filing with the SEC. Each such Registration Statement was filed in connection with our initial public offering, pursuant to which we sold 1,932,000 units, each consisting of one share of our common stock and a warrant to purchase one share of our common stock, at a price to the public of $5.00 per unit, which amount includes the full exercise of the underwriters’ option to purchase additional units. Each warrant is exercisable for a share of our common stock at a price of $6.25 per share. The offering closed on May 12, 2017 and the underwriters exercised their overallotment option as of May 22, 2017, as a result of which we raised net proceeds of approximately $8.6 million after deducting approximately $773,000 in underwriting discounts, commissions and expenses and approximately $297,000 in offering expenses payable by us. National Securities Corporation and Dougherty & Company LLC were the underwriters for the offering. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service.

The common stock and warrants comprising each unit separated and began trading separately on June 28, 2017. At such time, our units were cancelled and ceased to be listed on the Nasdaq Capital Market.

There has been no material change in the planned use of proceeds from our initial public offering as described in the final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on May 10, 2017.

### Item 3. Defaults Upon Senior Securities

Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

Not applicable.

### Item 6. Exhibits

The exhibits required to be filed as a part of this report are listed in the Exhibit Index.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ENDRA LIFE SCIENCES INC.**
(Registrant)

| | | |
|---|---|---|
| Date: November 14, 2017 | By: | /s/ Francois Michelon |
| | | Name: Francois Michelon<br>Title: Chief Executive Officer and Chairman<br>(Principal Executive Officer) |
| Date: November 14, 2017 | By: | /s/ David Wells |
| | | Name: David Wells<br>Title: Chief Financial Officer<br>(Principal Financial and Accounting Officer) |

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 3.1 | Fourth Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 12, 2017) |
| 3.2 | Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-214724), as amended, originally filed on November 21, 2016) |
| 4.1 | Specimen Certificate representing shares of common stock of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-214724), as amended, originally filed on November 21, 2016) |
| 4.2 | Form of Warrant Agreement and Warrant comprising a part of the Company's units issued in its initial public offering (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-214724), as amended, originally filed on November 21, 2016) |
| 4.3 | Form of Underwriters' Warrant issued to certain designees of the underwriters in the Company's 2017 initial public offering (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (File No. 333-214724), as amended, originally filed on November 21, 2016) |
| 4.4 | Form of Convertible Promissory Note (incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-1 (File No. 333-214724), as amended, originally filed on November 21, 2016) |
| 31.1 | Certification of Periodic Report by Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Periodic Report by Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1 | Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 101.INS | XBRL Instance Document (filed herewith) |
| 101.SCH | XBRL Taxonomy Schema (filed herewith) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase (filed herewith) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase (filed herewith) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase (filed herewith) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase (filed herewith) |

† Indicates management compensatory plan, contract or arrangement

**EXHIBIT 31.1**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Francois Michelon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ENDRA Life Sciences Inc. ;

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

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

4. The registrant's other certifying officer(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) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and

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

Date: November 14, 2017

/s/ Francois Michelon
Name: Francois Michelon
Title: Chief Executive Officer and Chairman

**EXHIBIT 31.2**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David R. Wells, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ENDRA Life Sciences Inc. ;

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

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

4. The registrant's other certifying officer(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) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and

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

Date: November 14, 2017

/s/ David R. Wells
Name: David R. Wells
Title: Chief Financial Officer
*(Principal Financial and Accounting Officer)*

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of ENDRA Life Sciences Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Francois Michelon, Chief Executive Officer and Chairman of the Company, and David Wells, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

A signed original of this written statement required by Section 906 has been provided to ENDRA Life Sciences Inc. and will be retained by ENDRA Life Sciences Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Francois Michelon
Name: Francois Michelon
Title: Chief Executive Officer and Chairman
Date: November 14, 2017

/s/ David R. Wells
Name: David R. Wells
Title: Chief Financial Officer
Date: November 14, 2017