APPENDIX 4E (RULE 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

31 DECEMBER 2021 RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 31 December 2020)

	$USD	up/down	% movement
Revenue from ordinary activities	Nil	Nil	Nil
Loss after tax from ordinary activities attributable to members	($39,835,369)	Down	54.9%
Loss after tax attributable to members	($39,835,369)	Down	54.9%

Dividend information

	Amount per security $USD	Franked amount per security $USD	Tax rate for franking credit
Dividend	Nil	Nil	N/A
Previous corresponding dividend	Nil	Nil	N/A

Net tangible asset backing

	31 Dec 2021 $USD	31 Dec 2020 $USD
Net tangible asset per share of common stock	$0.28	($2.85)
Net tangible asset per CDI	$0.28	$0.0

- **Annual financial results:**
  This report is based on the accompanying consolidated 2021 Financial Statements which have been audited by Price, Kong, & Co., CPA's, P.A. with the Independent Auditor's Report included in the 2021 Financial Statements.

- **Changes in control over entities:**
  There were no entities over which control has been gained or lost during 2021.

- **Details of dividends and dividend reinvestment plans:**
  No dividends have been declared or proposed.

- **Details of associates or joint ventures:**
  N/A

- **Set of accounting standards used in compiling the report:**
  The audited consolidated financial statement have been prepared in accordance with accounting principles generally accepted in the U.S. (US GAAP) and are denominated in U.S. dollars.

- **Details of audit disputes or audit qualification:**
  None.

A commentary on the results for the period:

The net loss for the year increased to $39,835,369 compared to $25,718,326 for the previous corresponding period due primarily to the amortization of deferred loan costs and discounts on convertible notes payable, resulting from the convertible noteholder's electing to convert the convertible notes payable into stockholders' equity.

Total operating expenses increased to $22,773,857 from $20,580,935 due primarily to an increase in field expenses to continue the final phase of the SOLVE-CRT pivotal clinical trial and to increase the number of sites participating in the trial.

The Company had cash and cash equivalents of $78,242,340 at 31 December 2021 compared to US$5,878,281 at 31 December 2020. The increase was due to the proceeds from the initial public offering in November 2021.

The Company operated in one segment only during the period and there were no returns to shareholders or share buy backs.

Please refer to our audited consolidated financial statements, with accompanying notes, which are attached hereto.

Annual Meeting of Stockholders:

The Annual General Meeting of stockholders will be held as a virtual meeting on Thursday, 12 May 2022 at 9:00am Australian Eastern Standard Time (Wednesday, 11 May 2022 at 4:00pm U.S. Pacific Daylight Time).

The online meeting will allow securityholders to view and listen to the annual meeting presentation and ask questions in real-time. Further details regarding the 2022 Annual Meeting will be provided in a separate Notice of Meeting, which will be provided to securityholders closer to the date of the meeting. The Notice of Meeting will also be available on the ASX Market Announcements Platform and the Company's website (www.ebrsystemsinc.com).

EBR Systems, Inc.
Consolidated Financial Statements
December 31, 2021 and 2020

EBR SYSTEMS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of EBR Systems, Inc.

Opinion

We have audited the accompanying consolidated financial statements of EBR Systems, Inc. and Subsidiary, (collectively, "the Company") (a Delaware, USA corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EBR Systems, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Price Kong & Co. C.P.A's P.A.

Price, Kong, & Co., C.P.A.’s, P.A.
Phoenix, Arizona
February 24, 2022

EBR SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		$ 78,242,340	$ 5,878,281
Non-trade receivable and unbilled reimbursements	3	966,123	273,304
Prepaid expenses		1,716,878	848,220
Other current assets		173,882	72,295
Total current assets		81,099,223	7,072,100
Property and equipment, net	3	1,743,704	887,341
Right of use operating lease asset	6	2,143,481	-
Other assets		437,660	439,202
Total assets		$ 85,424,068	$ 8,398,643
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable		$ 1,710,855	$ 903,720
Accrued expenses and other liabilities		2,726,024	2,099,108
Interest payable	4	282,256	2,665,867
Operating lease liability	6	185,707	-
Current portion of notes payable, net of discounts and deferred loan cost	4	2,410,496	2,401,432
Current portion of convertible notes payable, net of discounts and deferred loan costs	5	-	19,248,821
Total current liabilities		7,315,338	27,318,948
Operating lease liability, net of current portion	6	2,137,923	-
Interest payable, net of current portion		-	114,545
Notes payable, net of current portion, discounts and deferred loan costs	4	73,085	3,558,906
Convertible notes payable, net of current portion, discounts and deferred loan costs	5	-	8,019,395
Derivative liabilities - fair value of warrants	7	-	6,852,000
Other long-term liabilities		-	185,428
Total liabilities		9,526,346	46,049,222
Stockholders' equity (deficit)			
Convertible preferred stock (new series A and new series B), $0.0001 par value, 278,523,428 shares authorized, no shares issued and outstanding at December 31, 2021; 198,523,428 shares authorized, 84,856,456 shares issued and outstanding at December 31, 2020	9	-	8,486
Common stock, $0.0001 par value; 600,000,000 shares authorized, 267,985,340 shares issued and outstanding at December 31, 2021; 240,000,000 shares authorized, 13,190,604 issued and outstanding at December 31, 2020	10	26,800	1,320
Additional paid-in capital		319,378,429	166,278,889
Accumulated deficit		(244,534,315)	(203,851,437)
Accumulated other comprehensive income (loss)		1,026,808	(87,837)
Total stockholders' equity (deficit)		75,897,722	(37,650,579)
Total liabilities and stockholders' equity		$ 85,424,068	$ 8,398,643

See accompanying notes to consolidated financial statements

EBR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

		Twelve Months Ended December 31,	
	Notes	2021	2020
Operating expenses:			
Research and development		$ 7,232,171	$ 8,006,044
Sales and marketing		6,814,151	4,799,427
Clinical and regulatory		5,588,249	5,440,677
General and administrative		3,139,286	2,334,787
Total operating expenses		22,773,857	20,580,935
Loss from operations		(22,773,857)	(20,580,935)
Other income (expense)			
Interest expense	4 & 5	(19,009,916)	(7,861,576)
Other income	2	1,379,860	642,279
Gain on sale of equipment		3,639	-
Gain on forgiveness of debt	4	1,255,912	-
Gain on change in fair value of derivative liability	7	1,394,000	1,381,364
Gain (loss) on foreign currency	2	(2,085,007)	2,790
Total other income (expense)		(17,061,512)	(5,835,143)
Loss before income taxes		(39,835,369)	(26,416,078)
Income tax benefit		-	697,752
Net loss		$ (39,835,369)	$ (25,718,326)
Net loss per common share:			
Basic and diluted		$ (0.95)	$ (1.95)
Weighted average shares outstanding			
Basic and diluted		42,122,436	13,158,279
Other comprehensive income (loss):			
Foreign currency translation adjustments		$ 1,114,645	$ (87,837)
Comprehensive loss:		$ (38,720,724)	$ (25,806,163)

See accompanying notes to consolidated financial statements

EBR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Notes	Convertible Preferred Stock Shares	Convertible Preferred Stock Par Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance at December 31, 2019		84,856,456	$ 8,486	13,120,274	$ 1,313	$ 164,297,586	$ (178,133,111)	$ -	$ (13,825,726)
Issuance of stock warrants	8	-	-	-	-	1,549,357	-	-	1,549,357
Exercise of stock options	11	-	-	70,330	7	11,246	-	-	11,253
Stock-based compensation	11	-	-	-	-	420,700	-	-	420,700
Net loss		-	-	-	-	-	(25,718,326)	-	(25,718,326)
Foreign currency translation adjustment		-	-	-	-	-	-	(87,837)	(87,837)
Balance at December 31, 2020		84,856,456	$ 8,486	13,190,604	$ 1,320	$ 166,278,889	$ (203,851,437)	$ (87,837)	$ (37,650,579)
Issuance of stock warrants	8	-	-	-	-	3,123,094	-	-	3,123,094
Exercise of stock options	11	-	-	5,375,911	538	828,484	-	-	829,022
Stock-based compensation	11	-	-	-	-	459,180	-	-	459,180
Derivative liabilities settled to equity	7	-	-	-	-	11,979,000	-	-	11,979,000
Convertible notes payable converted into stockholders' equity	5	62,710,518	6,271	-	-	60,719,203	-	-	60,725,474
Convertible preferred stock converted into common stock	9	(147,566,974)	(14,757)	147,566,974	14,757	-	-	-	-
Warrant modifications	8	-	-	-	-	1,096,452	(847,509)	-	248,943
Issuance of common stock, net of issuance costs	10	-	-	101,851,851	10,185	74,894,127	-	-	74,904,312
Net loss		-	-	-	-	-	(39,835,369)	-	(39,835,369)
Foreign currency translation adjustment		-	-	-	-	-	-	1,114,645	1,114,645
Balance at December 31, 2021		-	$ -	267,985,340	$ 26,800	$ 319,378,429	$ (244,534,315)	$ 1,026,808	$ 75,897,722

See accompanying notes to consolidated financial statements

EBR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Twelve Months Ended December 31, 2021	2020
Cash flows from operating activities:			
Net loss		$ (39,835,369)	$ (25,718,326)
Adjustment to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	3	384,022	246,403
Amortization of deferred loan costs and discount on notes	4 & 5	16,901,371	5,017,796
Change in fair value of derivative liability	7	(1,394,000)	(1,381,364)
Stock-based compensation	11	459,180	420,700
Convertible notes payable issued for services		33,935	64,432
Gain on forgiveness of debt	4	(1,255,912)	-
(Gain) loss on disposal of property and equipment		(3,639)	5,674
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency		1,451,778	(92,126)
Changes in operating assets and liabilities:			
Non-trade receivable		(692,819)	207,715
Inventory		-	2,840,195
Prepaid expenses		(983,584)	(612,691)
Other assets		(100,045)	163,801
Accounts payable		721,097	(479,013)
Accrued expenses and other liabilities		333,197	(454,991)
Interest payable		1,836,673	2,224,731
Operating lease liability		(5,279)	-
Net cash used in operating activities		(22,149,394)	(17,547,064)
Cash flows from investing activities:			
Purchase of property and equipment	3	(912,009)	(265,300)
Proceeds from sale of property and equipment		5,200	-
Net cash used in investing activities		(906,809)	(265,300)
Cash flows from financing activities:			
Repayment of notes payable	4	(2,404,299)	(3,200,000)
Proceeds from notes payable	4	-	7,242,525
Proceeds from convertible notes	5	22,424,554	12,458,890
Payments of deferred loan costs		(289,913)	(107,522)
Proceeds from exercise of stock options	11	829,022	11,253
Proceeds from initial public offering	10	80,099,614	-
Payment of offering costs	10	(4,901,583)	-
Net cash provided by financing activities		95,757,395	16,405,146
Effect of exhange rate change on cash		(337,133)	
Net increase in cash and cash equivalents		72,364,059	(1,407,218)
Cash and cash equivalents, beginning of the period		5,878,281	7,285,499
Cash and cash equivalents, end of the period		$ 78,242,340	$ 5,878,281

See accompanying notes to consolidated financial statements

EBR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Twelve Months Ended December 31, 2021		2020	
Supplemental disclosure of cash flow information					
Cash paid interest		$	371,223	$	619,049
Cash received from income tax benefit		$	-	$	697,752
Non-cash financing activities					
Issuance of warrants for deferred loan costs	8	$		$	24,499
Issuance of detachable warrants	8	$	3,123,094	$	1,524,858
Derivative liabilities settled to equity	7	$	11,979,000	$	-
Convertible notes payable and accrued interest converted to equity	5	$	60,725,474	$	-
Warrant modifications	8	$	847,509	$	-

See notes to consolidated financial statements.

EBR SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Business and organization

Business overview

EBR Systems, Inc. ("EBR" or the "Company") is a United States-based company dedicated to the superior treatment of cardiac rhythm disease by providing physiologically effective stimulation through leadless endocardial pacing. In 2015, the Company received European CE Mark approval for the world's first wireless cardiac pacing system for heart failure. In 2016, EBR announced its first commercial implants of its wireless cardiac pacing system.

The Company operates wholly owned foreign subsidiary entities in Australia, EBR Systems (AUST) Pty. Ltd. ("EBR-AU"), and the United Kingdom, EBR Systems (UK) Limited ("EBR-UK"), which establishes clinical trials in Australia and the United Kingdom, respectively, and works on intellectual property development and on Food and Drug Administration ("FDA") approval. EBR-AU was incorporated on February 23, 2017 and EBR-UK was incorporated on July 31, 2015.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles("GAAP").

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Consolidated Balance Sheets to reclassify property, plant and equipment, and to reclassify deferred loan costs.

Principles of consolidation

The consolidated financial statements include the Company's accounts and those of its wholly owned subsidiary: EBR Systems (AUST) Pty. Ltd., incorporated in Australia. All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign currency translation

The Company translates the foreign currency financial statements into US Dollars using the reporting period-end or average exchange rates in accordance with the requirements of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") subtopic 830-10, *Foreign Currency Matters*. Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet dates. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain / (loss) within stockholders' equity (deficit).

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Significant estimates and assumptions made by management include the estimated lives of long-lived assets, the fair value of stock-based awards issued, clinical trial accruals, and the valuation of the derivative liability.

Fair value of financial instruments

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Our financial instruments include cash equivalents, non-trade receivables, other assets, accounts payable, accrued expenses and derivative liabilities. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. The carrying amount of cash equivalents, non-trade receivables and unbilled reimbursements, other assets, accounts payable and accrued expenses are generally considered to be representative of their respective values because of the short-term nature of those instruments. The fair value of the Company's embedded derivative liability was valued using the Monte Carlo Simulation (Level 3).

Derivative liability

The Company's 2019 and 2021 convertible notes payable issued contain certain features that meet the definition of being embedded derivatives requiring bifurcation from the 2019 and 2021 convertible notes payable as a separate compound financial instrument. The derivative liability is initially measured at fair value on issuance and is subject to remeasurement at each reporting period with changes in fair value recognized in other income (expense) in the accompanying consolidated statements of operations and comprehensive loss.

Beneficial conversion feature

From time to time, the Company may issue convertible notes that may have conversion prices that create an embedded beneficial conversion feature pursuant to FASB ASC Subtopic 470-20, *Debt with Conversion and Other Options*. A beneficial conversion feature ("BCF") exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible is in excess of the conversion price. In accordance with this guidance, the intrinsic value of the BCF is recorded as a debt discount with a corresponding amount to common stock. The debt discount is amortized to interest expense over the life of the note.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are primarily held at one U.S. financial institution that management believes is of high credit quality. Such deposits may, at times, exceed federally insured limits.

Cash and cash equivalents

EBR considers all highly liquid instruments with an initial maturity date of 90 days or less when purchased to be cash equivalents. All investments are considered cash equivalents.

Non-trade receivables and unbilled reimbursements

Non-trade receivables are recorded for amounts due to the Company related to reimbursements of clinical trials expenses based upon contracted terms. Unbilled reimbursements represent amounts for services that have been rendered but for which reimbursements have not been billed. See Note 3, "Consolidated balance sheet components" for additional information on non-trade receivables and unbilled reimbursements.

Property and equipment

Property and equipment is carried at acquisition cost less accumulated depreciation. The cost of normal, recurring, or periodic repairs and maintenance activities related to property and equipment are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. The estimated useful lives by asset classification are generally as follows:

Equipment	3 - 8 years
Computer software	3 years
Leasehold improvements	Lesser of 15 years or the remainder of the lease

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for potential impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that carrying value exceeds fair value. Fair value is determined using various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, depending on the nature of the asset. For the twelve-month period ended December 31, 2021 and 2020, the Company did not recognize any impairment charges associated with long-lived assets.

Right of use assets and lease liabilities

In connection with the adoption on July 1, 2021, the Company follows the provisions of FASB ASC Topic 842, "Leases" ("ASC 842"). At the inception of a contract, the Company determines whether the contract is or contains a lease based on all relevant facts and circumstances. For contracts that contain a lease, the Company identifies the lease and non-lease components, determines the consideration in the contract and recognizes the classification of the lease as operating or financing. At the commencement date of the lease, the Company recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

The Company has elected the package of practical expedients to not reassess its prior conclusions about lease identification, lease classification and indirect costs and to not separate lease and non-lease components. The Company has also elected not to recognize leases with a term less than one year on the balance sheet.

Lease liabilities and the corresponding right of use assets are recorded based on the present value of lease payments to be made over the lease term. The discount rate used to calculate the present value is the rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate. The Company's incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right of use asset may be required for items such as initial direct costs or incentives received. Lease payments on operating leases are recognized on a straight-line basis over the expected term of the lease. Lease payments on financing leases are recognized using the effective interest method. See Note 6, "Leases" for additional disclosure on leases.

Revenue Recognition

To date the Company's sole product is in the late stages of FDA approval, as such no revenue has been recorded from the sale of products. Once the Company receives FDA approval, revenue from product sales will be recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments will be provided for in the period the related sale is recorded.

Research and development

Research and development costs are expensed when incurred. Research and development costs include costs of other research, engineering, and technical activities to develop a new product or service or make significant improvement to an existing product or manufacturing process.

Stock-based compensation

The Company recognizes stock-based compensation expense in the accompanying consolidated statements of operations and comprehensive loss for all stock-based payments to employees, non-employees and directors. The Company records compensation expense over an award's requisite service period, or vesting period, based on the award's fair value at the date of grant. Awards generally vest over four years for employees. The Company generally uses the Black-Scholes option-pricing model to determine the fair value of each option grant as of the date of grant. The Black-Scholes option pricing model requires inputs for risk-free interest rate, dividend yield, expected stock price volatility and expected term of the options. The fair value of the options is recognized as expense on a straight-line basis over the requisite service period. The Company recognizes the impact of forfeitures on stock-based compensation expense as forfeitures occur. The Company applies the straight-line method of expense recognition to all awards with only service-based vesting conditions. See Note 11, "Stock-based compensation" for additional details.

Other Income

The Company periodically receives reimbursements of clinical trial expenses, which are recorded as other income in the accompanying consolidated statements of operations and comprehensive loss. During the twelve-month period ended December 31, 2021 and 2020, the Company recorded reimbursements of $1,378,908 and $624,361, respectively. Interest income of $952 and $17,918 is also included in other income for the twelve-month period ended December 31, 2021 and 2020, respectively.

Income taxes

The asset and liability approach is used for the financial reporting for income taxes. Deferred income balances reflect the effects of temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities and are measured using enacted tax rates expected to apply when taxes are actually paid or recovered. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses, or NOLs, and research and development credit carryforwards and are measured using the enacted tax rates and laws that will be in effect when such items are expected to reverse.

A valuation allowance is provided against deferred tax assets if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such determination, the Company considers all available positive and negative evidence, including taxable income in available carryback periods, future reversals of existing taxable temporary differences, tax planning strategies, and future taxable income exclusive of reversing temporary differences and carryforwards.

Recently adopted accounting pronouncements

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share* (Topic 260), *Debt — Modifications and Extinguishments* (Subtopic 470-50), *Compensation — Stock Compensation* (Topic 718), *and Derivatives and Hedging — Contracts in Entity's Own Equity* (Subtopic 815-40): *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* ("ASU 2021-04"). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. Early adoption is permitted for all entities, including adoption in an interim period. If an entity elects to early adopt ASU 2021-04 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The Company has elected the early adoption of ASU 2021-04. See Note 5, “Convertible notes payable” and Note 8 “Warrants” for additional details.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue in an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The Company adopted this guidance using the modified retrospective method in the first quarter of fiscal year 2020. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Note 3 – Consolidated balance sheet components

Non-trade receivable and unbilled reimbursements

Non-trade receivable and unbilled reimbursements include reimbursement of clinical trial expenses incurred. Non-trade receivable and unbilled reimbursements consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Non-trade receivable	$ 233,158	$ 273,304
Unbilled reimbursements	843,879	-
Non-trade receivable and unbilled services	1,077,037	273,304
Less: allowance for doubtful accounts	(110,914)	-
Non-trade receivable and unbilled services, net	966,123	273,304

During the twelve-month period ended December 31, 2021, bad debt expense totaled $110,914. During the twelve-month period ended December 31, 2020, there was no bad debt expense.

Property and equipment, net

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Equipment	$ 2,439,709	$ 1,725,043
Computer software	477,685	49,589
Leasehold improvements	415,590	301,060
Construction in progress	153,548	173,349
	3,486,532	2,249,041
Less accumulated depreciation and amortization	(1,742,828)	(1,361,700)
Total property and equipment, net	$ 1,743,704	$ 887,341

Depreciation and amortization expense on property and equipment was $384,022 and $246,403 for the twelve-month period ended December 31, 2021 and 2020, respectively.

Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following at December 31, 2021 and 2020:

	2021	2020
Accrued compensation and related liabilities	$ 1,628,316	$ 1,098,954
Accrued development expenses	663,288	755,573
Accrued other expenses	434,420	244,581
Accrued expenses and other liabilities	$ 2,726,024	$ 2,099,108

A***ccrued other long-term liabilities***

At December 31, 2020, other long-term liabilities consisted of deferred rent of $185,428. See Note 6, "Lease liability" for additional disclosure of leases at December 31, 2021.

Note 4 - Notes payable

Bank of America Leasing & Capital, LLC

In May 2021, the Company entered into an equipment purchase agreement for the purchase of certain software totaling $128,974. The purchase agreement requires 30 equal payments of $4,299 beginning December 1, 2021 through May 1, 2024. At December 31, 2021, the outstanding principal balance was $124,675, of which $51,590 was included in the current portion of notes payable.

Paycheck Protection Program

In April 2020, the Company received loan proceeds in the amount of $1,242,525 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amount up to 2.5 times of the average monthly payroll expense of the qualifying business. The loan and accrued interest is forgivable after the earlier of (i) 24 weeks after the loan disbursement date and (ii) December 31, 2020, as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities, and it maintains its payroll levels.

On May 20, 2021, the entire principal balance of $1,242,525 and accrued interest of $13,387 was forgiven and accounted for as a gain on extinguishment of debt during the twelve-month period ended December 31, 2021.

Silicon Valley Bank – 2020

In March 2020, the Company entered into a loan and security agreement with Silicon Valley Bank and other lenders party thereto. The loan agreement provides for a term loan facility that includes three tranches in a principal amount of $3,000,000, which if drawn would result in an aggregate outstanding principal amount of $9,000,000. As of December 31, 2021, the Company had borrowed $6,000,000 of the $9,000,000 available under the March 2020 loan agreement. The Company used a portion of the proceeds of the initial tranche of term loans to fully repay its outstanding term loan under the 2018 loan and security agreement with Silicon Valley Bank. As of December 31, 2021 and 2020, the outstanding principal balance under the loan agreement was $2,400,000 and $4,800,000, respectively.

Interest on the term loan accrues on the principal amount outstanding at a floating per annum rate equal to the greater of 7.25% or 2.50% above the Prime Rate and is payable monthly in arrears. The Company is required to make interest only payments from April 2020 to June 2020. Thereafter, thirty monthly principal payments of $200,000 per month plus interest commencing July 2020 and continuing until the maturity of the note in December 2022.

The debt is secured against substantially all assets of the Company, except for the Company's intellectual property but includes all proceeds from the sale of intellectual property.

The Company incurred loan costs of $83,114, these costs are being amortized over the life of the loan. As of December 31, 2021 and 2020, the note has been shown net of unamortized loan costs of $30,245 and $60,491, respectively. Amortization of the loan costs was $30,246 and $22,623 during the twelve-month period ended December 31, 2021 and 2020, respectively, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

The note payable described above was issued with fully vested detachable warrants. The note has been discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. As of December 31, 2021 and 2020, the note has been shown net of the unamortized discount of $10,848 and $21,696, respectively, on the accompanying consolidated balance sheets. Amortization of the discount was $10,848 during the twelve-month period ended December 31, 2021 and 2020, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss. See Note 8 for additional information regarding the warrants.

Silicon Valley Bank – 2018

In April 2018, the Company and Silicon Valley Bank, entered into a loan and security agreement to provide a term loan in the principal amount of $3,000,000. The term loan under the loan agreement was secured by substantially all of the Company's assets, other than intellectual property, but included proceeds from the sale of intellectual property. During 2020, the Company used a portion of the proceeds from the 2020 Silicon Valley Bank note payable to repay the outstanding balance. In connection with the term loan, the Company issued Silicon Valley Bank fully vested detachable warrants to purchase 234,176 shares of New Series B Convertible Preferred Stock. The note was discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. Amortization of the discount was $47,885 during the twelve-month period ended December 31, 2020, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

At December 31, 2021 and 2020, notes payable consisted of the following:

	2021	2020
Current portion of notes payable	$ 2,451,589	$ 2,442,525
Long-term portion of notes payable	73,085	3,600,000
Less: unamortized deferred loan costs	(30,245)	(60,491)
Less: unamortized debt discount	(10,848)	(21,696)
Notes payable, net	$ 2,483,581	$ 5,960,338

The following table presents information regarding the Company's notes payable principal repayment obligations as of December 31, 2021:

Twelve-months ended December 31,	
2022	$ 2,451,589
2023	73,085
Total minimum payments	$ 2,524,674

Note 5 – Convertible Notes Payable

Convertible Notes Payable – 2021

In June 2021, the Company issued the first tranche ("tranche one") of convertible notes payable in the amount of $8,712,277. In October 2021, the Company issued the second tranche ("tranche two") of convertible notes payable in the amount of $8,712,277. The convertible notes payable has a maturity date of December 2022. The notes have a stated rate of 10% per annum.

In November 2021, the convertible note holders elected to convert the aggregate principal balance and accrued interest from the tranche one and tranche two convertible notes payable. The principal balance of $17,424,544 and accrued interest of $460,677 converted into 21,692,195 shares of the New Series B Convertible Preferred Stock.

As part of the agreement, in June 2021, the Company issued fully vested detachable warrants to purchase 3,111,787 shares of the New Series B Convertible Preferred Stock at $0.8245 per share to the tranche one convertible note payable holders. In October 2021, the Company issued fully vested detachable warrants to purchase 3,111,787 shares of the New Series B Convertible Preferred Stock at $0.589113 per share. Both tranches of warrants have an exercise period of 10 years. The Company has classified the warrants as equity. The convertible notes have been discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. Accordingly, the fair value of the tranche one and tranche two warrants at the time of issuance was $1,128,927 and $1,369,186, respectively. Amortization of the discount was $2,498,113 during the twelve-months ended December 31, 2021, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

On September 26, 2021, Company amended the tranche one warrants and reduced the exercise price to $0.589113 per share. The Company elected to account for the modification of the warrants under ASU 2021-04. Accordingly, the Company recognized the effect of the modification as a change in the discount on the convertible notes. The Company evaluated the difference between the fair value of the modified warrant and the fair value of the warrant immediately before it was modified. The Company accounted for the difference of $248,943 as an additional discount on the convertible notes payable. Amortization of the additional discount was $248,943 during the twelve-months ended December 31, 2021, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss. See Note 8 "Warrants", for additional information regarding the warrants.

In the event the Company raises $40,000,000 of equity financing, not including the conversion of the notes, then the entire principal amount and accrued interest shall be converted into the qualified financing shares at 80% of the lowest price per share paid by a third party. If a qualified financing event is not triggered, the principal amount and accrued interest shall be converted into the New Series B Convertible Preferred Stock at a price per share of $0.8245. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under FASB ASC Subtopic 815, *Derivatives and Hedging,* and determined that the embedded conversion features should be classified as a derivative liability because the exercise price of these convertible notes are subject to a variable conversion rate. The Company has determined that the conversion feature is not considered to be solely indexed to the Company's own stock and is therefore not afforded equity treatment, as such, the Company has bifurcated the conversion feature of the note and recorded a derivative liability for tranche one and tranche two of the convertible note. See Note 7 "Derivative liabilities", for additional information regarding the derivative liability.

The embedded derivative for the note is carried on the Company's accompanying consolidated balance sheets at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the consolidated statements of operations and comprehensive loss and the associated fair value carrying amount on the accompanying consolidated balance sheets is adjusted by the change. The Company measures the fair value of the embedded derivative using the Monte Carlo simulation. The aggregate fair value of the derivative at the issuance date of tranche one and tranche two was $2,926,000 and $2,611,000, which was recorded as a derivative liability and debt discount at the time of issuance. Amortization of the discount was $5,537,000 during the twelve-months ended December 31, 2021, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

Convertible Notes Payable – 2019

In August 2019, the Company issued the first of three tranches ("tranche one") of convertible notes payable in the amount of $12,500,000. In March 2020, the Company issued the second of three tranches ("tranche two") of convertible notes payable in the amount of $12,458,890. In February 2021, the Company issued the third and final tranche ("tranche three") of the convertible notes payable in the amount of $5,000,000. The convertible notes payable has a maturity date of December 2021. The notes have a stated rate of 10% per annum.

In May 2021, the convertible note holders elected to convert the aggregate principal balance and accrued interest from the tranche one, tranche two and tranche three convertible notes payable. The principal balance of $29,958,890 and accrued interest of $3,860,764 converted into 41,018,323 shares of the New Series B Convertible Preferred Stock.

As part of the agreement, the Company issued fully vested detachable warrants to the tranche one, tranche two, and tranche three convertible note payable holders to purchase 4,438,437 shares, 4,423,389 shares, and 1,732,123 shares, respectively, of the New Series B Convertible Preferred Stock at $0.8245 per share. The warrants have an exercise period of 10 years. The Company has classified the warrants as equity. The convertible notes have been discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. Accordingly, the fair value of the tranche one, tranche two, and tranche three warrants at the time of issuance was $1,329,621, $1,526,399, and $624,981, respectively. As of December 31, 2020, the note has been shown net of the aggregate unamortized discount of $1,417,397 on the accompanying consolidated balance sheets. Amortization of the discount was $2,042,378 and $1,248,137 during the twelve-months ended December 31, 2021 and 2020, respectively, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss. See Note 8 "Warrants", for additional information regarding the warrants.

On September 26, 2021, the Company amended the tranche one, tranche two and tranche three warrants and reduced the exercise price to $0.589113 per share. The Company elected to account for the modification of the warrants under ASU 2021-04. Accordingly, the Company recognized the effect of the modification as a dividend because the convertible notes had previously been converted in the New Series B Convertible Preferred Stock. The Company evaluated the difference between the fair value of the modified warrant and the fair value of the warrant immediately before it was modified. The Company accounted for the difference of $847,509 as a dividend declared. See Note 8 "Warrants", for additional information regarding the warrants.

In the event the Company raises $20,000,000 of equity financing, not including the conversion of the notes, then the entire principal amount and accrued interest shall be converted into the qualified financing shares at 80% of the lowest price per share paid by a third party. If a qualified financing event is not triggered, the principal amount and accrued interest shall be converted into the New Series B Convertible Preferred Stock at a price per share of $0.8245. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under FASB ASC Subtopic 815, *Derivatives and Hedging,* and determined that the embedded conversion features should be classified as a derivative liability because the exercise price of these convertible notes is subject to a variable conversion rate. The Company has determined that the conversion feature is not considered to be solely indexed to the Company's own stock and is therefore not afforded equity treatment, as such, the Company has bifurcated the conversion feature of the note and recorded a derivative liability. See Note 7 "Derivative liabilities", for additional information regarding the derivative liability.

The embedded derivative for the note is carried on the Company's accompanying consolidated balance sheets at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the consolidated statements of operations and comprehensive loss and the associated fair value carrying amount on the accompanying consolidated balance sheets is adjusted by the change. The Company measures the fair value of the embedded derivative using the Monte Carlo simulation. The aggregate fair value of the derivative at the issuance date of tranche one, tranche two, and tranche three was $3,027,459, $5,105,000, and $984,000, respectively, which was recorded as a derivative liability and debt discount at the time of issuance. At December 31, 2020, the unamortized debt discount was $4,173,443. Amortization of the debt discount was $5,157,443 and $3,526,522 during the twelve-month period ended December 31, 2021 and 2020, respectively, and is recorded as interest expense in the accompanying consolidated statements of operations and comprehensive loss.

Convertible Note Payable – 2017

In October 2017, the Company issued a convertible promissory note for a principal amount of $9,020,589, with a maturity date of April 2028. The note has a stated interest rate of 8% per annum and is convertible into 12,445,334 New Series B Convertible Preferred Stock. Interest is only due and payable in the event the Company declares a dividend on the New Series B Convertible Preferred Stock. As no such dividends have been declared to date there has been no accrued interest recorded on this convertible note. In connection with the convertible note payable, the Company issued fully vested detachable warrants to purchase 1,950,607 shares of common stock at $0.41225 per share. The warrants have an exercise period of 10 years. The Company has classified the warrants as equity. The note was discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. As of December 31, 2020, the convertible note has been shown net of the unamortized discount of $193,833. The notes were converted in November 2021. Amortization of the discount was $193,833 and $54,489 for the twelve-month period ended December 31, 2021 and 2020, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

A beneficial conversion feature discount of $1,240,800 was recorded at the issuance of the convertible promissory note. The beneficial conversion feature is being amortized as interest expense over the term of the convertible note payable. Amortization of the beneficial conversion feature was $864,851 and $118,738 during the twelve-month period ended December 31, 2021 and 2020, which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss. As of December 31, 2020, the unamortized beneficial conversion feature amounted $864,851.

At December 31, 2021 and 2020, convertible notes payable consisted of the following:

	2021	2020
Current portion of convertible notes payable	$ -	$ 24,924,955
Long-term portion of convertible notes payable	-	9,020,589
Less unamortized discounts	-	(6,456,231)
Less unamortized deferred loan costs	-	(221,096)
Convertible notes payable, net	$ -	$ 27,268,217

Note 6 – Lease liability

The Company adopted ASC 842 on July 1, 2021 using the modified retrospective approach and elected to apply the transition method that allows companies to continue applying guidance under the lease standard in effect at that time in the comparative period financial statements and recognize a cumulative-effect adjustment to the balance sheet on the date of adoption. The Company has also elected the package of practical expedients to not reassess its prior conclusions about lease identification, lease classification and indirect costs and to not separate lease and non-lease components. With the adoption of ASC 842, the Company's balance sheet now contains line items for right of use asset, current lease liability and noncurrent lease liability.

The Company determined that it held an operating lease for its office and laboratory space as of July 1, 2021, which expires June 30, 2024. The Company held no other lease agreements. The Company leases the office and laboratory space for its corporate headquarters and primary research facility in Sunnyvale, California. On July 1, 2021, the Company recorded a right of use asset of $2,238,387 and a corresponding lease liability of $2,406,288.

The Company also has the option to extend the term of the lease an additional sixty-months. As the Company cannot provide reasonable assurance at this time that the Company will not elect to exercise the option to extend the lease, the lease term, as per ASC 842, currently only takes into consideration the additional five years.

Additionally, the lease agreements did not contain information to determine the rate implicit in the lease. As such, the Company calculated its incremental borrowing rate based on what the Company would have to pay to borrow on a collateralized basis over the lease term for an amount equal to the remaining lease payments taking into consideration such assumptions as, but not limited to, the U.S. treasury yield rate and borrowing rates from a creditworthy financial institution using the above lease factors.

Future lease payments for non-cancellable operating leases as of December 31, 2021 were as follows:

Twelve-months Ended December 31,	
2022	$ 396,882
2023	408,786
2024	421,050
2025	433,682
2026	446,692
Thereafter	1,174,439
Total undiscounted lease payments	3,281,531
Less: effects of discounting	(957,901)
Total operating lease liabilities	$ 2,323,630

Amounts reported in the consolidated balance sheet for operating leases in which the Company is the lessee as of December 31, 2021 were as follows:

Right of use asset	$	2,143,481
Lease liability, current		185,707
Lease liability, noncurrent		2,137,923
Remaining lease term		7.50
Discount rate		10.00%

Total rent expense for the twelve-month period ended December 31, 2021 and 2020 was $380,041 and $346,564, respectively.

Note 7 – Derivative liabilities

The Company determined the conversion feature of the convertible notes, which contain a variable conversion rate, represented an embedded derivative since the notes were convertible into a variable number of shares upon conversion. Accordingly, the convertible notes are not considered to be conventional debt under FASB ASC Topic 815, *Derivatives and Hedging,* and the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability.

In June 2021, the 2019 convertible notes payable, which contained an embedded derivative liability were converted into convertible preferred stock. In November 2021, the 2021 convertible notes payable, which contained an embedded derivative liability were converted into common stock. At the time of the conversions the related derivative liabilities were settled into equity. At December 31, 2020, the Company valued the derivative liability at $6,852,000. The Company used the Monte Carlo simulation valuation model with the following assumptions as of December 31, 2020, risk-free interest rate of 0.10% and volatility of 63.0%.

A summary of the activity related to derivative liabilities for the twelve-month period ended December 31, 2021 and 2020, is as follows:

Balance at January 1, 2020	$	3,128,364
Issued during the twelve-month period		5,105,000
Change in fair value recognized in operations		(1,381,364)
Balance at December 31, 2020		6,852,000
Issued during the twelve-month period		6,521,000
Change in fair value recognized in operations		(1,394,000)
Derivative liabilities settled into equity		(11,979,000)
Balance at December 31, 2021	$	-

Note 8 – Warrants

The Company follows FASB ASC Subtopic 815-40*, Contract in an Entity's Own Equity,* as it relates to outstanding warrants. Additionally, the Company follows ASU 2021-04, *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options,* as it relates to modification of outstanding warrants.

In connection with the tranche two of the 2021 convertible notes payable as discussed in Note 5 "Convertible notes payable", which occurred in October 2021, the Company issued warrants to purchase 3,111,787 shares of New Series B Convertible Preferred Stock at an exercise price of $0.589113 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement on October 4, 2031. The aggregate fair value attributed to these warrants was $1,369,186 at the grant date. These warrants are classified as equity in the accompanying consolidated balance sheets.

The fair value for the warrants issued was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	35.2%
Risk free interest rate	1.44%
Expected life	10 yrs.

In connection with the tranche one of the 2021 convertible notes payable as discussed in Note 5 "Convertible notes payable", which occurred in June 2021, the Company issued a warrant to purchase 3,111,787 shares of New Series B Convertible Preferred Stock at an exercise price of $0.8245 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement on February 12, 2031. The aggregate fair value attributed to these warrants was $1,128,927 at the grant date. These warrants are classified as equity in the accompanying consolidated balance sheets.

On September 26, 2021, Company amended the tranche one warrants and reduced the exercise price to $0.589113 per share. The Company elected to account for the modification of the warrants under ASU 2021-04. Accordingly, the Company recognized the effect of the modification as a change in the discount on the convertible notes. The Company evaluated the difference between the fair value of the modified warrant and the fair value of the warrant immediately before it was modified. The additional fair value attributed to the warrants was $248,943 at the modification date.

The fair value for the warrants as originally issued and as modified was calculated using the Black-Scholes model with the following assumptions:

	As originally issued	As modified
Dividend yield	0.00%	0.00%
Volatility	48.90%	34.20%
Risk-free interest rate	1.29%	1.44%
Expected life	7	9.75

In connection with the tranche one, tranche two and tranche three of the 2019 convertible notes payable as discussed in Note 5 "Convertible notes payable", which occurred on August 2019, March 13, 2020, and February 12, 2021, respectively, the Company issued warrants to purchase 4,438,389 shares, 4,423,389 shares and 1,732,123 shares, respectively, of New Series B Convertible Preferred Stock at an exercise price of $0.8245 per share. The warrants have an exercise period of 10 years and are exercisable in whole, or in part at any time up until the expiration of the warrant agreement. The aggregate fair value attributed to the tranche one, tranche two and tranche three warrants was $1,329,621, $1,526,399, and $624,981, respectively, at the grant date. These warrants are classified as equity in the accompanying consolidated balance sheets.

On September 26, 2021, Company amended the tranche one, tranche two and tranche three warrants and reduced the exercise price to $0.589113 per share. The Company elected to account for the modification of the warrants under ASU 2021-04. Accordingly, the Company recognized the effect of the modification as a dividend because the convertible notes had previously been converted in the New Series B Convertible Preferred Stock. The Company evaluated the difference between the fair value of the modified warrant and the fair value of the warrant immediately before it was modified. The deemed dividend attributed to the warrants was $847,509 at the modification date.

The fair value for the tranche one warrants as originally issued and as modified was calculated using the Black-Scholes model with the following assumptions:

	As originally issued	As modified
Dividend yield	0.00%	0.00%
Volatility	36.82%	34.60%
Risk-free interest rate	1.49%	1.32%
Expected life	7 yrs.	7.92 yrs.

The fair value for the tranche two warrants as originally issued and as modified was calculated using the Black-Scholes model with the following assumptions:

	As originally issued	As modified
Dividend yield	0.00%	0.00%
Volatility	46.35%	34.50%
Risk-free interest rate	0.89%	1.36%
Expected life	7 yrs.	8.46 yrs.

The fair value for the tranche three warrants as originally issued and as modified was calculated using the Black-Scholes model with the following assumptions:

	As originally issued	As modified
Dividend yield	0.00%	0.00%
Volatility	49.20%	34.50%
Risk-free interest rate	0.85%	1.42%
Expected life	7 yrs.	9.38 yrs.

In connection with the Silicon Valley Bank note payable as discussed in Note 4, which occurred in March 2020, the Company issued a warrant to purchase 441,500 shares of common stock at an exercise price of $0.14 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement at March 24, 2030. The aggregate fair value attributed to these warrants was $29,831 at the grant date. These warrants are classified as equity in the accompanying consolidated balance sheets.

The fair value for the warrants issued was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	47.28%
Risk free interest rate	0.77%
Expected life	7 yrs.

Below is a summary of warrants outstanding at December 31, 2021 and 2020:

	Number of Shares	Weighted average exercise price	Weighted average remaining contractual term
Balance at January 1, 2020	6,990,442	$ 0.74	7.88
Issued	4,864,889	0.76	9.20
Exercised	-	-	-
Expired/forfeited	-	-	-
Balance at December 31, 2020	11,855,331	0.75	8.42
Issued	7,955,697	0.73	9.85
Exercised	-	-	-
Modification	-	(0.24)	-
Expired/forfeited	-	-	-
Balance at December 31, 2021	19,811,028	$ 0.58	8.27

Note 9 – Convertible Preferred Stock

In connection with the Initial Public Offering ("IPO"), as discussed in Note 10, "Common Stock" all shares of convertible preferred stock then outstanding were automatically converted into 147,566,974 shares of its common stock on a one-for-one basis. No convertible preferred securities were outstanding as of December 31, 2021.

As of December 31, 2020, Convertible Preferred Stock consisted of the following:

Convertible Preferred Stock	Preferred Shares Authorized	Preferred Shares Issued and Outstanding	Carrying Value & Liquidation Preferences	Shares of Common Stock Issuable Upon Conversion
New Series A	3,523,428	3,488,010	$ 2,875,864	3,488,010
New Series B	195,000,000	81,368,446	67,088,284	81,368,446
Total convertible preferred stock at December 31, 2020	198,523,428	84,856,456	$ 69,964,148	84,856,456

In June 2021, the convertible note holders elected to convert the aggregate principal balance and accrued interest from the tranche one, tranche two and tranche three 2019 convertible notes payable. The principal balance of $29,958,890 and accrued interest of $3,860,764 converted into 41,018,323 shares of the New Series B Convertible Preferred Stock.

In November 2021, the 2017 Convertible Note holders and 2021 Convertible Note holders elected to convert the aggregate principal balance and accrued interest convertible notes payable. The principal balance of $26,445,143 and accrued interest of $460,677 converted into 21,692,195 shares of the New Series B Convertible Preferred Stock.

Note 10 – Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the Company's board of directors. As of December 31, 2021 and 2020, no dividends have been declared.

As of December 31, 2021 and 2020, 600,000,000 shares and 240,000,000 shares, respectively, were authorized, of which 267,985,340 shares and 13,190,604 shares, respectively, were outstanding.

During the twelve-month period ended December 31, 2021, a total of 5,375,911 options to purchase common shares were exercised for total proceeds of $829,022.

On November 23, 2021, the Company completed its Initial Public Offering and associated listing on the Australian Securities Exchange ("ASX"). The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHESS system of holding securities or electronic transfers of legal title to shares. To enable companies to have their securities cleared and settled electronically through CHESS, CHESS depository instruments called CDIs are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement. The equity capital raise consisted of 101,851,851 CDIs representing the same number of shares of common stock at $1.08 Australian dollars per share, for total proceeds of $74,894,127, net of expenses.

Additionally, the Company has reserved the following shares of common stock for issuance as of December 31, 2021:

Conversion of Common Stock warrants	2,392,107
Conversion of New Series A warrants	21,649
Conversion of New Series B warrants	11,173,698
Conversion of New Series B2 warrants	6,223,574
2013 Equity Incentive Plan	28,525,671
2021 Equity Incentive Plan	35,064,607
Total shares of Common stock reserved for issuance	85,401,306

Note 11 – Stock-based Compensation

The Company and its stockholders adopted an equity incentive plan (the "2013 Plan") in 2013, which reserved shares of the Company's common stock for the granting of incentive and nonqualified stock options to employees, directors and consultants. On October 14, 2021, the Company replaced the 2013 Plan with the 2021 Plan, as the 2013 Plan was expiring. Under the

2021 Plan 35,064,607 shares of common stock are reserved. The Company may grant options to purchase common stock, stock appreciation rights, restricted stock awards and other forms of stock-based compensation. Stock options generally vest over four years and expire no later than 10 years from the date of grant. The Board of Directors has the authority to select the employees to whom options are granted and determine the terms of each option, including i) the number of shares of common stock subject to the option; ii) when the option becomes exercisable; iii) the option exercise price, which must be at least 100% of the fair market value of the common stock as of the date of grant and iv) the duration of the option, which may not exceed 10 years.

As of December 31, 2021, options to purchase a total of 2,182,947 shares of common stock remained outstanding and 32,881,660 shares remain available for grant under the 2021 Plan. As of December 31, 2021, options to purchase a total of 28,525,671 shares of common stock remained outstanding under the 2013 Plan. As of December 31, 2021 no shares of common stock remain available for grant under the 2013 Plan.

Stock option activity for the twelve-month period ended December 31, 2021 was as follows:

	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
Outstanding at January 1, 2021	29,964,075	$ 0.15	
Granted	6,469,771	0.34	
Cancelled	(349,317)	0.14	
Exercised	(5,375,911)	0.15	
Outstanding at December 31, 2021	30,708,618	$ 0.19	7.59
Vested and expected to vest at December 31, 2021	30,708,618	$ 0.19	7.59
Exercisable at December 31, 2021	24,813,084	$ 0.15	7.26

The fair value of the options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model for stock-based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility of the Company's common stock, an assumed risk-free interest rate and expected dividends. The Company uses the simplified calculation of expected life and volatility is based on an average of the historical volatilities of the common stock of several publicly traded entities with characteristics similar to those of the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. The Company uses the straight-line method for expense attribution. The weighted-average grant-date fair values of stock options granted during the twelve-month period ended December 31, 2021, was $0.17 per share.

The following assumptions were used to calculate the grant-date fair value of employee stock options granted during the twelve-month period ended December 31, 2021:

Expected Term (in years)	7.00
Expected Volatility	47.52% - 53.09%
Expected Dividend Yield	0.00%
Risk-Free Interest Rate	0.75% - 1.55%

The following table presents classification of stock-based compensation expense within the accompanying consolidated statements of operations and comprehensive loss:

Research and development	$	96,835
Sales and marketing		48,659
Clinical and regulatory		50,792
General and Administrative		262,894
Total	$	459,180

At December 31, 2021, there was $1,534,187 of unamortized stock-based compensation cost related to unvested stock options which is expected to be recognized over a weighted average period of 2.97 years.

Note 12 – Income Taxes

The Company did not record any income tax expense for the twelve-month period ended December 31, 2021 and 2020. The Company has historically incurred operating losses and maintains a full valuation allowance against its net deferred tax assets.

The Company's effective tax rate of 0% for the twelve-month period ended December 31, 2021 and 2020, differs from the statutory U.S. federal rate as follows:

	2021		2020	
Statutory tax rate	$	(8,365,182)	$	(5,400,848)
R&D credit generation		(49,341)		(148,597)
State and foreign tax benefit		(1,162,345)		(733,859)
Other non-deductible expenses		3,451,555		1,301,124
Change in valuation allowance		6,125,313		4,982,180
Effective tax rate	$	-	$	-

The tax effects of temporary differences that give rise to significant components of the deferred tax assets are as follows:

Net operating loss carryovers	$	40,097,000
Other accruals		267,000
Stock based compensation		111,000
Tax credit carryover		1,531,000
Fixed assets		13,202,000
Gross deferred tax assets		55,208,000
Less valuation allowance		(55,208,000)
Net deferred tax assets	$	-

As of December 31, 2021, the Company recorded the portion of its deferred tax assets that was determined to meet the more likely than not threshold. Significant judgment is required in determining the Company's provision for income taxes, recording valuation allowances against deferred tax assets and evaluating the Company's uncertain tax positions. Due to net losses since inception and the uncertainty of realizing the deferred tax assets, the Company has a full valuation allowance against its net deferred tax assets. To the extent that the Company generates positive income and expects, with reasonable certainty, to continue to generate positive income, the Company may release all, or a portion of, the valuation allowance in a future period. This release would result in the recognition of all, or a portion of, the Company's deferred tax assets, resulting in a decrease to income tax expense for the period such release is made. As of December 31, 2021, the Company's valuation allowance was $55,208,000 which increased by approximately $6,124,000 for the twelve-month period ended December 31, 2021.

Net operating loss ("NOL") carryforwards and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service ("IRS") and may become subject to annual limitation due to ownership changes that have occurred previously or that could occur in the future under Section 382 of the Internal Revenue Code, as amended and similar state provisions. These ownership changes may limit the amount of carryforwards that can be utilized annually to offset future taxable income. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50% over a three-year period. The Company has not conducted a study to assess whether a change of control has occurred or whether there have been multiple changes of control since inception due to the significant complexity and cost associated with such a study. If the Company has experienced a change of control, as defined by Section 382, at any time since inception, utilization of the net operating loss carryforwards or research and development tax credit carryforwards would be subject to an annual limitation under Section 382, which is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax-exempt rate, and then could be subject to additional adjustments, as required. Any limitation may result in expiration of a portion of the net operating loss carryforwards or research and development tax credit carryforwards before utilization. Further, until a study is completed, and any limitation is known, no amounts are being presented as an uncertain tax position.

As of December 31, 2021, the Company had federal NOL carryforwards of $139,258,467, available to reduce taxable income, of which $45,825,483 expire beginning 2023 and $93,432,984 do not expire. The Company had state NOL carryforwards of $100,885,313 available to reduce future state taxable income, as of December 31, 2021, which expire beginning 2028.

As of December 31, 2020, the Company also had federal and state research and development credit carryforwards of $1,592,506 and $752,771 respectively. The federal research and development credit carryforwards expire beginning in 2035 and the state credit carryforwards do not expire.

Note 13 – Related Party Transactions

In October 2017, the Company entered into a services agreement with a stockholder of the Company. Under the terms of the agreement the stockholder of the Company agreed to provide services including: a) advising on the Australian regulatory, business and healthcare environment; b) advising on the establishment of operation in Australia; c) assisting in the recruitment of key employees; and d) supporting clinical trial operations. In lieu of payment for services received, the Company will remit 10% of the gross Australian R&D Incentive Proceeds, net of accounting fees, to the stockholder of the Company. On October 30, 2021, the Company terminated this agreement. As of December 31, 2021 and 2020, there was no outstanding liability for amounts due to the stockholder of the Company.

Note 14 – Subsequent Events

The Company has evaluated subsequent events that have occurred through February 24, 2022, which is the date that the consolidated financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.