IMRICOR MEDICAL SYSTEMS, INC.

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2022

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 31 December 2021.

IMRICOR MEDICAL SYSTEMS, INC.

APPENDIX 4D (RULE 4.2A.3)

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

REPORTING PERIOD

Report for the half-year ended 30 June 2022
Corresponding period for the half-year ended 30 June 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$USD	up/down	% movement
Revenue from ordinary activities	$537,950	up	46.9%
Profit (loss) after tax from ordinary activities attributable to members	($9,775,545)	down	(1.9)%
Net profit (loss) attributable to members	($9,775,545)	down	(1.9)%

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

Net tangible asset backing	30 June 2022 $USD	30 June 2021 (Restated)* $USD
Net tangible asset per share of common stock	$0.09	$0.15

- **Independent Audit Review:** This report is based on the 2022 Half-Year Financial Statements which have been reviewed by BDO USA LLP with the Independent Auditor's Review Report included in the 2022 Half-Year Financial Statements.
- **Changes in control over entities:** There were no entities over which control was gained or lost during the period.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** Not applicable
- **Set of accounting standards used in compiling the report:** The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).
- **Details of audit disputes or audit qualification:** Not applicable

**The figure for 30 June 2021 has been revised to deduct our liabilities from our tangible assets as of the reporting date. The $0.19 originally reported represented our tangible assets per share of common stock.*

IMRICOR MEDICAL SYSTEMS, INC.

Minneapolis, Minnesota

For the Six Months Ended June 30, 2022 and 2021

IMRICOR MEDICAL SYSTEMS, INC.

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Independent Auditor's Review Report

Stockholders and Board of Directors
Imricor Medical Systems, Inc.
Burnsville, Minnesota

Results of Review of Interim Financial Information

We have reviewed the condensed financial statements of Imricor Medical Systems, Inc. (the Company), which comprise the condensed balance sheet as of June 30, 2022, and the related condensed statements of operations, stockholders' equity and cash flows for the six-month period ending June 30, 2022, and the related notes (collectively referred to as the interim financial information).

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

The condensed statements of operations, stockholders' equity, and cash flows of the Company for the six-month period ended June 30, 2021, were reviewed by other auditors whose report dated August 25, 2021, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. The balance sheet of the Company as of December 31, 2021, and the related statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein), were audited by other auditors whose report dated February 23, 2022, expressed an unmodified opinion on those statements.

Emphasis of a Matter Regarding Going Concern

The accompanying condensed financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the condensed financial statements, the Company has incurred losses since inception, has had negative cash from operations and has an accumulated deficit and states that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The accompanying condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. 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 review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information 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 interim financial information that is free from material misstatement, whether due to fraud or error.

BDO USA, LLP

August 30, 2022

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED BALANCE SHEETS (Unaudited)

As of June 30, 2022 and December 31, 2021

ASSETS

	June 30, 2022	December 31, 2021
CURRENT ASSETS		
Cash	$ 9,107,319	$ 18,516,208
Accounts receivable	234,448	94,735
Inventory	2,327,548	2,582,813
Other current assets	1,332,159	1,505,556
Total Current Assets	13,001,474	22,699,312
ACCOUNTS RECEIVABLE-LONG TERM	201,544	201,544
PROPERTY AND EQUIPMENT, NET	2,803,989	2,951,924
OTHER ASSETS	298,192	363,676
OPERATING LEASE RIGHT OF USE ASSETS	1,067,028	647,951
TOTAL ASSETS	$ 17,372,227	$ 26,864,407

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2022	December 31, 2021
CURRENT LIABILITIES		
Accounts payable	$ 467,274	$ 686,724
Accrued expenses	1,282,481	1,354,428
Current portion of contract liabilities	107,961	175,286
Current portion of operating lease liabilities	144,693	186,498
Current portion of finance lease liability	155,245	332,157
Total Current Liabilities	2,157,654	2,735,093
LONG-TERM LIABILITIES		
Other long-term liabilities	44,041	-
Contract liabilities, net of current portion	492,853	509,604
Operating lease liabilities, net of current portion	1,434,923	992,319
Finance lease liability, net of current portion	147,721	226,677
Total Liabilities	4,277,192	4,463,693
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value: 25,000,000 shares authorized and 0 shares outstanding as of both June 30, 2022 and December 31, 2021	-	-
Common stock, $0.0001 par value: 535,000,000 shares authorized as of both June 30, 2022 and December 31, 2021 and 143,592,234 and 143,234,637 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	14,360	14,324
Additional paid-in capital	95,460,937	94,991,107
Accumulated deficit	(82,380,262)	(72,604,717)
Total Stockholders' Equity	13,095,035	22,400,714
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 17,372,227	$ 26,864,407

See accompanying notes to the condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2022 and 2021 (Unaudited)

	Six Months ended June 30, 2022	Six Months ended June 30, 2021
REVENUES		
Product revenue	$ 476,681	$ 146,379
Service revenue	61,269	28,064
Government contract revenue	-	191,778
Total Revenue	537,950	366,221
EXPENSES		
Cost of goods sold	1,395,038	1,147,969
Sales and marketing	1,488,555	1,414,207
Research and development	4,462,842	4,674,344
General and administrative	2,900,515	2,882,141
Total Expenses	10,246,950	10,118,661
Loss from Operations	(9,709,000)	(9,752,440)
OTHER INCOME (EXPENSE)		
Interest income	737	4,191
Foreign currency exchange gain (loss)	175	(17,563)
Interest expense	(50,497)	(123,328)
Other expense	(16,960)	(73,122)
Total Other Expense	(66,545)	(209,822)
NET LOSS	$ (9,775,545)	$ (9,962,262)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.07)	$ (0.08)
Basic and diluted weighted average shares outstanding	143,370,790	125,643,868

See accompanying notes to the condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2022 and 2021 (Unaudited)

	Common Stock		Additional		Total
	Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholders' Equity
BALANCES, December 31, 2021	143,234,637	$ 14,324	$94,991,107	$ (72,604,717)	$22,400,714
Stock-based compensation expense	-	-	441,002	-	441,002
Issuance of restricted stock, net of fees	298,297	30	(997)	-	(967)
Exercise of stock options	59,300	6	29,825	-	29,831
Net loss	-	-	-	(9,775,545)	(9,775,545)
BALANCES, June 30, 2022	143,592,234	$ 14,360	$95,460,937	$(82,380,262)	$ 13,095,035
BALANCES, December 31, 2020	125,549,550	$ 12,556	$81,675,671	$(52,872,177)	$ 28,816,050
Stock-based compensation expense	-	-	488,590	-	488,590
Exercise of stock options	151,620	15	71,351	-	71,366
Net loss	-	-	-	(9,962,262)	(9,962,262)
BALANCES, June 30, 2021	125,701,170	$ 12,571	$82,235,612	$(62,834,439)	$ 19,413,744

See accompanying notes to the condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021 (Unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (9,775,545)	$ (9,962,262)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	339,705	331,952
Stock-based compensation expense	441,002	488,590
Loss on disposal of fixed assets	-	82,970
Change in inventory reserves	588,012	407,240
Foreign currency exchange loss	(175)	17,563
Changes in assets and liabilities		
Accounts receivable	(146,929)	(28,688)
Inventory	(401,597)	(160,052)
Other assets	753,999	(325,252)
Accounts payable	(157,402)	194,847
Accrued expenses	(71,947)	(14,972)
Contract liabilities	(84,076)	12,010
Net Cash Flows used in Operating Activities	(8,514,953)	(8,956,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(119,939)	(406,313)
Net Cash Flows used in Investing Activities	(119,939)	(406,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of common stock options	29,831	71,366
Payments on finance lease liability	(255,868)	(4,383)
Issuance of restricted stock	(967)	-
Payments on financing obligation	(533,396)	(219,148)
Net Cash Flows used in Financing Activities	(760,400)	(152,165)
Net Change in Cash	(9,395,292)	(9,514,532)
Cash - beginning of period	18,516,208	25,139,812
Effect of foreign currency exchange rate changes on cash	(13,597)	(18,157)
Cash - end of period	$ 9,107,319	$ 15,607,123
Supplemental cash flow disclosure		
Cash paid for interest	$ 48,678	$ 123,326
Noncash investing and financing activities		
Property and equipment included in accounts payable	$ 2,981	$ 16,770
Operating lease right of use assets in exchange for operating lease liability	$ 570,752	$ -
Transfer from inventory to property and equipment	$ 68,850	$ -

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Imricor Medical Systems, Inc. ("Imricor" and the "Company") is a U.S.-based medical device company that seeks to address the current issues with traditional x-ray-guided ablation procedures through the development of Magnetic Resonance Imaging (MRI) guided technology. Incorporated in the State of Delaware in 2006, the Company's principal focus is the design, manufacturing, sale, and distribution of MRI-compatible products for cardiac catheter ablation procedures. Imricor's technology utilizes an intellectual property (IP) portfolio that includes technology developed in-house, as well as IP originating from Johns Hopkins University and Koninklijke Philips N.V. The Company is headquartered in Burnsville, Minnesota, where it has development and manufacturing facilities. The Company's primary product offering is the Vision-MR Ablation Catheter, which is specifically designed to work under real-time MRI guidance, with the intent of enabling higher success rates along with a faster and safer treatment compared to conventional procedures using x-ray guided catheters. Historically, Imricor generated revenue from licensing some of its IP for use in implantable devices and performing contract research but expects to generate most of its future revenue from the sale of the MRI-compatible products it has developed for use in cardiac catheter ablation procedures (comprising single-use consumables and capital goods). On January 13, 2016, Imricor obtained CE mark approval to place one of its key products, the Advantage-MR EP Recorder/Stimulator System, on the market in the European Union. On January 23, 2020, the Company obtained CE mark approval for its other key products, the Vision-MR Ablation Catheter (with an indication for treating type I atrial flutter) and the Vision-MR Dispersive Electrode.

The Company has prepared the accompanying unaudited condensed interim financial statements and notes in conformity with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by US GAAP for complete financial statements. In the opinion of the Company's management, the accompanying condensed interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's condensed interim financial information.

The Company's condensed interim financial statements and footnotes are presented in United States dollar, which is also the functional currency.

Impact of COVID-19 Pandemic

During the six months ended June 30, 2022 and 2021, the Company's revenue was impacted by the COVID-19 pandemic. The Company has continued to observe intermittent suspension of many elective procedures associated with various surges in COVID-19. Its products treat conditions that are considered elective. The impact of COVID-19 has varied by region and by healthcare facility. Lab adoption and procedure volumes have continued to be constrained. While restrictions on elective procedures have now been lifted, the most seriously ill patients are being prioritized over elective procedures, including procedures with its product. There have been shortages of personnel at hospitals which has hampered the ability to perform procedures. While much of Europe has moved to exit emergency measures, the Company is unable to accurately predict the full impact that COVID-19 will have on its results from operations, financial condition, liquidity, and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, the emergence of new variants, and the impact on its customers and vendors, for an indefinite period of time. The Company's future results of operations and liquidity could be adversely impacted by delays in payments from customers, supply chain disruptions, expiration of inventory, product design changes, and uncertain demand.

The Company continues to monitor the situation and take further actions that it determines are in the best interest of its stakeholders.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Cash

Cash consists of funds in depository accounts. The Company holds cash with high quality financial institutions and at times, such balances may be in excess of federal insurance limits.

Accounts Receivable

Accounts receivable are unsecured, are recorded at net realizable value, and do not bear interest except if a revenue transaction has a significant financing component. The Company makes judgments as to its ability to collect outstanding receivables based upon significant patterns of uncollectability, historical experience, and managements' evaluation of specific accounts and provides an allowance for credit losses when collection becomes doubtful. The Company performs credit evaluations of its customers' financial condition on an as-needed basis. Payment is generally due 30 days from the invoice date and accounts past 30 days are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance. To date the Company has not experienced any significant write-offs or significant deterioration of its accounts receivable aging, and therefore, no allowance for doubtful accounts was considered necessary as of June 30, 2022 or December 31, 2021. During the six months ended June 30, 2022, the Company had sales from 4 customers that accounted for 85% of revenue and accounts receivable from 2 customers that represented 77% of the accounts receivable balance. During the six months ended June 30, 2021, the Company had sales from 3 customers that accounted for 86% of revenue and accounts receivable from 4 customers that represented 90% of the accounts receivable balance.

Accounts receivable includes unbilled receivables of $37,205 as of June 30, 2022 and December 31, 2021 which represents the current portion of minimum royalties due to the Company. The long-term accounts receivable relates to minimum royalties due to the Company beyond twelve months from the respective balance sheet date.

Inventory

Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out ("FIFO") method. The establishment of allowances for excess and obsolete inventories is based on historical usage and estimated exposure on specific inventory items. Inventories are as follows:

	June 30, 2022	December 31, 2021
Raw Materials	$ 1,485,623	$ 1,476,630
Work in Process	572,881	549,303
Finished Goods	990,151	1,512,106
Less: excess and obsolescence reserve	(721,107)	(955,226)
	$ 2,327,548	$ 2,582,813

The Company utilizes significant estimates in determining the realizable value of its inventory, including the future revenue forecasts that will result in product sales. These estimates have a corresponding impact on the inventory values recorded as of June 30, 2022 and December 31, 2021. Management continually evaluates the likelihood of future sales based on current economic conditions, restrictions on ability for customers to perform elective procedures, expiration timing of products, and product design changes prior to sale of product on hand. If actual conditions are less favorable than those the Company has projected, the Company may need to increase its reserves for excess and obsolete inventories. Any increases in its reserves will adversely impact results of operations. The establishment of a reserve for excess and obsolete inventory establishes a new cost basis in the inventory. Future sales of inventory on hand at June 30, 2022 will result in recognition of cost of sales based on initial inventory costs, net of reserves taken for expected realization values.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

The Company recognizes an expense for commitments of inventory purchases that will not provide future economic benefit when that is known. Based upon estimates of future demand for its products, and the timing of future generation products, the Company recorded an expense of $118,355 and $0 for the six months ended June 30, 2022 and 2021, respectively, which is included in Cost of goods sold on the statement of operations and Accrued expenses on the balance sheet.

Property and Equipment

Property and equipment are stated at cost. Additions and improvements that extend the lives of assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on a straight-line basis over the shorter of the estimated useful lives of the related assets or life of the lease.

The standard estimated useful lives of property and equipment are as follows:

Office furniture and equipment	5 years
Lab and production equipment	5 years
Computer equipment	3 - 5 years
MRI scanner	7 years
Leasehold improvements	Lesser of useful life or lease term

The Company reviews property and equipment and right of use assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the impairment tests indicate that the carrying value of the asset, or asset group, is greater than the expected undiscounted cash flows to be generated by such asset or asset group, further analysis is performed to determine the fair value of the asset or asset group. To the extent the fair value of the asset or asset group is less than its carrying value, an impairment loss is recognized equal to the amount the fair value of the asset or asset group exceeds its carrying amount. The Company generally measures fair value by considering sale prices for similar assets or asset groups, or by discounting estimated future cash flows from such assets or asset groups using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets or asset groups, and accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. To date, the Company has not recognized any impairment loss for property and equipment or right of use assets.

Research and Development Costs

The Company expenses research and development costs as incurred.

Other Assets

Other assets on the balance sheets include security deposits related to the Company’s operating leases and financing obligation.

Patents

Expenditures for patent costs are charged to operations as incurred.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Income Taxes

Income taxes are recorded under the liability method. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance to the extent the realization of the related deferred tax asset is not assured.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Loss per Share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. The weighted average common shares outstanding were 143,370,790 and 125,643,868 for the six months ended June 30, 2022 and 2021, respectively.

Dilutive net income (loss) per share assumes the exercise and issuance of all potential common stock equivalents in computing the weighted-average number of common shares outstanding, unless their effect is antidilutive. The effects of including incremental shares associated with options outstanding are anti-dilutive due to the net loss incurred and are not included in the diluted weighted average number of shares of common stock outstanding for the six months ended June 30, 2022 and 2021.

Foreign currency exchange gains (losses)

As of June 30, 2022 and December 31, 2021, the Company had accounts payable that are denominated in both Australian dollars and Euros and cash accounts and accounts receivable denominated in Euros. These assets and liabilities have been translated into U.S. dollars at period-end exchange rates. Foreign currency exchange gains and losses are included in the statements of operations within other income (expense).

Financial Instruments

The carrying amounts for all financial instruments approximate fair value. The carrying amounts for cash, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

Revenue Recognition

The Company recognizes revenue for product sales when its customers obtain control of the products, which occurs at a point in time, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods. Control is transferred to customers when title to the goods and risk of loss transfers, which was upon shipment for product sales recognized.

The Company's product sales contain a single performance obligation and the transaction price is based on invoice price as there is no variable consideration impacting the transaction price.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Sales tax and value added taxes in foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue. Product sales include shipment and handling fees charged to customers. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of goods sold.

Revenue from service contracts is recognized over the contract period on a straight-line basis.

Royalties

On June 1, 2012, the Company licensed certain intellectual property to a customer which included a royalty of 3% of product sales, subject to a minimum of $50,000 per year. The minimum guaranteed royalties were recognized upon the execution of the license agreement as these proceeds were not variable consideration. The remaining minimum royalty payments to be received, less the portion which represents future interest expected to be received within 12 months is included in Accounts Receivable and the amounts expected to be received in future periods beyond 12 months are included in Accounts Receivable-Long term. Any royalties received in the future which are more than the minimum guaranteed royalty will be recognized when they are earned.

Government Contract Revenue

The Company recognizes revenue for government contracts over time using the “as invoiced” practical expedient.

The Company was awarded a contract with the U.S. government on September 25, 2020 for up to $399,539 to develop an MRI compatible myocardial biopsy system. The Company recognized $0 and $191,778 as revenue during the six months ended June 30, 2022 and 2021, respectively.

Contract Liabilities

In 2013, the Company licensed certain intellectual property to a customer in exchange for an upfront non-refundable license fee and milestone payments, which can total up to $7,000,000. The Company collected $6,000,000 of these milestone payments, including the non-refundable license fee, on or before October 2016. A total of $373,333 of this amount is deferred and is included in long-term contract liabilities as of June 30, 2022 and December 31, 2021. The customer sold the portion of the business which held this license in May 2018. The license has been assigned to the purchaser. The project is still on hold with no plans to work on final development during the next 12 months, and therefore, the contract liability is included in long-term liabilities.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as contract liabilities in the accompanying balance sheets, with the contract liabilities to be recognized beyond one year being classified as non-current contract liabilities. As of June 30, 2022 and December 31, 2021, the Company had contract liabilities of $600,814 and $684,890, respectively.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

The following table sets forth information related to the contract liabilities for the six months ended June 30:

	2022	2021
Balance at the beginning of the year	$ 684,890	$ 590,008
Decrease from revenue recognized for completion of performance obligations that were included in contract liabilities at the beginning of the period included in:		
Equipment revenue	(97,842)	-
Service revenue	(37,460)	(20,101)
Increase for revenue deferred as the performance obligation has not been satisfied	51,226	32,111
Balance at the end of the period	$ 600,814	$ 602,018

Stock-Based Compensation

The Company measures and records compensation expense using the applicable accounting guidance for share-based payments related to stock option awards granted to directors and employees. The fair value of stock options, including performance awards, without a market condition is estimated at the date of grant using the Black-Scholes option-pricing model. The fair value of stock options with a market condition is estimated at the date of grant using the Monte Carlo Simulation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield.

Compensation expense is recognized on a straight-line basis over the vesting period for all awards ultimately expected to vest. Compensation expense is recognized for all awards over the vesting period to the extent the employees or directors meet the requisite service requirements, whether or not the award is ultimately exercised. Conversely, when an employee or director does not meet the requisite service requirements and forfeits the award prior to vesting, any compensation expense previously recognized for the award is reversed.

See **NOTE 8** for further details and assumptions regarding the Black-Scholes pricing model.

Employee retention credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

The Company qualified for the ERC as it experienced a significant decline in gross receipts in 2021 and 2020. The Company determined that it was eligible for the ERC as follows:

	Total
Quarter ended September 30, 2020	$ 269,654
Quarter ended December 31, 2020	22,995
Quarter ended September 30, 2021	465,065
Total	$ 757,714

As it relates to the 2020 amounts, the Company applied for the ERC by amending its previously filed forms 941 and, as a result, the Company has accounted for this government grant by way of analogy to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 410, Asset Retirement and Environmental Obligations. ASC 410-30-35-8 indicates that a claim for recovery should be recognized only when the claim is probable of recovery as defined in ASC 450-20-25-1 (i.e. Contingencies). Accordingly, the Company believes that the recovery of employment tax amounts previously paid is probable and, therefore, has recorded amounts shown above.

As it relates to the 2021 amounts, the Company has elected to account for the credit as a government grant. U.S. GAAP do not include grant accounting guidance related to transfers of assets from governments to business entities, therefore, the Company has elected to follow the grant accounting model in International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. In accordance with IAS 20, the Company cannot recognize any income from the grant until there is reasonable assurance (similar to the "probable" threshold in U.S. GAAP) that any conditions attached to the grant will be met and that the grant will be received. Once it is reasonably assured that the grant conditions will be met and that the grant will be received, grant income is recorded on a systematic basis over the periods in which the Company recognizes the payroll expenses for which the grant is intended to compensate. Income from the grant can be presented as either other income or as a reduction in the expenses for which the grant was intended to compensate.

As of December 31, 2021, the Company recorded ERC benefits of $757,714 in Prepaid expense and other current assets on the Condensed Balance Sheets as of December 31, 2021. During May 2022, the Company received $22,995 of the receivable. The remaining receivable balance of $734,719 is included in Prepaid expense and other current assets on the Condensed Balance Sheets as of June 30, 2022.

Estimates

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

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Recent Accounting Pronouncement

During June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, and November 2019, the FASB also issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses; ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses; ASU No 2019-05, Targeted Transition Relief and ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU No. 2019-11 amends ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

NOTE 2 – Out of Period Adjustment

During the six-month period ended June 30, 2022, an error was identified related to financing arrangements entered into in 2019, 2020 and 2021 in connection with obtaining annual insurance contracts. The Company has corrected this immaterial error by recognizing a prepaid insurance asset and financing liability in the amount of $533,000 pertaining to the financing arrangement that existed as of December 31, 2021 and during the six-month period ended June 30, 2022. Accordingly, the statement of cash flows for the six-month period ended June 30, 2022 reflects the $533,000 cash provided from operating activities and $533,000 cash used in financing activities as a result of the out of period adjustment related to this arrangement. The Company evaluated the error both quantitatively and qualitatively and concluded that the errors are not material for any prior periods and has adjusted the amounts on a cumulative basis in 2022.

NOTE 3 – Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company incurred losses from operations and negative cash flows from operations for both six month periods ended June 30, 2022 and 2021, had an accumulated deficit as of June 30, 2022 and is in need of additional working capital to fund future operations. These conditions raise substantial doubt about its ability to continue as a going concern for twelve months from the report date.

To continue in existence and expand its operations, the Company will be required to, and management plans to, raise additional working capital through an equity or debt offering and ultimately attain profitable operations. If the Company is not able to raise additional working capital, it would have a material adverse effect on the operations of the Company and continuing research and development of its product, as well as commercialization.

NOTE 4 – Property and Equipment

Property and equipment consisted of the following:

	June 30, 2022	December 31, 2021
Office furniture and equipment	$ 272,267	$ 293,216
Lab and production equipment	1,642,818	1,525,226
Computer equipment	270,578	264,859
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,641,837	1,597,087
Total costs	5,027,500	4,880,388
Less: Accumulated depreciation and amortization	(2,223,511)	(1,928,464)
Property and equipment, net	$ 2,803,989	$ 2,951,924

Depreciation expense was $339,705 and $331,952 for the six months ended June 30, 2022 and 2021, respectively.

NOTE 5 – Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2022	December 31, 2021
Compensation	$ 433,603	$ 595,942
Firm inventory commitments	331,286	212,931
Other accruals	517,592	545,555
Total accrued expenses	$ 1,282,481	$ 1,354,428

NOTE 6 – Leases

Operating Leases

In October 2021, the Company amended the lease for its office and warehouse space (Gateway) to expand the square footage and extend the term of the lease. Upon commencement of the lease in March 2022, the Company recorded a right to use asset and lease liability of $570,752. As part of the amendment, the landlord also agreed to reimburse the Company for $35,041 in leasehold improvements. The Company has not received reimbursement as of June 30, 2022.

NOTE 6 – Leases (cont.)

As of June 30, 2022, maturities of the Company's operating lease liabilities are as follows:

2022	$	95,267
2023		277,973
2024		292,571
2025		301,375
2026		310,467
2027 and thereafter		644,443
Total payments		1,922,096
Less amount representing interest		(342,480)
Total present value of total payments		1,579,616
Less current portion		(144,693)
Operating lease liability, net of current portion	$	1,434,923

The cost components of the Company's operating leases were as follows for the six months ended June 30:

		2022		2021
Operating lease cost	$	112,997	$	110,568
Variable least cost		64,586		63,476
Total	$	177,583	$	174,044

Financing Leases

On June 1, 2019, the Company entered into a sale leaseback agreement for the purchase of its MRI scanner ($1,200,000) and related Service Agreement ($500,000). The term of the lease was 36 months with a monthly rental payment of $54,865 and an implied interest rate of 21.5%. The lease originally met the requirements to be classified as a financing obligation. It was considered a failed sale leaseback arrangement as the lease agreement included an option to repurchase the related assets for $425,000 at the end of the lease term, which the Company deemed it was reasonably certain to do. On December 8, 2021, the Company executed a revised lease to extend the term for an additional 24 months after the expiration of the original lease, with the Company owning the scanner outright at the conclusion of the extension term. Consequently, the lease no longer qualified as a financing obligation and was classified as a finance lease liability on the Condensed Balance Sheets beginning December 31, 2021. Beginning June 1, 2022, the start of the amended agreement term, the monthly rental payment is $13,432 and the implied interest rate is 7.0%.

In December 2019, the Company entered into a $36,580 finance lease agreement for certain equipment. The Company traded in fully depreciated equipment worth $26,250. The total equipment value of $62,380 is included in property and equipment. The interest rate implied in the finance lease is 5.4% and the term of the lease is four years.

As of June 30, 2022, maturities of the Company's finance lease liabilities are as follows:

2022	$	85,685
2023		171,370
2024		67,159
Total payments		324,214
Less amount representing interest		(21,248)
Total present value of total payments		302,966
Less current portion		(155,245)
Operating lease liability, net of current portion	$	147,721

NOTE 7 – Commitments and Contingencies

Vendor concentration

Certain components and products that meet the Company's requirements are available only from a single supplier or a limited number of suppliers. The inability to obtain components and products as required, or to develop alternative sources, if and as required in the future, could result in delays or reductions in product shipments, which in turn could have a material adverse effect on the Company's business, financial condition, and results of operations. The Company believes that it will be able to source alternative suppliers or materials if required to do so.

As of June 30, 2022, the Company had accounts payable to three vendors that accounted for 23%, 17% and 10% of the total outstanding balance. As of December 31, 2021, the Company had accounts payable to one vendor that accounted for 16% of the total outstanding balance.

Purchase Commitments

As of June 30, 2022 and December 31, 2021, the Company had $1,327,661 and $1,195,602 in outstanding firm purchase commitments, respectively. As of June 30, 2022, payment of the purchase commitments is expected to be as follows:

	Total
2022	$ 903,370
2023	424,291
Total	$ 1,327,661

Retirement Plan

The Company maintains retirement plans for its employees in which eligible employees can contribute a percentage of their compensation. The Company contributed $147,528 and $159,203 to these plans during the six months ended June 30, 2022 and 2021, respectively.

Employment Agreements

The Company has employment agreements with the CEO and senior executives of the Company. The agreements require severance of twelve and six months, respectively, of current annual salary and medical insurance in the event employment is terminated without cause, respectively.

NOTE 8 – Stockholders' Equity

Capital Stock Authorized

As of June 30, 2022 and December 31, 2021, the Board of Directors of the Company had authorized 560,000,000 shares of capital stock, consisting of 535,000,000 shares of common stock and 25,000,000 shares of preferred stock.

NOTE 8 – Stockholders' Equity (cont.)

Common Stock

The Australian Securities Exchange (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, depository instruments called CHESS Depositary Interests (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.

During January 2021, a total of 120,000 options to purchase common stock were exercised with a portion of the exercise via a cashless exercise. 50,000 options to purchase common stock were exercised at $0.50 per share for total proceeds of $23,384, net of expenses. In addition, 70,000 options to purchase common stock were exercised at $0.50 per share on a cashless exercise basis at a fair market value of $1.83 per share, resulting in the issuance of 50,995 shares of common stock.

During June 2021, a total of 50,625 options to purchase common stock were exercised at $0.98 per share for total proceeds of $47,983, net of expenses.

During January 2022, a total of 59,300 options to purchase common stock were exercised at $0.52 per share for total proceeds of $29,831, net of expenses.

Dividend Rights

Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the common stock shall be entitled to receive, out of any assets of the Corporation legally available therefore, any dividends as may be declared from time to time by the Board of Directors. The right to such dividends shall not be cumulative, and no right shall accrue by reason of the fact that dividends are not declared in any prior period.

Voting Rights

The holder of each share of common stock shall have the right to one vote for each such share and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation and shall be entitled to vote upon such matters and in such manner as may be provided by law.

Stock Option and Equity Incentive Plans

The Company and its stockholders adopted a stock incentive plan (the "2006 Plan") in 2006. The 2006 Plan, as amended on January 26, 2011 by the shareholders, reserved 10,918,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options to employees, directors, and consultants. On May 22, 2016, the Company replaced the 2006 Plan with the 2016 Plan, as the 2006 Plan was expiring. The terms of the 2016 Plan were the same as the 2006 Plan. In August 2018, the Board of Directors approved an increase of 500,000 shares to the option pool. On February 14, 2019, the Board of Directors terminated the 2016 Plan and approved the 2019 Equity Incentive Plan, reserving 11,418,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options or other Stock-Based Awards to employees, directors, and consultants. On June 4, 2019, the Board of Directors approved an increase of 2,000,000 shares to the option pool and provided that on the first day of each of the Company's fiscal years during the term of this 2019 Plan beginning in 2020, the number of shares of Common Stock available for issuance from time to time under this 2019 Plan will be increased by an amount equal to the lesser of (i) five percent (5%) of the aggregate number of shares reserved

NOTE 8 – Stockholders' Equity (cont.)

under this Plan on the last day of the immediately preceding fiscal year, and (ii) such number of shares determined by the Board (the "Annual Increase"). On April 20, 2020, the Board of Directors approved an increase of 3,470,925 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 12, 2020. On January 14, 2021, the Board of Directors approved an increase of 844,471 shares to the option pool. On April 6, 2022, the Board of Directors approved an increase of 848,695 shares to the option pool.

Options are granted at a price equal to the closing sale price of a CDI as of the date of grant, converted from Australian dollars to US dollars using the prevailing exchange rate. Generally, vesting terms of outstanding options range from immediate to four years. In addition, some options have been issued to the executive management team that vest upon completion of certain milestones, performance requirements, and market conditions; as of June 30, 2022, 4,332,274 of these options are issued and outstanding. All the outstanding performance options are expected to vest before expiration and expense is being recorded over the estimated vesting period. Adjustments for forfeitures are recorded when they occur. In no event are the options exercisable for more than ten years after the date of grant. The Company issues new shares of common stock when stock options are exercised.

Information regarding the Company's stock options is summarized below:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2020	9,963,094	$ 0.68	
Exercised	(170,625)	0.64	
Cancelled	(179,307)	1.07	
Options Granted	1,720,483	1.57	
Options outstanding – June 30, 2021	11,333,645	$ 0.81	$ 7,980,698
Options exercisable – June 30, 2021	6,311,527	$ 0.58	$ 5,780,254
	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2021	11,253,506	$ 0.81	
Exercised	(59,300)	0.52	
Cancelled	(2,027,328)	0.82	
Options Granted	3,354,244	0.31	
Options outstanding – June 30, 2022	12,521,122	$ 0.68	$ 0
Options exercisable – June 30, 2022	6,417,386	$ 0.64	$ 0

The aggregate intrinsic value is calculated as the difference between the weighted average exercise price of the underlying awards and the Company's fair value of its common stock as of June 30, 2022 and 2021.

As of June 30, 2022, the Company had 1,221,875 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding was 7.69 years as of June 30, 2022.

The weighted average remaining contractual life of options exercisable was 6.35 years as of June 30, 2022.

The intrinsic value of options exercised during the six months ended June 30, 2022 and 2021 was $16,379 and $178,912, respectively.

NOTE 8 - Stockholders' Equity (cont.)

The fair value of option awards granted was determined using the Black-Scholes option pricing model utilizing the following assumptions:

	Six-month Period ended June 30, 2022	Six-month Period ended June 30, 2021
Expected life	5.70-6.82 years	5.33-6.25 years
Volatility	64.37%-64.96%	66.16%
Risk-free interest rate	2.00%-.3.01%	1.24%
Dividend Yield	0%	0%
Weighted average fair value of options granted	$0.19	$0.95

The Company reviews its current assumptions on a periodic basis and adjusts them as necessary to determine the option valuation. The expected life represents the period that the stock option awards are expected to be outstanding and is based on an evaluation of historic expected lives from the Company's stock option grants. Volatility is based on historic volatilities of traded shares from a selected publicly traded peer group, believed to be comparable after consideration of size, maturity, profitability, growth, risk and return on investment. The risk-free interest rate is based on the yield of constant maturity U.S. treasury bonds with a remaining term equal to the expected life of the awards at the grant date. The expected dividend yield is zero, as the Company has not paid or declared any dividends to common stockholders and does not expect to pay dividends in the foreseeable future. Historical data is used to estimate pre-vesting forfeitures and the Company records stock-based compensation expense only for those awards that are expected to vest.

Total stock-based compensation expense resulting from options granted was $438,029 and $488,590 for the six months ended June 30, 2022 and 2021, respectively. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company's deferred income tax assets.

As of June 30, 2022, the total unrecognized compensation cost related to unvested stock options was $1,942,393. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2022 and the years ended December 31 thereafter:

	Total
2022	$ 478,290
2023	816,187
2024	492,328
2025	143,628
2026	11,960
Total	$ 1,942,393

On May 9, 2022, the Company issued 298,297 shares of restricted stock to its three independent board directors. The restricted stock vests annually on the anniversary of the grant date, provided that the participant continuously provides services to the Company through the applicable vesting date. The fair market value on the date of grant was $0.28 per share.

Total stock-based compensation expense resulting from grants of restricted stock was $2,973 for the six months ended June 30, 2022. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company's deferred income tax assets.

NOTE 8 - Stockholders' Equity (cont.)

As of June 30, 2022, the total unrecognized compensation cost related to unvested restricted stock was $80,551. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2022, and the years ended December 31 thereafter:

	Total
2022	$ 10,519
2023	20,867
2024	20,867
2025	20,866
2026	7,432
Total	$ 80,551

NOTE 9 - Income Taxes

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company's best estimate of operating results. In estimating the annual effective tax rate, the Company does not include the estimated impact of unusual and/or infrequent items, including the reversal of valuation allowances, which may cause significant variations in the customary relationship between income tax expense (benefit) and pretax income (loss) in interim periods. The income tax expense (benefit) for such unusual and/or infrequent items is recorded in the interim period such items are incurred.

The Company's income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items. The Company's effective tax rate for the six months ended June 30, 2022 properly excluded tax benefits associated with year-to-date pre-tax losses due to the full valuation allowance recorded.

The Company has generated both federal and state net operating losses (NOL) of approximately $59,544,000 and federal and state research and development credit carryforwards of approximately $1,943,000 as of December 31, 2021, which, if not used, will begin to expire in 2023. The Company believes that its ability to fully utilize the existing NOL and credit carryforwards could be restricted by changes in control that may have occurred or may occur in the future and by its ability to generate net income. The Company has not yet conducted a formal study of whether, or to what extent, past changes in control of the Company impairs its NOL and credit carryforwards because such NOL and credit carryforwards cannot be utilized until the Company achieves profitability. The Company has established a full valuation allowance as of June 30, 2022 and December 31, 2021, that offsets the net tax benefits associated with the NOL and credit carryforwards since realization of these tax benefits is not more likely than not.

The tax years from inception through June 30, 2022 remain subject to examination by all major taxing authorities due to the net operating loss carryovers. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense in the Company's statement of operations.

NOTE 10 – Subsequent Events

For the six months ended June 30, 2022, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through August 30, 2022.