IMRICOR MEDICAL SYSTEMS, INC.

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2022.

IMRICOR MEDICAL SYSTEMS, INC.

APPENDIX 4D (RULE 4.2A.3)

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

REPORTING PERIOD

Report for the half-year ended 30 June 2023
Corresponding period for the half-year ended 30 June 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$USD	up/down	% movement
Revenue from ordinary activities	$199,007	down	(63.0)%
Profit (loss) after tax from ordinary activities attributable to members	($9,219,884)	down	(5.7)%
Net profit (loss) attributable to members	($9,219,884)	down	(5.7)%

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 2023 $USD	30 June 2022 $USD
Net tangible asset per share of common stock	($0.01)	$0.09

- **Independent Audit Review:**
  This report is based on the 2023 Half-Year Financial Statements which have been reviewed by BDO USA PA with the Independent Auditor's Review Report included in the 2023 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) and are denominated in US dollars.

- **Details of audit disputes or audit qualification:**
  Not applicable

IMRICOR MEDICAL SYSTEMS, INC.
Minneapolis, Minnesota

For the Six Months Ended June 30, 2023 and 2022

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, 2023, and the related condensed statements of operations, stockholders' equity (deficit) and cash flows for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the interim financial information).

Based on our reviews, 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.

Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying interim financial information have been prepared assuming the Company will continue as a going concern. Note 3 of the Company's audited financial statements as of December 31, 2022, and for the year then ended, includes a statement that substantial doubt exists about the Company's ability to continue as a going concern. Note 3 of the Company's audited financial statements also discloses the events and conditions, management's evaluation of the events and conditions, and management's plans regarding these matters, including the fact that the Company has suffered recurring losses from operations, and has an accumulated deficit. Our auditor's report on those financial statements includes a separate section referring to the matters in Note 3 of those financial statements. As indicated in Note 2 of the accompanying interim financial information as of June 30, 2023, and for the six months then ended, the Company has still incurred losses since inception, has had negative cash from operations and has an accumulated deficit and has stated that substantial doubt exists about the Company's ability to continue as a going concern. The accompanying condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Review Results

We conducted our reviews 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.

Report on Condensed Consolidated Balance Sheet as of December 31, 2022

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Company as of December 31, 2022, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2023. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, P.A.

August 23, 2023

Minneapolis, Minnesota

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED BALANCE SHEETS (Unaudited)

As of June 30, 2023 and December 31, 2022

	June 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ 1,509,144	$ 5,687,816
Accounts receivable	124,264	125,544
Inventory	2,228,451	2,276,743
Prepaid expenses and other current assets	658,044	1,594,211
Total Current Assets	4,519,903	9,684,314
ACCOUNTS RECEIVABLE-LONG TERM	228,984	228,984
PROPERTY AND EQUIPMENT, NET	2,332,696	2,563,356
OTHER ASSETS	125,858	227,779
OPERATING LEASE RIGHT OF USE ASSETS	923,548	996,428
TOTAL ASSETS	$ 8,130,989	$ 13,700,861
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 535,055	$ 259,267
Accrued expenses	1,224,637	924,936
Current portion of contract liabilities	435,390	23,358
Current portion of operating lease liabilities	214,086	198,073
Current portion of finance lease liability	147,721	160,680
Current portion of financing obligation	-	508,424
Total Current Liabilities	2,556,889	2,074,738
LONG-TERM LIABILITIES		
Convertible note	4,405,055	2,182,900
Promissory note	33,219	-
Contract liabilities, net of current portion	706,112	492,853
Operating lease liabilities, net of current portion	1,220,837	1,329,890
Finance lease liability, net of current portion	-	65,999
Other long-term liabilities	65,812	44,041
Total Liabilities	8,987,924	6,190,421
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.0001 par value: 25,000,000 shares authorized and 0 shares outstanding as of both December 31, 2022 and 2021	-	-
Common stock, $0.0001 par value: 535,000,000 shares authorized as of both June 30, 2023 and December 31, 2022 and 151,875,714 and 151,347,625 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	15,188	15,135
Additional paid-in capital	98,308,745	97,456,289
Accumulated deficit	(99,180,868)	(89,960,984)
Total Stockholders' Equity (Deficit)	(856,935)	7,510,440
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 8,130,989	$ 13,700,861

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED STATEMENTS OF OPERATIONS

For the Six Months Ended June 30, 2023 and 2022 (Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
REVENUES		
Product revenue	$ 171,129	$ 476,681
Service revenue	27,878	61,269
Total Revenues	199,007	537,950
COSTS AND EXPENSES		
Cost of goods sold	941,502	1,395,038
Sales and marketing	1,652,248	1,488,555
Research and development	3,919,939	4,462,842
General and administrative	2,806,598	2,900,515
Total Costs and Expenses	9,320,287	10,246,950
Loss from Operations	(9,121,280)	(9,709,000)
OTHER INCOME (EXPENSE)		
Interest income	30,184	737
Foreign currency exchange (loss) gain	(9,911)	175
Interest expense	(30,522)	(50,497)
Fair value change in convertible note	(88,355)	-
Other expense	-	(16,960)
Total Other Income (Expense)	(98,604)	(66,545)
NET LOSS	$ (9,219,884)	$ (9,775,545)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.06)	$ (0.07)
Basic and diluted weighted average shares outstanding	151,470,165	143,370,790

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Six Months Ended June 20, 2023 and 2022 (Unaudited)

	Common Stock			Additional		Accumulated		Total Stockholders'
	Shares		Amount		Paid-in Capital		Deficit		Equity (Deficit)
BALANCES, December 31, 2022	151,347,625	$	15,135	$	97,456,289	$	(89,960,984)	$	7,510,440
Stock-based compensation expense	-		-		312,836		-		312,836
Issuance of restricted stock, net of fees	528,089		53		(1,167)		-		(1,114)
Issuance of warrants, net of fees	-		-		540,787		-		540,787
Net loss	-		-		-		(9,219,884)		(9,219,884)
BALANCES, June 30, 2023	151,875,714	$	15,188	$	98,308,745	$	(99,180,868)	$	(856,935)
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, net of fees	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

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 20, 2023 and 2022 (Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (9,219,884)	$ (9,775,545)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	354,675	339,705
Stock-based compensation expense	312,836	441,002
Change in inventory reserves	244,395	588,012
Foreign currency exchange loss (gain)	9,911	(175)
Change in fair value of convertible note	88,355	-
Amortization of issuance costs of convertible note	10,160	-
Changes in assets and liabilities		
Accounts receivable	3,267	(146,929)
Inventory	(238,360)	(401,597)
Prepaid expenses and other assets	1,017,928	753,999
Accounts payable	290,751	(157,402)
Accrued expenses	299,701	(71,947)
Contract liabilities	625,291	(84,076)
Net Cash Flows used in Operating Activities	(6,200,974)	(8,514,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(79,753)	(119,939)
Net Cash Flows used in Investing Activities	(79,753)	(119,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible note and warrant	2,675,000	-
Debt issuance costs on convertible note	(10,573)	-
Proceeds from promissory note	33,219	-
Proceeds from exercise of stock options	-	29,831
Issuance costs of common stock and restricted stock	(1,114)	(967)
Payments on finance lease liability	(78,958)	(255,868)
Payments on financing obligation	(508,424)	(533,396)
Net Cash Flows provided by (used in) Investing Activities	2,109,150	(760,400)
Net Change in Cash	(4,171,577)	(9,395,292)
CASH - Beginning of Year	5,687,816	18,516,208
Effect of foreign currency exchange rate changes on cash	(7,095)	(13,597)
CASH - End of Year	$ 1,509,144	$ 9,107,319
Supplemental cash flow disclosure		
Cash paid for interest	$ 14,636	$ 48,678
Noncash investing and financing activities		
Property and equipment included in accounts payable	$ 2,005	$ 2,981
Transfer from inventory to property and equipment	$ 42,257	$ 68,850
Operating lease right of use assets in exchange for operating lease liability	$ -	$ 570,752

See accompanying notes to condensed interim financial statements.

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 fairly present fairly the Company’s condensed interim financial information. The accompanying unaudited condensed balance sheet at December 31, 2022 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by US GAAP for annual financial statements. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended December 31, 2022.

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

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 net of amounts expected for credit losses, and do not bear interest except if a revenue transaction has a significant financing component. The Company reviews the allowance for credit losses by considering factors such as historical experience, current economic conditions that may affect a customer’s ability to pay, and reasonable and supportable forecasts. Payment is generally due 30 days from the invoice date. 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 credit losses was considered necessary as of June 30, 2023 or December 31, 2022.

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

During the six months ended June 30, 2023, the Company had sales from 4 customers that accounted for 95% of revenue and accounts receivable from 3 customers that represented 99% of the accounts receivable balance at June 30, 2023. 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 at June 30, 2022.

Accounts receivable includes unbilled receivables of $41,874 as of June 30, 2023 and December 31, 2022 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, 2023	December 31, 2022
Raw materials	$ 1,596,523	$ 1,456,282
Work in process	511,548	400,059
Finished goods	1,034,634	997,871
Less: excess and obsolescence reserves	(914,254)	(577,469)
	$ 2,228,451	$ 2,276,743

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, 2023 and December 31, 2022. Management continually evaluates the likelihood of future sales based on current economic conditions, 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, 2023 will result in recognition of cost of sales based on initial inventory costs, net of reserves taken for expected realization values.

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 $41,375 for the six months ended June 30, 2023, which is included in Cost of goods sold on the condensed statements of operations. The Company had a balance of $116,381 in Accrued expenses on the condensed balance sheets related to these commitments at June 30, 2023. For the six months ended June 30, 2022, the Company recorded an expense of $118,355 related to these commitments, which is included in Cost of goods sold on the condensed statements of operations and Accrued expenses on the condensed balance sheets.

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

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 carrying value of the asset or asset group exceeds its fair value. 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 condensed balance sheets include security deposits related to the Company's operating leases and financing obligations, and an investment in an equity security. The equity investment of $69,560 is held at cost, less impairment plus or minus changes resulting from observable price changes. There have been no impairment losses or observable price changes recognized for the six months ended June 30, 2023 and 2022.

Patents

Expenditures for patent costs are charged to operations as incurred.

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.

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

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 151,470,165 and 143,370,790 for the six months ended June 30, 2023 and 2022, 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 and warrants 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, 2023 and 2022.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share for the six months ended June 30 because to do so would be anti-dilutive:

	2023	2022
Exercise of stock options	17,630,690	12,521,122
Conversion of convertible note	19,318,968	-
Exercise of warrant	1,950,840	-
Total	38,900,498	12,521,122

Foreign currency exchange gains (losses)

As of June 30, 2023, the Company had cash accounts denominated in Euros, accounts payable that are denominated in both Australian dollars and Euros, and accounts receivable denominated in both Euros and British pounds sterling. As of December 31, 2022, the Company had cash accounts denominated in Euros, accounts payable that are denominated in both Australian dollars and Euros, 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 condensed statements of operations within other income (expense).

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, the timing of which varies on an individual customer basis.

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.

All revenue is derived from foreign countries. 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.

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

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.

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, 2023 and December 31, 2022. 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 condensed balance sheets, with the contract liabilities to be recognized beyond one year being classified as non-current contract liabilities. As of June 30, 2023 and December 31, 2022, the Company had contract liabilities of $1,141,502 and $516,211, respectively, of which $706,112 and $492,853 was included in long-term liabilities as of June 30, 2023 and December 31, 2022, respectively. The increase in contract liabilities is due to a new contract entered into during the period in which billings were made in advance of the revenue recognition.

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

	2023	2022
Balance at the beginning of the year	$ 516,211	$ 684,890
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	(21,406)	(37,460)
Increase for revenue deferred as the performance obligation has not been satisfied	646,697	51,226
Balance at the end of the period	$ 1,141,502	$ 600,814

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

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.

The Company's policy is to account for forfeitures as they occur and compensation expense is recognized on a straight-line basis over the vesting period for awards with service and market conditions; for awards with performance conditions, expense is recognized for those that are probable of being achieved. 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 9** for further details and assumptions regarding the Black-Scholes pricing model.

Fair Value Measurement

ASC 820, Fair Value Measurements, ("ASC 820") provides guidance on the development and disclosure of fair value measurements. Under this accounting guidance, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

The accounting guidance classifies fair value measurements in one of the following three categories for disclosure purposes:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 prices for similar assets or liabilities that are directly or indirectly observable in the marketplace.
- Level 3: Unobservable inputs which are supported by little or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The Company evaluates assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them for each reporting period. This determination requires significant judgments to be made by the Company.

The carrying value of financial assets and liabilities recorded at fair value is measured on a recurring or nonrecurring basis. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. The Company had no financial assets or liabilities carried and measured on a nonrecurring basis during the reporting periods. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. The convertible note (Note 7) is recognized at fair value on a recurring basis at June 30, 2023 and December 31, 2022 and is a Level 3 measurement. There have been no transfers between levels.

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

As of June 30, 2023 and December 31, 2022, the recorded values of cash, prepaid expenses, accounts payable, and accrued expenses and other liabilities approximate their fair values due to the short-term nature of these items. The carrying value of the Company's promissory note (Note 8) is a reasonable approximation of fair value.

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.

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 believed that the recovery of employment tax amounts previously paid was probable and, therefore, recorded the amounts shown above.

As it relates to the 2021 amounts, the Company has elected to account for the credit as a government grant. US 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, 2022, the Company recorded ERC benefits of $474,445 in Prepaid expense and other current assets on the condensed balance sheets. The Company collected the remaining receivable balance in January 2023.

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

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.

Segments

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment.

Recently Adopted Accounting Pronouncement

Effective January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) 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. Adoption of the ASU did not materially impact the Company’s financial position, results of operations, or cash flows upon adoption.

NOTE 2 – 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, 2023 and 2022, had an accumulated deficit as of June 30, 2023 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. These financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – Property and Equipment

Property and equipment consisted of the following:

	June 30, 2023	December 31, 2022
Office furniture and equipment	$ 272,267	$ 272,267
Lab and production equipment	1,876,900	1,754,068
Computer equipment	241,852	240,669
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,641,837	1,641,837
	5,232,856	5,108,841
Less: accumulated depreciation and amortization	(2,900,160)	(2,545,485)
	$ 2,332,696	$ 2,563,356

Depreciation expense was $354,675 and $339,705 for the six months ended June 30, 2023 and 2022, respectively.

NOTE 4 – Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2023	December 31, 2022
Compensation	$ 344,227	$ 147,453
Firm inventory commitments	116,381	194,823
Other accruals	764,029	582,660
	$ 1,224,637	$ 924,936

NOTE 5 – 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 reimbursed the Company for $35,041 in leasehold improvements.

NOTE 5 – Leases (cont.)

Maturities of the Company's operating lease liabilities are as follows for the six months ending December 31, 2023 and the years ended December 31 thereafter:

2023	$	143,601
2024		292,571
2025		301,375
2026		310,467
2027		217,689
2028 and thereafter		426,754
Total lease payments		1,692,457
Less: interest		(257,534)
Present value of lease liabilities		1,434,923
Less: current portion		(214,086)
Operating lease liability, net of current portion	$	1,220,837

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

		2023		2022
Operating lease cost	$	114,213	$	112,997
Variable lease cost		70,656		64,586
	$	184,869	$	177,583

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.

NOTE 5 – Leases (cont.)

Maturities of the Company's finance lease liabilities are as follows for the six months ended December 31, 2023 and the years ended December 31 thereafter:

2023	$	85,685
2024		67,159
Total payments		152,844
Less: amount representing interest		(5,123)
Present value of total payments		147,721
Less: current portion		(147,721)
Finance lease liability, net of current portion	$	-

NOTE 6 – 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, 2023, the Company had accounts payable to two vendors that accounted for 22% and 11% of the total outstanding balance. As of December 31, 2022, the Company had accounts payable to three vendors that accounted for 11%, 10%, and 10% of the total outstanding balance.

Purchase Commitments

As of June 30, 2023 and December 31, 2022, the Company had $1,043,138 and $1,294,613 in outstanding firm purchase commitments, respectively. As of June 30, 2023, payment of the purchase commitments is expected to be as follows:

2023	$	580,278
2024		462,860
Total	$	1,043,138

Financing Obligation

The Company entered into an agreement to finance a portion of an annual insurance premium for the policy period beginning August 2022. The financing obligation was to be paid in 10 monthly installments of $86,203 beginning in September 2022, and the stated interest rate was 5.91%. As of June 30, 2023, there were no payments remaining to be paid.

Retirement Plan

The Company maintains retirement plans for its employees in which eligible employees can contribute a percentage of their compensation. The Company contributed $116,493 and $147,528 to these plans during the six months ended June 30, 2023 and 2022, respectively.

NOTE 6 – Commitments and Contingencies (cont.)

Employment Agreements

The Company has employment agreements with the CEO and certain 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 7 – Convertible Notes with Warrants

On December 16, 2022, the Company entered into a Securities Purchase Agreement for the issue of unsecured, unquoted convertible promissory notes, to be issued in two tranches, to raise a maximum aggregate amount of $5,000,000.

The first tranche was issued on December 23, 2022. The Company received $2,325,000 in gross proceeds from the issuance of the convertible note. The convertible note bears interest of 10% per annum, compounded annually. The interest accrued during the six months ending June 30, 2023 was $115,295. All or a portion of the principal is convertible into CHESS Depositary Interests (“CDIs”, as described further in Note 9) at a price of $0.2691 per share at the election of the holder following the 36 month anniversary of the closing date. All or a portion of accrued and unpaid interest is convertible into CDIs at a price of $0.2563 per share at the election of the holder during the same time frame. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 12,849,949 CDIs.

The second tranche was issued on March 28, 2023. The Company received $2,675,000 of gross proceeds from the issuance of the convertible note. The second tranche is subject to the same terms as the first tranche. The interest accrued during the six months ending June 30, 2023 was $68,890. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 14,784,350 CDIs.

The maturity date on the notes is the earliest occurrence of (i) a change-in-control event, at which time the Company would be required to pay the holder the greater of 125% of the then outstanding balance plus accrued and unpaid interest or the amount the holder would receive if the principal and accrued and unpaid interest had been converted to CDIs at a conversion price equal to the variable weighted average price (“VWAP”) of the CDIs for the 10 day period ending on the change-in-control event date; or (ii) the four year anniversary of the closing date of each tranche.

On March 28, 2023 and December 23, 2022, pursuant to the Securities Purchase Agreement, the Company issued warrants exercisable for 1,043,699 and 907,141 CDIs, respectively, with an exercise price of $0.2563 per share. The warrants expire five years after the dates of issuance.

The Company accounts for its convertible promissory notes under ASC 815, Derivatives and Hedging ("ASC 815"). Under 815-15-25, the election can be made at the inception of a financial instrument to account for the instrument under the fair value option under ASC 825. The Company has made such election for its convertible promissory notes. Using the fair value option, the convertible promissory notes are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the note are recognized as non-cash change in the fair value of the convertible promissory notes in the condensed statements of operations.

NOTE 7 – Convertible Notes with Warrants (cont.)

The convertible notes were recorded as a liability on the condensed balance sheets at the dates of issuance. The following table provides a summary of change in fair value of the two tranches of the convertible notes during the six months ended June 30, 2023:

	Total	Tranche 1	Tranche 2
Fair market value at December 31, 2022	$ 2,182,900	$ 2,182,900	$ -
Fair market value of additions at issuance date	2,133,800	-	2,133,800
Fair value change in convertible note	88,355	(127,800)	216,155
Fair market value at June 30, 2023	$ 4,405,055	$ 2,055,100	$ 2,349,955

The fair value of the convertible notes is measured in accordance with ASC 820 “Fair Value Measurement” using the “Monte Carlo Method” modeling incorporating the following inputs:

	June 30, 2023	March 28, 2023	December 31, 2022
Expected dividend yield	0%	0%	0%
Expected stock-price volatility	90%	90%	80%
Risk-free interest rate	4.26% - 4.31%	3.67%	3.90%
Stock price	$ 0.2196	$ 0.2045	$ 0.2514
Conversion price	$ 0.2691	$ 0.2691	$ 0.2691

Significant assumptions used to determine the fair value of the convertible notes include the estimated probability of a change in control event, which is based on management’s expectation of future transactions, and the volatility of the stock price, which is estimated based on both the Company’s own historical volatility as well as 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 Company evaluated the warrants under ASC 480, “Distinguishing Liabilities from Equity” and ASC 815. The warrants do not meet the characteristics for liability classification under either provision and as such are classified as equity under ASC 815. Given that the convertible notes were subject to fair value remeasurement, the fair value of the convertible notes was carved out from gross proceeds, and the remainder of the gross proceeds of the first and second tranches of $127,900 and $541,200, respectively, was allocated to warrants. The warrants were recorded as Additional paid-in capital on the condensed balance sheets at the date of issuance. No subsequent remeasurement of the warrants is required.

At June 30, 2023, the issuance costs attributable to the convertible notes of $10,160 were recorded as interest expense, given the fair value accounting treatment, in accordance with ASC 825-10-25-3. Issuance costs allocated to the warrants of $413 and $6,051 were recorded in Additional paid-in capital at June 30, 2023 and December 31, 2022, respectively, given the equity classification of the warrants.

NOTE 8 – Promissory Note

On January 6, 2023, the Company obtained a $1,500,000 loan from the Bank of North Dakota under the North Dakota Commerce Department's Innovation Technology Loan Fund ("LIFT"). The loan matures in five years and has an interest rate of 0% for the first 3 years and 2% for the next two years of the loan, with monthly interest payments due. The outstanding loan balance is due at maturity on January 6, 2028. As of June 30, 2023, the Company had drawn $33,219 on the loan. The balance is included within long-term liabilities on the condensed balance sheets.

NOTE 9 – Stockholders' Equity

The loan includes certain restrictions on the use of the funds. The Company may use the funding only to conduct applied research, experimentation, or operational testing within the state of North Dakota. The funds may not be used for capital or building investments or for general corporate purposes to support existing operations outside the state of North Dakota.

Capital Stock Authorized

As of June 30, 2023 and December 31, 2022, 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.

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, depositary 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, CHESS Depositary Nominees Pty Ltd ("CDN"), which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement.

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.

NOTE 9 - Stockholders' Equity (cont.)

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 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. On April 4, 2023, the Board of Directors approved an increase of 7,929,130 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 11, 2023.

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, 2023, 9,745,099 of these options are issued and outstanding. For these performance-based awards, expense is recognized when it is probable the performance condition will be achieved. If at any point the Company determines that the performance condition is improbable, any previously recognized expense is reversed. Adjustments for forfeitures are recorded as 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 Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2021	11,253,506	$ 0.81	
Exercised	(59,300)	0.52	
Forfeited and expired	(2,027,328)	0.82	
Granted	3,354,244	0.31	
Options outstanding - June 30, 2022	12,521,122	$ 0.68	$ -
Options exercisable - June 30, 2022	6,417,386	$ 0.64	$ -

NOTE 9 - Stockholders' Equity (cont.)

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2022	12,913,186	$ 0.64	
Exercised	-	-	
Forfeited and expired	(1,456,676)	0.76	
Granted	6,174,180	0.19	
Options outstanding - June 30, 2023	17,630,690	$ 0.47	$ -
Options exercisable - June 30, 2023	5,623,708	$ 0.67	$ -

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, 2023 and 2022.

As of June 30, 2023, the Company had 3,513,348 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding was 8.15 years as of June 30, 2023.

The weighted average remaining contractual life of options exercisable was 5.87 years as of June 30, 2023.

The intrinsic value of options exercised during the six months ended June 30, 2023 and 2022 was $0 and $16,379, respectively.

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, 2023	Six-month period ended June 30, 2022
Expected life	5.70 - 6.32 years	5.70 - 6.82 years
Volatility	93.34% - 94.49%	64.37% - 64.96%
Risk-free interest rate	3.45%	2.00% - 3.01%
Dividend yield	0%	0%
Weighted average fair value of options granted	$0.15	$0.19

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 the Company's own historical volatility as well as 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. The Company's policy is to account for forfeitures as they occur and records stock-based compensation expense only for those awards that are expected to vest.

NOTE 9 - Stockholders' Equity (cont.)

Total stock-based compensation expense resulting from options granted was $299,123 and $438,029 for the six months ended June 30, 2023 and 2022, 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, 2023, the total unrecognized compensation cost related to unvested stock options was $2,618,710. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2023 and the years ended December 31 thereafter:

2023	$ 373,377
2024	461,461
2025	116,179
2026	55,779
2027	7,293
Total related to options expected to vest	1,014,089
Performance grants not probable of achievement	1,604,621
Total unrecognized compensation expense	$ 2,618,710

The performance grants not probable of achievement are generally related to the receipt of regulatory approvals or sales milestones predicated on the receipt of regulatory approvals not yet received. Under current US GAAP, these milestones are generally not considered probable until regulatory approval is obtained.

Issuance of additional options subsequent to June 30, 2023 could affect future expected amounts.

Restricted Stock

On May 9, 2022, the Company granted 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.

On May 12, 2023, the Company granted 528,089 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 $0.19 per share.

Total stock-based compensation expense resulting from grants of restricted stock was $13,713 and $2,973 for the six months ended June 30, 2023 and 2022, 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.

NOTE 9 - Stockholders' Equity (cont.)

As of June 30, 2023, the total unrecognized compensation cost related to unvested restricted stock was $156,656. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2023, and the years ended December 31 thereafter:

		Total
2023	$	23,156
2024		46,002
2025		45,934
2026		32,499
2027		9,065
Total	$	156,656

Issuance of additional shares of restricted stock subsequent to June 30, 2023 could affect future expected amounts.

Warrants

As part of the convertible note issuances, the Company issued warrants to purchase CDIs which are summarized below:

	Number of Warrants		Weighted-Average Exercise Price
Warrants outstanding - December 31, 2022	907,141	$	0.2563
Warrants issued	1,043,699		0.2563
Warrants exercised	-		-
Warrants expired/forfeited	-		-
Warrants outstanding - June 30, 2023	1,950,840	$	0.2563
Warrants exercisable - June 30, 2023	1,950,840	$	0.2563

NOTE 10 - Income Taxes

The effective tax rate for the six months ended June 30, 2023 and 2022 was zero percent. As a result of the analysis of all available evidence as of June 30, 2023 and December 31, 2022, the Company recorded a full valuation allowance on its net deferred tax assets. Consequently, the Company reported no income tax benefit during the six months ended June 30, 2023 and 2022. If the Company's assumptions change and the Company believes that it will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of future income tax expense. If the assumptions do not change, each period the Company could record an additional valuation allowance on any increases in the deferred tax assets.

NOTE 11 – Subsequent Events

For the six months ended June 30, 2023, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through August 23, 2023.

Share Subscription Facility

On July 6, 2023, the Company entered into a Capital Commitment Agreement ("Agreement") with GEM Global Yield LLC SCS ("GGY"), under the terms of which GGY has agreed to provide the Company with up to $30 million Australian dollars through a Security Subscription Facility ("SSF") over a 3-year term. Subject to the terms of the Agreement, the Company may use the SSF to draw down funds in tranches at any time within the 3-year period by giving GGY 15 ASX trading days' notice to subscribe for CDIs. The issue of CDIs to GGY pursuant to any draw down notice will also be conditional on the Company having sufficient placement capacity under ASX Listing Rules 7.1 and 7.1A (if applicable) or obtaining any requisite securityholder approval for the issue.

As part of the transaction, the Company issued options to purchase 5.7 million CDIs with an exercise price of $0.61 Australian dollars per CDI and a 3-year term. In connection with the Agreement, the Company issued a Promissory Note in relation to its promise to pay a fee of $600,000 Australian dollars within the first year of the Agreement's term. In the event the fee is not paid in full within the first year, interest will accrue on the unpaid portion at the Mortgage Free Business Finance Rate published by Westpac Banking Corporation, compounded monthly.

July 2023 Placement

On July 18, 2023, the Company completed an equity raise with a US investor and issued 2,857,143 shares of common stock at $0.35 US dollars per share for gross proceeds of $1 million. As part of this equity raise, the Company issued a 10-year warrant to purchase an additional 428,571 shares of common stock at an exercise price of $0.60 US dollars per share.

August 2023 Placement

On August 15, 2023, the Company completed an equity raise with a mix of US, Australian and New Zealand investors. The Company issued a total of 4,691,159 shares of common stock at $0.39 US dollars per share for US investors and $0.61 Australian dollars per share for Australian and New Zealand investors, resulting in gross proceeds of approximately $1.84 million US dollars (using an exchange rate of $1 Australian dollar to $0.6475 US dollar). As part of this equity raise, the Company issued 10-year warrants to purchase a total of 703,684 additional shares of common stock at an exercise price of $0.60 US dollars per share for US investors and $1.00 Australian dollars for Australian and New Zealand investors.