



EBR 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.

EBR 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

All comparisons to half-year ended 30 June 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	\$USD	up/down	% movement
Revenue from ordinary activities	Nil	N/A	Nil
Loss after tax from ordinary activities attributable to members	(\$15,596,270)	down	0.3%
Net loss attributable to members	(\$15,596,270)	down	0.3%

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	\$0.150	\$0.226

- **Independent Auditor's Review:** This report is based on the consolidated 2023 Half-Year Financial Statements which have been reviewed by Deloitte and Touche LLP with the Independent Auditor's Review Report included in the Half-Year 2023 Unaudited Condensed Consolidated 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 condensed consolidated 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:** The financial report has been independently reviewed and a review report has been issued.

EBR SYSTEMS, INC.

Sunnyvale, California

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of and for the six-month periods ended
June 30, 2023 and 2022

EBR SYSTEMS, INC.
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Audit and Risk Committee of EBR Systems, Inc.:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of EBR Systems, Inc. and subsidiaries (the "Company") as of June 30, 2023, and the related condensed consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the six-month period then ended 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 interim financial information as of June 30, 2023 and for the six-month period ended June 30, 2023, for it to be in accordance with accounting principles generally accepted in the United States of America.

The condensed consolidated statements of operations, comprehensive loss, and stockholders' equity (deficit), and cash flows for the six-month period ended June 30, 2022, were reviewed by other auditors whose report dated August 28, 2022, 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.

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 interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of 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 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 consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 27, 2023. In our opinion, the accompanying condensed consolidated 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.

Deloitte & Touche LLP

August 28, 2023



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of EBR Systems, Inc. and Subsidiary, (collectively, "the Company") which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the six months then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying June 30, 2022 consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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

Price, Kong, & Co., C.P.A.'s, P.A.
Phoenix, Arizona
August 28, 2022

We have served as the Company's accountant since 2021. In 2022, we became the predecessor accountant.

EBR SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	2	\$ 51,557,092	\$ 15,456,338
Marketable securities	2	33,272,052	48,073,019
Non-trade receivables and unbilled reimbursements, net	4	191,848	443,919
Prepaid expenses		1,139,716	2,004,441
Other current assets		494,269	607,543
Total current assets		86,654,977	66,585,260
Property and equipment, net	4	1,303,236	1,577,044
Right of use operating lease asset	5	1,832,144	1,941,138
Marketable securities	2	-	985,957
Other assets		588,994	589,624
TOTAL ASSETS		\$ 90,379,351	\$ 71,679,023
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 897,075	\$ 2,092,474
Accrued expenses and other liabilities	4	3,206,410	3,470,107
Interest payable	6	113,236	99,167
Operating lease liability	5	233,007	216,817
Current portion of notes payable, net	6	47,290	51,590
Total current liabilities		4,497,018	5,930,155
Other liabilities		130,240	482,448
Operating lease liability	5	1,801,309	1,921,106
Notes payable, net	6	39,337,636	19,396,221
Total liabilities		45,766,203	27,729,930
Commitments and contingencies (Note 14)			
STOCKHOLDERS' EQUITY			
Common stock, \$0.0001 par value; 600,000,000 shares authorized; 298,311,159 and 270,752,201 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	8	29,833	27,077
Additional paid-in capital		336,885,700	320,749,696
Accumulated deficit		(293,218,790)	(277,622,520)
Accumulated other comprehensive income		916,405	794,840
Total stockholders' equity		44,613,148	43,949,093
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 90,379,351	\$ 71,679,023

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

EBR SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Notes</u>	Six Months Ended June 30,	
		2023	2022
Operating expenses:			
Research and development		\$ 6,666,983	\$ 6,260,462
Sales and marketing		3,583,928	4,364,131
Clinical and regulatory		2,419,663	3,154,024
General and administrative		2,908,843	2,766,195
Total operating expenses		<u>15,579,417</u>	<u>16,544,812</u>
Loss from operations		(15,579,417)	(16,544,812)
Other (expense)/income			
Interest expense	6	(1,464,316)	(268,169)
Other income	11	1,500,022	676,236
(Loss)/gain on foreign currency		(52,559)	9,997
Total other (expense)/income		<u>(16,853)</u>	<u>418,064</u>
Loss before income tax		(15,596,270)	(16,126,748)
Income tax benefit	13	-	477,472
Net loss		<u>\$ (15,596,270)</u>	<u>\$ (15,649,276)</u>
Net loss per common share:			
Basic and diluted		<u>\$ (0.06)</u>	<u>\$ (0.06)</u>
Weighted-average number of shares outstanding:			
Basic and diluted		<u>271,113,544</u>	<u>268,905,231</u>

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

EBR SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

<u>Notes</u>	Six Months Ended June 30,	
	2023	2022
Net loss	\$ (15,596,270)	\$ (15,649,276)
Other comprehensive income/(loss):		
Change in unrealized gain on marketable securities	83,037	-
Foreign currency translation adjustments	38,528	(73,055)
Other comprehensive income/(loss)	121,565	(73,055)
Comprehensive loss	<u>\$ (15,474,705)</u>	<u>\$ (15,722,331)</u>

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

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

Six Months Ended June 30, 2022

	<u>Notes</u>	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income/(Loss)</u>	<u>Total Stockholders' Equity</u>
		<u>Shares</u>	<u>Par Value</u>				
Balance at December 31, 2021		267,985,340	\$ 26,800	\$ 319,378,429	\$ (244,534,315)	\$ 1,026,808	\$ 75,897,722
Exercise of stock options		1,672,064	167	258,473	-	-	258,640
Stock-based compensation	10	-	-	411,170	-	-	411,170
Net loss		-	-	-	(15,649,276)	-	(15,649,276)
Other comprehensive loss		-	-	-	-	(73,055)	(73,055)
Balance at June 30, 2022		<u>269,657,404</u>	<u>\$ 26,967</u>	<u>\$ 320,048,072</u>	<u>\$ (260,183,591)</u>	<u>\$ 953,753</u>	<u>\$ 60,845,201</u>

Six Months Ended June 30, 2023

	<u>Notes</u>	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income/(Loss)</u>	<u>Total Stockholders' Equity</u>
		<u>Shares</u>	<u>Par Value</u>				
Balance at December 31, 2022		270,752,201	\$ 27,077	\$ 320,749,696	\$ (277,622,520)	\$ 794,840	\$ 43,949,093
Exercise of stock options		86,431	9	11,684	-	-	11,693
Stock-based compensation	10	-	-	522,171	-	-	522,171
Issuance of common stock, net of issuance costs	8	27,472,527	2,747	15,602,149	-	-	15,604,896
Net loss		-	-	-	(15,596,270)	-	(15,596,270)
Other comprehensive income		-	-	-	-	121,565	121,565
Balance at June 30, 2023		<u>298,311,159</u>	<u>\$ 29,833</u>	<u>\$ 336,885,700</u>	<u>\$ (293,218,790)</u>	<u>\$ 916,405</u>	<u>\$ 44,613,148</u>

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

EBR SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Notes	Six Months Ended June 30,	
		2023	2022
Cash flows from operating activities:			
Net loss		\$ (15,596,270)	\$ (15,649,276)
Adjustment to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	4	380,900	306,949
Amortization of deferred loan costs and discount on notes payable	6	166,986	41,093
Lease amortization	5	206,759	-
Stock-based compensation	10	522,171	411,170
Provision for doubtful accounts	4	40,485	58,247
Accretion of discount on marketable securities		(467,490)	-
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency		-	(71,758)
Changes in operating assets and liabilities:			
Non-trade receivables and unbilled reimbursements		108,880	(394,461)
Prepaid expenses		864,430	609,487
Other assets		97,220	(491,117)
Accounts payable		(1,090,750)	386,459
Accrued expenses and other liabilities		(617,527)	(202,010)
Interest payable		14,069	(282,256)
Operating lease liability	5	(201,372)	(88,591)
Net cash used in operating activities		<u>(15,571,509)</u>	<u>(15,366,064)</u>
Cash flows from investing activities:			
Purchase of property and equipment	4	(176,799)	(134,060)
Purchase of marketable securities		(30,250,061)	-
Maturities of marketable securities		46,587,512	-
Net cash provided by/(used in) investing activities		<u>16,160,652</u>	<u>(134,060)</u>
Cash flows from financing activities:			
Repayment of notes payable		-	(2,400,000)
Proceeds from notes payable	6	20,000,000	20,000,000
Payments of deferred loan costs	6	(200,000)	(759,146)
Proceeds from exercise of stock options		11,693	258,640
Proceeds from issuance of common stock	8	16,500,210	-
Payments of common stock issuance costs	8	(844,172)	(566,125)
Net cash provided by financing activities		<u>35,467,731</u>	<u>16,533,369</u>
Effect of exchange rate change on cash		43,880	-
Net change in cash and cash equivalents		36,100,754	1,033,245
Cash and cash equivalents, beginning of the period		<u>15,456,338</u>	<u>78,242,340</u>
Cash and cash equivalents, end of the period		<u>\$ 51,557,092</u>	<u>\$ 79,275,585</u>

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

EBR SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Notes</u>	Six Months Ended June 30,	
		2023	2022
Supplemental disclosure of cash flow information			
Cash paid for interest expense		\$ 1,283,261	\$ 509,332
Cash paid for income taxes		\$ 750	\$ -
Non-cash financing activities			
Accrued offering costs		\$ 51,142	\$ -

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

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Business overview & basis of presentation

Business overview

EBR Systems, Inc. and subsidiaries (“EBR” or the “Company”) is a United States-based company dedicated to the superior treatment of cardiac rhythm disease by providing physiologically effective stimulation through leadless endocardial pacing. The Company is in the final phase of its U.S. pivotal trial and expects to release results in 2023.

The Company completed its initial public offering of CDIs (“CHESS Depository Interests”) and began trading on the Australian Securities Exchange (“ASX”) on November 24, 2021 under the symbol “EBR”.

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

Basis of presentation

The accompanying unaudited condensed consolidated financial statements as of June 30, 2023 and for the six months ended June 30, 2023 and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and for interim financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2022, included in the 2022 Appendix 4E, which has been filed with the Australian Securities Exchange.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the included disclosures are adequate, and the accompanying unaudited condensed consolidated financial statements contain all adjustments which are necessary for a fair presentation of our unaudited condensed consolidated financial position as of June 30, 2023, unaudited condensed consolidated results of operations and comprehensive loss for the six months ended June 30, 2023 and 2022, and unaudited condensed consolidated cash flows for the six months ended June 30, 2023 and 2022. Such adjustments are of a normal and recurring nature. The unaudited condensed consolidated results of operations for the six months ended June 30, 2023, are not necessarily indicative of the consolidated results of operations that may be expected for the year ending December 31, 2023.

Note 2 – Cash, cash equivalents and marketable securities

Cash, cash equivalents, and marketable securities consisted of the following at June 30, 2023 and December 31, 2022:

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	June 30, 2023	December 31, 2022
Cash and cash equivalents:		
Cash	\$ 35,497,866	\$ 332,255
Money market funds	16,059,226	15,124,083
Total cash and cash equivalents	\$ 51,557,092	\$ 15,456,338
Marketable securities, short-term:		
US Treasury securities	\$ 11,761,470	\$ 12,341,584
Corporate bonds	4,847,513	10,023,089
Commercial Paper	12,350,695	23,808,415
Asset backed securities	2,811,826	1,899,931
Federal agency bonds	1,500,548	-
Total marketable securities, short-term	\$ 33,272,052	\$ 48,073,019
Marketable securities, long-term:		
Asset backed securities	\$ -	\$ 985,957
Total marketable securities, long-term	\$ -	\$ 985,957
Total cash, cash equivalents, and marketable securities	\$ 84,829,144	\$ 64,515,314

See Note 3, “Fair Value Measurements” for additional information regarding the fair value of cash equivalents and marketable securities.

The following tables summarize the unrealized gains and losses related to the Company’s available-for-sale marketable securities, by major security type, as of June 30, 2023 and December 31, 2022:

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	As of June 30, 2023			
	Amortized Cost	Unrealized Gains	Unrealized (losses)	Fair Value
Marketable securities				
US Treasury securities	\$ 11,763,400	\$ 454	\$ (2,384)	\$ 11,761,470
Corporate bonds	4,852,267	11	(4,765)	4,847,513
Commercial paper	12,350,695	-	-	12,350,695
Asset backed securities	2,831,338	-	(19,512)	2,811,826
Federal agency bonds	1,509,533	-	(8,985)	1,500,548
Total marketable securities	\$ 33,307,233	\$ 465	\$ (35,646)	\$ 33,272,052

	As of December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized (losses)	Fair Value
Marketable securities				
US Treasury securities	\$ 12,382,149	\$ -	\$ (40,565)	\$ 12,341,584
Corporate bonds	10,068,768	-	(45,679)	10,023,089
Commercial paper	23,808,415	-	-	23,808,415
Asset backed securities	2,917,862	-	(31,974)	2,885,888
Total marketable securities	\$ 49,177,194	\$ -	\$ (118,218)	\$ 49,058,976

The following tables show the unrealized losses and fair values for those marketable securities that were in an unrealized loss position as of June 30, 2023 and December 31, 2022, aggregated by major security type and the length of time the marketable securities have been in a continuous loss position:

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	As of June 30, 2023					
	In Loss Position for Less Than 12 Months		In Loss Position for 12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury securities	\$ 11,761,470	\$ (2,384)	\$ -	\$ -	\$ 11,761,470	\$ (2,384)
Corporate bonds	4,847,513	(4,765)	-	-	4,847,513	(4,765)
Asset backed securities	2,811,826	(19,512)	-	-	2,811,826	(19,512)
Federal agency bonds	1,500,548	(8,985)	-	-	1,500,548	(8,985)
Total	\$ 20,921,357	\$ (35,646)	\$ -	\$ -	\$ 20,921,357	\$ (35,646)

	As of December 31, 2022					
	In Loss Position for Less Than 12 Months		In Loss Position for 12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury securities	\$ 12,341,584	\$ (40,565)	\$ -	\$ -	\$ 12,341,584	\$ (40,565)
Corporate bonds	10,023,089	(45,679)	-	-	10,023,089	(45,679)
Asset backed securities	2,885,888	(31,974)	-	-	2,885,888	(31,974)
Total	\$ 25,250,561	\$ (118,218)	\$ -	\$ -	\$ 25,250,561	\$ (118,218)

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The contractual maturities of the Company's marketable securities as of June 30, 2023 and December 31, 2022, were as follows:

	June 30, 2023	December 31, 2022
One year or less	\$ 33,272,052	\$ 48,073,019
One year to two years	-	985,957
Two years to three years	-	-
Total	<u>\$ 33,272,052</u>	<u>\$ 49,058,976</u>

Note 3 – Fair value measurement

The fair value measurement guidance establishes a fair value hierarchy which requires the Company to maximize the use of observable inputs when measuring fair value. The following levels of inputs may be used to measure fair value:

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

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

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

Management's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of financial assets and liabilities and their placement within the fair value hierarchy. The Company's financial assets that are accounted for at fair value on a recurring bases are presented in the table below as of June 30, 2023 and December 31, 2022:

	Fair Values as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 16,059,226	\$ -	\$ -	\$ 16,059,226
Marketable securities				
US Treasury securities	-	11,761,470	-	11,761,470
Corporate bonds	-	4,847,513	-	4,847,513
Commercial paper	-	12,350,695	-	12,350,695
Asset backed securities	-	2,811,826	-	2,811,826
Federal agency bonds	-	1,500,548	-	1,500,548
Total	<u>\$ 16,059,226</u>	<u>\$ 33,272,052</u>	<u>\$ -</u>	<u>\$ 49,331,278</u>

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Fair Values as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 15,124,083	\$ -	\$ -	\$ 15,124,083
Marketable securities				
US Treasury securities	-	12,341,584	-	12,341,584
Corporate bonds	-	10,023,089	-	10,023,089
Commercial paper	-	23,808,415	-	23,808,415
Asset backed securities	-	2,885,888	-	2,885,888
Total	\$ 15,124,083	\$ 49,058,976	\$ -	\$ 64,183,059

In the Company's unaudited condensed consolidated balance sheets, the carrying values of non-trade receivables, other assets, accounts payable and accrued expenses approximated their fair values due to the nature and relatively short maturities. The fair value of debt approximates its carrying value as it is variable rate debt or has relatively short maturities.

Note 4 – Condensed consolidated balance sheet components

Non-trade receivables and unbilled reimbursements, net

Non-trade receivables and unbilled reimbursements include reimbursement of clinical trial expenses incurred. Non-trade receivables and unbilled reimbursements consisted of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Non-trade receivables	\$ 198,243	\$ 280,457
Unbilled reimbursements	135,771	265,143
Non-trade receivables and unbilled services	334,014	545,600
Less: allowance for doubtful accounts	(142,166)	(101,681)
Non-trade receivables and unbilled services, net	\$ 191,848	\$ 443,919

EBR SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

During the six-month periods ended June 30, 2023 and 2022, provision for doubtful accounts totaled \$40,485 and \$58,247, respectively.

Property and equipment, net

Property and equipment consisted of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Equipment	\$ 3,087,564	\$ 2,981,787
Computer software	572,180	572,180
Leasehold improvements	415,590	415,590
Property and equipment	4,075,334	3,969,557
Less accumulated depreciation and amortization	(2,772,098)	(2,392,513)
Total property and equipment, net	<u>\$ 1,303,236</u>	<u>\$ 1,577,044</u>

Depreciation and amortization expense on property and equipment was \$380,900 and \$306,949 for the six-month periods ended June 30, 2023 and 2022, respectively.

Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Accrued compensation and related liabilities	\$ 1,633,258	\$ 1,980,453
Accrued development expenses	838,597	697,908
Accrued warranty reserve	734,400	734,400
Accrued other expenses	155	57,346
Accrued expenses and other liabilities	<u>\$ 3,206,410</u>	<u>\$ 3,470,107</u>

Note 5 – Leases

The Company determined that it held an operating lease for its corporate headquarters and laboratory space, located in Sunnyvale, California. The lease expires June 30, 2024, with an option to extend the lease an additional sixty-months, which was used in the calculation of the right of use asset and lease liability, as the Company was reasonably certain the extension would be exercised. The Company held no other lease agreements.

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Future lease payments for non-cancellable operating leases as of June 30, 2023, were as follows:

Remainder 2023	\$ 207,414
2024	421,050
2025	433,682
2026	446,692
2027	460,093
Thereafter	714,346
Total undiscounted lease payments	2,683,277
Less: effects of discounting	(648,961)
Total operating lease liabilities	<u>\$ 2,034,316</u>

Amounts reported in the unaudited condensed consolidated balance sheet for operating leases in which the Company is the lessee as of June 30, 2023 and December 31, 2022, were as follows:

	June 30, 2023	December 31, 2022
Right of use asset	\$ 1,832,144	\$ 1,941,138
Lease liability, current	233,007	216,817
Lease liability, noncurrent	1,801,309	1,921,106
Remaining lease term	6.00 years	6.50 years
Discount rate	10.00%	10.00%

Operating lease costs for the six-month periods ended June 30, 2023 and 2022 was \$206,759 and \$207,329, respectively. There were no short-term lease costs for the six-month period ended June 30, 2023. Short-term lease costs for the six-month period ended June 30, 2022, was \$570. Cash paid for operating lease liabilities for the six-month periods ended June 30, 2023 and 2022 was \$201,372 and \$195,510, respectively.

Note 6 - Notes payable

Runway Growth Finance Corp

On June 30, 2022, the Company entered into a loan and security agreement with Runway Growth Finance Corp. The loan agreement provides three term loan tranches. The Company received the initial draw of \$20,000,000 in June 2022. The Company received positive interim analysis data, sufficient to proceed with the clinical trial and premarket approval submission to the U.S. Food and Drug Administration, which allowed the Company to draw the second tranche of \$20,000,000 in June 2023. As of June 30, 2023 and December 31, 2022, the outstanding principal balance was \$41,800,000 and \$20,900,000, respectively. The final tranche provides \$10,000,000 and the draw period commences on the date the Company has received approval from the FDA for the WiSE CRT System and ends on June 30, 2024.

Interest on the term loan accrues on the principal amount outstanding at a floating per annum rate equal to the greater of the rate of interest noted in The Wall Street Journal Money Rates section, as the “Prime Rate” or 4.00% plus a margin of 4.9% and is payable monthly in arrears and shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Company is required to make interest only payments from July 2022 to May 2027. The note payable has a maturity date of June 15, 2027, at which time any unpaid

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interest, outstanding principal balance, and a final payment of 4.5% of the original principal amount borrowed shall be due in full. The Company has accounted for the final payment of \$1,800,000 as a discount of the note that will be amortized over the life of the loan using the effective interest method. Amortization of the discount was \$88,624 during the six-month period ended June 30, 2023. This amount was recorded as additional interest expense in the accompanying unaudited condensed consolidated statements of operations. As of June 30, 2023 and December 31, 2022, the note has been shown net of unamortized discounts of \$1,621,683 and \$810,307, respectively.

The Company incurred loan costs of \$998,393, which are being amortized over the life of the loan using the effective interest method. Amortization of loan costs was \$78,362 for the six months ended June 30, 2023. As of June 30, 2023, and December 31, 2022, the note has been shown net of unamortized loan costs of \$840,681 and \$714,968, respectively.

If the Company repays the loan prior to maturity, the Company will be required to pay a prepayment fee of 2% - 0.5% of the outstanding principal balance. The Company is also required to pay a 3% success fee of the funded principal amount of the term loan at the time of a liquidity event, as defined in the loan and security agreement. The success fee is enforceable within 10 years from the execution date of the agreement.

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

The Company is subject to customary financial and reporting covenants under the loan and security agreement. As of June 30, 2023, the Company was in compliance with all debt covenants.

Bank of America Leasing & Capital, LLC

In May 2021, the Company entered into an equipment purchase agreement for the purchase of certain software totaling \$128,974. The purchase agreement requires 30 equal payments of \$4,299 beginning December 1, 2021 through May 1, 2024. At June 30, 2023 and December 31, 2022, the outstanding principal balance was \$47,290 and \$73,086, respectively, of which \$47,290 and \$51,590, respectively, was included in the current portion of notes payable.

Silicon Valley Bank – 2020

In March 2020, the Company entered into a loan and security agreement with Silicon Valley Bank and other lenders party thereto. The loan agreement provides for a term loan facility that includes three tranches in a principal amount of \$3,000,000, which if drawn would result in an aggregate outstanding principal amount of \$9,000,000. As of December 31, 2022, the Company has repaid the outstanding principal balance under the loan agreement.

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

During the six-month period ended June 30, 2022, the Company recorded interest expense of \$61,424, which is included in the accompanying unaudited condensed consolidated statements of operations.

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Additionally, the Company was required to make a final payment of \$420,000 at the time the term loan was paid in full. This amount was recorded as additional interest expense over the life of the term loan. During the six-month periods ended June 30, 2022, the Company recorded interest expense of \$152,727, which is included in the accompanying unaudited condensed consolidated statements of operations.

The Company incurred loan costs of \$83,114, these costs are being amortized over the life of the loan. Amortization of the loan costs was \$30,245 during the six-month period ended June 30, 2022, which is included in interest expense in the accompanying unaudited condensed consolidated statements of operations.

The note payable described above was issued with fully vested detachable warrants. The note has been discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. Amortization of the discount was \$10,848 during the six-month period ended June 30, 2022, which is included in interest expense in the accompanying unaudited condensed consolidated statements of operation.

At June 30, 2023 and December 31, 2022, notes payable consisted of the following:

	June 30, 2023	December 31, 2022
Current portion of notes payable	\$ 47,290	\$ 51,590
Long-term portion of notes payable	41,800,000	20,921,496
Less: unamortized deferred loan costs	(840,681)	(714,968)
Less: unamortized discount	(1,621,683)	(810,307)
Notes payable, net	<u>\$ 39,384,926</u>	<u>\$ 19,447,811</u>

The following table presents information regarding the Company's notes payable principal repayment obligations as of June 30, 2022:

Remainder 2023	\$ 25,794
2024	21,496
2025	-
2026	-
2027	41,800,000
Total minimum payments	<u>\$ 41,847,290</u>

Note 7 – Convertible preferred stock

As of June 30, 2023 and December 31, 2022, 10,000,000 shares of convertible preferred stock were authorized, of which no shares were issued or outstanding.

Note 8 – Common stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the Company's board of directors. As of June 30, 2023 and December 31, 2022, no dividends have been declared.

As of June 30, 2023 and December 21, 2022, 600,000,000 shares were authorized, of which 298,311,159 shares and 270,752,201 shares, respectively, were issued and outstanding.

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The Company completed its initial public offering, and began trading on the Australian Securities Exchange (“ASX”) on November 24, 2021 under the symbol “EBR”. The ASX uses an electronic system called CHESSE for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHESSE system of holding securities or electronic transfers of legal title to shares. To enable companies to have their securities cleared and settled electronically through CHESSE, CHESSE depository instruments called CDIs are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement.

On June 30, 2023, the Company completed an offering of 27,472,527 CDIs representing the same number of shares of common stock at \$0.91 Australian dollars per share, for proceeds of \$15,604,896, net of \$895,314 of related offering costs. On July 7, 2023, the Company issued an additional 5,494,506 CDIs representing the same number of shares of common stock at \$0.91 Australian dollars per share, for proceeds of \$3,335,000.

Additionally, the Company has reserved the following shares of common stock for issuance as of June 30, 2023:

Conversion of Common Stock warrants	19,789,379
2013 Equity Incentive Plan	23,422,577
2021 Equity Incentive Plan	37,307,613
Total shares of Common stock reserved for issuance	<u>80,519,569</u>

Note 9 – Warrants

Equity classified common stock warrants

The Company has issued the following warrants to purchase shares of its common stock, which are outstanding as of June 30, 2023 and December 31, 2022. These warrants are exercisable any time at the option of the holder until their expiration date.

	Number of Shares	Weighted average exercise price	Weighted average remaining contractual term
Balance at January 1, 2022	19,811,028	\$ 0.58	8.27
Issued	-	-	-
Exercised	-	-	-
Expired/forfeited	-	-	-
Balance at June 30, 2022	<u>19,811,028</u>	<u>\$ 0.58</u>	<u>7.77</u>
Balance at January 1, 2023	19,789,379	\$ 0.57	7.28
Issued	-	-	-
Exercised	-	-	-
Expired/forfeited	-	-	-
Balance at June 30, 2023	<u>19,789,379</u>	<u>\$ 0.57</u>	<u>6.78</u>

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Note 10 – Stock-based compensation

The Company and its stockholders adopted an equity incentive plan (the “2013 Plan”) in 2013, which reserved shares of the Company’s common stock for the granting of incentive and nonqualified stock options to employees, directors, and consultants. On October 14, 2021, the Company replaced the 2013 Plan with the 2021 Plan, as the 2013 Plan was expiring. Under the 2021 Plan, 37,307,613 shares of common stock are reserved. The Company may grant options to purchase common stock, stock appreciation rights, restricted stock awards and other forms of stock-based compensation. Stock options generally vest over four years and expire no later than 10 years from the date of grant. The Board of Directors has the authority to select the employees to whom options are granted and determine the terms of each option, including i) the number of shares of common stock subject to the option; ii) when the option becomes exercisable; iii) the option exercise price, which must be at least 100% of the fair market value of the common stock as of the date of grant and iv) the duration of the option, which may not exceed 10 years.

As of June 30, 2023, options to purchase a total of 11,957,251 shares of common stock remained outstanding and 25,350,362 shares remain available for grant under the 2021 Plan. As of June 30, 2023, options to purchase a total of 23,422,577 shares of common stock remained outstanding under the 2013 Plan. As of June 30, 2023, no shares of common stock remain available for grant under the 2013 Plan.

Stock option activity for the six-month period ended June 30, 2023, was as follows:

	Shares	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Life (in years)
Outstanding at January 1, 2023	32,217,927	\$ 0.24	7.15
Granted	4,381,454	0.56	
Cancelled	(1,133,122)	0.25	
Exercised	(86,431)	0.14	
Outstanding at June 30, 2023	<u>35,379,828</u>	<u>\$ 0.28</u>	7.06
Vested and expected to vest at June 30, 2023	35,379,828	\$ 0.28	
Exercisable at June 30, 2023	24,737,102	\$ 0.19	

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

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corresponding with the expected life of the option. The Company uses the straight-line method for expense attribution. The weighted-average grant-date fair values of stock options granted during the six-month periods ended June 30, 2023 and 2022, was \$0.39 per share and \$0.28 per share, respectively.

The following assumptions were used to calculate the grant-date fair value of employee stock options granted during the six-month periods ended June 30, 2023 and 2022:

	2023	2022
Expected term (in years)	7.00	7.00
Expected volatility	71.34% - 72.08%	58.38% - 62.83%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	3.38% - 3.74%	1.94% - 2.94%

The following table presents classification of stock-based compensation expense within the accompanying unaudited condensed consolidated statements of operations for the six-month periods ended June 30, 2023 and 2022:

	2023	2022
Research and development	\$ 172,814	\$ 119,151
Sales and marketing	89,679	88,242
Clinical and regulatory	28,666	22,311
General and administrative	231,012	181,465
Total	\$ 522,171	\$ 411,170

At June 30, 2023, there was \$3,724,008 of unamortized stock-based compensation cost, respectively, related to unvested stock options which is expected to be recognized over a weighted average period of 2.78 years.

Note 11 – Other income

The Company periodically receives reimbursements of clinical trial expenses, which are recorded as other income in the accompanying unaudited condensed consolidated statements of operations. During the six-month period ended June 30, 2023 and 2022, the components of other income include the following:

	2023	2022
Clinical trial reimbursements	\$ (17,128)	\$ 582,620
Interest income, including accretion of discounts	1,150,982	93,616
Research and development tax incentive	366,168	-
Total	\$ 1,500,022	\$ 676,236

Note 12 – Net loss per share

The following tables sets forth the computation of basic and diluted net loss per share attributable to common stockholders at June 30, 2023 and 2022:

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	2023	2022
Numerator – basic & diluted:		
Net loss attributable to common stockholders, basic and diluted	\$ (15,596,270)	\$ (15,649,276)
Denominator:		
Weighted-average number of shares outstanding, basic and diluted	271,113,544	268,905,231
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.06)	\$ (0.06)

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding for the periods presented as the effect would have been anti-dilutive at June 30, 2023 and 2022:

	2023	2022
Outstanding warrants	19,789,379	19,811,028
Outstanding stock options	35,379,828	33,275,827
Total dilutive shares	55,169,207	53,086,855

Note 13 – Income taxes

During the six-month period ended June 30, 2023, the Company does not have an income tax benefit or expense. During the six-month period ended June 30, 2022, the Company had an income tax benefit received from the Australian Taxation Office for the Research and Development tax incentive for \$477,472. The Company has historically incurred net operating losses and maintains a full valuation allowance against its net deferred tax assets. Valuation allowances are recorded when the expected realization of the deferred tax assets does not meet a “more likely than not” criterion. Realization of the Company’s deferred tax assets are dependent upon the generation of future taxable income, the amount and timing of which are uncertain.

The Company’s effective tax rate was 0% for the six months ended June 30, 2023, and was 3% for the six months ended June 30, 2022. The decrease in our effective tax rate was primarily driven by a decrease in the Research and Development tax incentive from Australia. The difference between the effective tax rate and the federal statutory rate of 21% was primarily due to the full valuation allowance recorded on the Company’s net deferred tax assets.

During the six months ended June 30, 2023, there were no material changes to the Company’s uncertain tax positions.

Note 14 – Commitments and contingencies

Purchase commitments

The Company purchases raw materials, manufacturing equipment, and various services from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help ensure an adequate supply of certain items, we enter into agreements with suppliers that either allow us to procure goods

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and services when we choose or that establish purchase requirements over the term of the agreement. In certain instances, our purchase agreements allow us to cancel, reschedule, or adjust our purchase requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our purchase commitments are firm and noncancelable. As of June 30, 2023, the Company's obligations under such arrangements were \$3,657,634.

Contingencies

The Company is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceeding is remote. However, litigation is inherently uncertain, and it is not possible to definitively predict the ultimate disposition of any of these proceedings. The Company does not believe that there are any pending legal proceedings or other loss contingencies that will, either individually or in the aggregate, have a material adverse impact on the Company's unaudited condensed consolidated financial statements.

Note 15 – Subsequent Events

The Company has evaluated subsequent events that have occurred through August 28, 2023, which is the date that the unaudited condensed consolidated financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclosure in the unaudited condensed consolidated financial statements except as discussed in Note 8 and below.

On July 25, 2023, the Company completed private placement of 2,921,307 CDIs representing the same number of shares of common stock at \$0.91 Australian dollars per share, for total proceeds of \$1,779,866 and has incurred additional offering costs of \$23,718.