IMRICOR MEDICAL SYSTEMS, INC.

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2023.

IMRICOR MEDICAL SYSTEMS, INC.

APPENDIX 4D (RULE 4.2A.3)

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2024

REPORTING PERIOD

Report for the half-year ended 30 June 2024
Corresponding period for the half-year ended 30 June 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$USD	up/down	% movement
Revenue from ordinary activities	$407,756	up	104.9%
Profit (loss) after tax from ordinary activities attributable to members	($6,858,199)	down	(25.6)%
Net profit (loss) attributable to members	($6,858,199)	down	(25.6)%

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 2024 $USD	30 June 2023 $USD
Net tangible asset per share of common stock	($0.03)	($0.01)

- **Independent Audit Review:**
  This report is based on the 2024 Half-Year Financial Statements which have been reviewed by BDO USA, P.C. with the Independent Auditor's Review Report included in the 2024 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

A commentary on the results for the period:

Total revenue for the year was $407,756 compared to $199,007 for the prior corresponding period (“PCP”) due to increased product sales, largely driven by sales of the Company’s equipment and third-party equipment. Total product sales of $329,528 were up $158,399, or 93%, compared to the PCP.

The net loss for the period decreased to $6,858,199 compared to $9,219,884 for the PCP due primarily to the change in fair value of the convertible note, derivative asset, and derivative liability. When adjusting for these items, net loss for the year was 14% less compared to the PCP.

	2024	2023
GAAP net loss	($6,858,199)	($9,219,884)
Less: Change in fair value	(1,026,484)	88,355
Adjusted net loss	($7,884,683)	($9,131,529)

Please refer to our unaudited interim financial statements, with accompanying notes, which are attached hereto.

IMRICOR MEDICAL SYSTEMS, INC.
Minneapolis, Minnesota

For the Six Months Ended June 30, 2024 and 2023

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, 2024, and the related condensed statements of operations, stockholders' equity (deficit) and cash flows for the six-month periods ended June 30, 2024 and 2023, 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.

Substantial 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 2 of the Company's audited financial statements as of December 31, 2023, 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 2 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 2 of those financial statements. As indicated in Note 2 of the accompanying interim financial information as of June 30, 2024, 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 interim financial information does 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.

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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 Balance Sheet as of December 31, 2023

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, 2023, 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 28, 2024. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, P.C.

Minneapolis, Minnesota

August 27, 2024

IMRICOR MEDICAL SYSTEMS, INC.
CONDENSED BALANCE SHEETS (Unaudited)
As of June 30, 2024 and December 31, 2023

ASSETS

	June 30, 2024	December 31, 2023
CURRENT ASSETS		
Cash	$ 1,503,262	$ 831,522
Accounts receivable	312,118	392,557
Inventory	1,859,752	1,681,354
Prepaid expenses and other current assets	447,400	1,034,706
Total Current Assets	4,122,532	3,940,139
ACCOUNTS RECEIVABLE, LONG TERM	185,854	185,854
PROPERTY AND EQUIPMENT, NET	2,049,341	2,274,310
INVENTORY, LONG TERM	363,267	838,365
OTHER ASSETS	178,400	178,400
OPERATING LEASE RIGHT OF USE ASSETS	806,500	891,251
TOTAL ASSETS	$ 7,705,894	$ 8,308,319

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2024	December 31, 2023
CURRENT LIABILITIES		
Accounts payable	$ 756,982	$ 2,104,144
Accrued expenses	1,112,950	790,722
Current portion of promissory note	353,233	364,751
Current portion of contract liabilities	360,898	582,693
Current portion of operating lease liabilities	248,014	237,172
Current portion of finance lease liability	-	65,999
Current portion of financing obligation	-	422,866
Total Current Liabilities	2,832,077	4,568,347
LONG-TERM LIABILITIES		
Convertible notes	7,776,100	8,453,300
Option and warrant liabilities	1,595,992	1,945,276
Promissory note	33,219	33,219
Contract liabilities, net of current portion	782,530	794,969
Operating lease liabilities, net of current portion	1,009,376	1,136,601
Other long-term liabilities	112,085	129,972
Total Liabilities	14,141,379	17,061,684
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 June 30, 2024 and December 31, 2023	-	-
Common stock, $0.0001 par value: 535,000,000 shares authorized as of both June 30, 2024 and December 31, 2023 and 202,868,073 and 168,918,134 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	20,288	16,893
Additional paid-in capital	112,989,312	103,816,628
Accumulated deficit	(119,445,085)	(112,586,886)
Total Stockholders' Equity (Deficit)	(6,435,485)	(8,753,365)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 7,705,894	$ 8,308,319

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.
CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
For the Six Months Ended June 30, 2024 and 2023

	Six Months Ended June 30,	
	2024	2023
REVENUES		
Product revenue	$ 329,528	$ 171,129
Service revenue	22,479	27,878
Consulting revenue	55,749	-
Total Revenues	407,756	199,007
COSTS AND EXPENSES		
Cost of goods sold	947,854	941,502
Sales and marketing	1,167,452	1,652,248
Research and development	3,798,616	3,919,939
General and administrative	2,555,261	2,806,598
Total Costs and Expenses	8,469,183	9,320,287
Loss from Operations	(8,061,427)	(9,121,280)
OTHER INCOME (EXPENSE)		
Interest income	28,579	30,184
Government grant income	148,276	-
Foreign currency exchange gain (loss)	9,783	(9,911)
Interest expense	(9,213)	(30,522)
Fair value change of financial instruments	1,026,484	(88,355)
Other expense	(681)	-
Total Other Income (Expense)	1,203,228	(98,604)
NET LOSS	$ (6,858,199)	$ (9,219,884)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.04)	$ (0.06)
Basic and diluted weighted average shares outstanding	190,666,603	151,470,165

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (Unaudited)
For the Six Months Ended June 30, 2024 and 2023

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity (Deficit)
BALANCES, December 31, 2023	168,918,134	$ 16,893	$103,816,628	$(112,586,886)	$ (8,753,365)
Stock-based compensation expense	-	-	(33,105)	-	(33,105)
Issuance of restricted stock, net of fees	315,946	32	(1,466)	-	(1,434)
Issuance of common stock, net of fees	33,633,993	3,363	9,207,255	-	9,210,618
Net loss	-	-	-	(6,858,199)	(6,858,199)
BALANCES, June 30, 2024	202,868,073	$ 20,288	$112,989,312	$(119,445,085)	$ (6,435,485)
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)

See accompanying notes to condensed interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)
For the Six Months Ended June 30, 2024 and 2023

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,858,199)	$ (9,219,884)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	369,526	354,675
Stock-based compensation expense	(33,105)	312,836
Gain on sale of property and equipment	(2,423)	-
Change in inventory reserves	32,427	244,395
Amortization of right-of-use assets	84,751	72,880
Services performed in exchange for property and equipment	(100,000)	-
Foreign currency exchange (gain) loss	(9,783)	9,911
Change in fair value of convertible notes	(677,200)	88,355
Change in fair value of derivative asset and option and warrant liabilities	(349,284)	-
Amortization of issuance costs of convertible note	-	10,160
Changes in assets and liabilities		
Accounts receivable	63,017	3,267
Inventory	264,273	(238,360)
Prepaid expenses and other assets	587,306	1,038,088
Accounts payable	(1,358,896)	290,751
Accrued expenses	322,228	299,701
Lease liabilities	(116,383)	(93,040)
Contract liabilities	(234,234)	625,291
Net Cash Flows used in Operating Activities	(8,015,979)	(6,200,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(38,723)	(79,753)
Proceeds from sale of property and equipment	3,000	-
Net Cash Flows used in Investing Activities	(35,723)	(79,753)
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 issuance of common stock and restricted stock	9,827,789	-
Issuance costs of common stock and restricted stock	(618,605)	(1,114)
Payments on finance lease liability	(65,999)	(78,958)
Payments on financing obligation	(422,866)	(508,424)
Net Cash Flows provided by Investing Activities	8,720,319	2,109,150
Net Change in Cash	668,617	(4,171,577)
CASH - Beginning of Year	831,522	5,687,816
Effect of foreign currency exchange rate changes on cash	3,123	(7,095)
CASH - End of Year	$ 1,503,262	$ 1,509,144
Supplemental cash flow disclosure		
Cash paid for interest	$ 12,004	$ 14,636
Noncash investing and financing activities		
Property and equipment included in accounts payable	$ 6,411	$ 2,005
Transfer from inventory to property and equipment	$ -	$ 42,257
Property and equipment obtained in exchange for services	$ 100,000	$ -

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. On March 1, 2024, the Company obtained CE mark approval for the Vision-MR Diagnostic Catheter.

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 sheets at December 31, 2023 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, 2023.

The Company's condensed interim financial statements and footnotes are presented in United States dollar, unless otherwise noted, 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, 2024 or December 31, 2023.

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

During the six months ended June 30, 2024, the Company had sales from 4 customers that accounted for 94% of revenue and accounts receivable from 4 customers that represented 100% of the accounts receivable balance at June 30, 2024. 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 100% of the accounts receivable balance at June 30, 2023.

Accounts receivable includes unbilled receivables of $43,130 as of June 30, 2024 and December 31, 2023 and $41,874 as of 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, 2024	December 31, 2023
Inventory - Current Portion		
Raw materials	$ 530,035	$ 98,169
Work in process	375,147	355,504
Finished goods	954,570	1,227,681
Total Inventory - Current Portion	1,859,752	1,681,354
Inventory - Long-term	363,267	838,365
Total Inventory	$ 2,223,019	$ 2,519,719

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, 2024 and December 31, 2023. 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, 2024 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 $469 for the six months ended June 30, 2024, which is included in Cost of goods sold on the condensed statements of operations. The Company had a balance of $469 in Accrued expenses on the condensed balance sheets related to these commitments at June 30, 2024. For the six months ended June 30, 2023, the Company recorded an expense of $41,375 related to these commitments, 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.

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, an equity investment, and a derivative asset. The balance is made up of the following:

	June 30, 2024	December 31, 2023
Security deposit	$ 52,597	$ 52,597
Equity investment	69,560	69,560
Derivative asset	56,243	56,243
	$ 178,400	$ 178,400

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, 2024 and 2023.

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

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.

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 190,666,603 and 151,470,165 for the six months ended June 30, 2024 and 2023, 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, 2024 and 2023.

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:

	2024	2023
Exercise of stock options	30,613,020	17,630,690
Conversion of convertible note	21,343,658	19,318,968
Exercise of warrant	5,216,158	1,950,840
Total	57,172,836	38,900,498

Foreign currency exchange gains (losses)

As of June 30, 2024, the Company had cash accounts denominated in Euros and Australian dollars, accounts payable that are denominated in Australian dollars, Euros and Swiss Francs, a promissory note denominated in Australian dollars, and accounts receivable denominated in Euros and Swiss Francs. As of December 31, 2023, the Company had cash accounts denominated in Euros, accounts payable that were denominated in Australian dollars and Euros, a promissory note denominated in Australian dollars, and accounts receivable denominated in Euros and Swiss Francs. These assets and liabilities have been translated into U.S. dollars at period-end exchange rates. Foreign currency exchange gains and losses are included on the condensed statements of operations within other income (expense).

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

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. 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 through 2028. 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.

Consulting Revenue

The Company recognizes revenue for consulting over time using the "as invoiced" practical expedient, except for in certain instances where billings are made in advance of the satisfaction of the performance obligations.

The Company recognized $55,749 in consulting revenue during the six months ended June 30, 2024 related to work performed with a public research institution utilizing the Company's MRI scanner.

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, 2024 and December 31, 2023. 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.

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

Amounts received prior to satisfying the above revenue recognition criteria are recorded as contract liabilities on 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, 2024 and December 31, 2023, the Company had contract liabilities of $1,143,428 and $1,377,662, respectively, of which $782,530 and $794,969 was included in long-term liabilities as of June 30, 2024 and December 31, 2023, respectively. The decrease in contract liabilities is due to recognition of revenue for completion of performance obligations that were included in contract liabilities at the beginning of the period.

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

	2024	2023
Balance at the beginning of the year	$ 1,377,662	$ 516,211
Decrease from revenue recognized for completion of performance obligations that were included in contract liabilities at the beginning of the period included in:		
Product revenue	(166,046)	-
Service revenue	(12,439)	(23,358)
Consulting revenue	(55,749)	-
Increase for revenue deferred as the performance obligation has not been satisfied related to:		
Product revenue	-	592,900
Consulting revenue	-	55,749
Balance at the end of the period	$ 1,143,428	$ 1,141,502

Derivative Asset and Liability

The Capital Commitment Agreement ("Agreement") with GEM Global Yield LLC SCS ("GGY") (discussed further in Note 9) meets the definition of a derivative and is recorded upon issuance within other assets on the condensed balance sheets at fair value. The derivative asset is revalued at each balance sheet date, with changes in fair value recorded on the statements of operations as other income or expense. The Company estimates the fair value of the asset using the Monte Carlo Simulation model.

Also in connection with the Agreement with GGY, the Company issued 5,700,000 options which were determined to qualify as liabilities in accordance with Accounting Standards Codification ("ASC") 480-10, Distinguishing Liabilities from Equity and ASC 815-40, Derivatives and Hedging. Additionally, the Company issued warrants in connection with the equity raises in August and October 2023 (Note 10), where 2,100,568 warrants were determined to qualify as liabilities due to the exercise price being denominated in a currency other than the Company's functional currency. The result of this accounting treatment is that the options and warrants are recorded upon issuance as a liability on the condensed balance sheets at fair value and are revalued at each balance sheet date, with the change in fair value recorded on the condensed statements of operations as other income or expense. The Company estimates the fair value of the liability using the Black-Scholes pricing model.

See **Notes 9 and 10** for further details and assumptions used in the Black-Scholes pricing model and Monte Carlo Simulation model.

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 10** 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.

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

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis, based on the fair value hierarchy:

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	$ -	$ -	$ 56,243	$ 56,243
Total Other Assets	$ -	$ -	$ 56,243	$ 56,243
Current Liabilities				
Option and warrant liability	$ -	$ -	$ 1,595,992	$ 1,595,992
Total Current Liabilities	$ -	$ -	$ 1,595,992	$ 1,595,992
Long-term Liabilities				
Convertible note	$ -	$ -	$ 7,776,100	$ 7,776,100
Total Long-term Liabilities	$ -	$ -	$ 7,776,100	$ 7,776,100

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	$ -	$ -	$ 56,243	$ 56,243
Total Other Assets	$ -	$ -	$ 56,243	$ 56,243
Current Liabilities				
Option and warrant liability	$ -	$ -	$ 1,945,276	$ 1,945,276
Total Current Liabilities	$ -	$ -	$ 1,945,276	$ 1,945,276
Long-term Liabilities				
Convertible note	$ -	$ -	$ 8,453,300	$ 8,453,300
Total Long-term Liabilities	$ -	$ -	$ 8,453,300	$ 8,453,300

The convertible note (Note 7), the derivative asset (Note 9), and the option and warrant liability (Notes 9 and 10) are recognized at fair value on a recurring basis at June 30, 2024 and December 31, 2023 and are all classified as Level 3. There have been no transfers between levels. The Company estimates the fair value of the asset or liabilities using the Monte Carlo Simulation model or Black-Scholes pricing model.

See **Notes 7, 9 and 10** for further details and assumptions used in the respective pricing model.

As of June 30, 2024 and December 31, 2023, 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 promissory note (Note 8) is a reasonable approximation of fair value.

Estimates

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

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

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.

Bioscience Innovation Grant

In August 2023, the Company received a $1,158,000 grant from the North Dakota Department of Agriculture as part of the department's Bioscience Innovation Grant ("BIG") program. The grant money is obtained by submitting requests for reimbursement of specific expenses incurred to support the remaining approval process of the Company's products in the US.

The Company determined that it was eligible for reimbursement of expenses as follows:

	Total
Quarter ended March 31, 2024	$ 19,419
Quarter ended June 30, 2024	128,857
Total	$ 148,276

The Company has elected to account for the reimbursement 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 US 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 incurred the reimbursable 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 June 30, 2024 and December 31, 2023, the Company recorded BIG benefits of $128,857 and $164,428, respectively, in Prepaid expense and other current assets on the condensed balance sheets, and for the six months ended June 30, 2024, $148,276 was recorded in government grant income on the condensed statements of operations.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. This ASU is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect this ASU to have any impact on its financial position or operations but is currently assessing the impact on the financial statement disclosures.

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

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the disclosure requirements related to the new standard.

In May 2024, the FASB issued ASU 2024-01, *Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest Awards*, which adds an example that illustrates how an entity applies the scope guidance to determine whether a profits interest award should be accounted for as a share-based payment arrangement under ASC 718 or another accounting standard. The standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the disclosure requirements related to the new standard.

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, 2024 and 2023, and had an accumulated deficit as of June 30, 2024. These conditions raise substantial doubt about its ability to continue as a going concern for twelve months from the date the financial statements are available to be issued.

As more fully described in Note 12, subsequent to period end the Company received firm commitments to raise additional working capital through a two-tranche equity offering. A portion of the offer is subject to shareholder approval as of the report date and therefore could not be considered during the evaluation of management's plans to alleviate the substantial doubt that exists.

Until the Company is able to generate sustainable product revenues at profitable levels, the Company will be required to, and management plans to, raise additional working capital through an equity or debt offering. 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 may adversely impact the Company's ability to achieve its intended business objectives. 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, 2024	December 31, 2023
Office furniture and equipment	$ 272,267	$ 272,267
Lab and production equipment	2,243,719	2,143,096
Computer equipment	247,407	228,794
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,641,837	1,641,837
	5,605,230	5,485,994
Less: accumulated depreciation and amortization	(3,555,889)	(3,211,684)
	$ 2,049,341	$ 2,274,310

Depreciation expense was $369,526 and $354,675 for the six months ended June 30, 2024 and 2023, respectively.

Property and equipment is held in the following countries:

	June 30, 2024	December 31, 2023
U.S.	$ 1,452,081	$ 1,623,999
Germany	237,144	251,746
Other foreign countries	360,116	398,565
	$ 2,049,341	$ 2,274,310

No individual country other than the U.S. and Germany accounted for more than 10% of the total net book value.

NOTE 4 – Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2024	December 31, 2023
Compensation	$ 492,743	$ 122,843
Firm inventory commitments	469	15,541
Other accruals	619,738	652,338
	$ 1,112,950	$ 790,722

NOTE 5 – Leases

Operating Leases

The Company entered into an operating lease for a vehicle in August 2023. The lease is set to expire in February 2027. Upon commencement of the lease, the Company recorded a right of use asset and a lease liability of $47,316.

Maturities of the Company's operating lease liabilities are as follows for the six months ending December 31, 2024 and the years ended December 31 thereafter:

2024	$ 155,716
2025	316,983
2026	326,075
2027	220,290
2028	173,167
2029 and thereafter	253,588
Total lease payments	1,445,819
Less: interest	(188,429)
Present value of lease liabilities	1,257,390
Less: current portion	(248,014)
Operating lease liability, net of current portion	$ 1,009,376

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

	2024	2023
Operating lease cost	$ 114,213	$ 114,213
Variable lease cost	77,783	70,656
	$ 191,996	$ 184,869

Financing Leases

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

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

As of June 30, 2024, there were no remaining lease payments outstanding on finance leases.

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.

At June 30, 2024, the Company had accounts payable to one vendor that accounted for 20% of the total outstanding balance. At December 31, 2023, the Company had accounts payable to three vendors that accounted for 15%, 14% and 11% of the total outstanding balance.

Purchase Commitments

At June 30, 2024 and December 31, 2023, the Company had $378,105 and $475,800, respectively, in outstanding firm purchase commitments for raw materials inventory and prototype components used in research and development activities. As of June 30, 2024, payment of the purchase commitments is expected to be as follows:

2024	$ 106,230
2025	271,875
Total	$ 378,105

During the six months ended June 30, 2024 and 2023, the Company purchased $107,112 and $335,170, respectively, under firm purchase commitments outstanding at the beginning of the respective period.

Financing Obligation

The Company entered into an agreement to finance a portion of an annual insurance premium for the policy period beginning August 2023. The financing obligation was to be paid in 10 monthly installments of $62,012 beginning in September 2023, and the stated interest rate was 7.91%. As of June 30, 2024, 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 $129,804 and $116,493 to these plans during the six months ended June 30, 2024 and 2023, respectively.

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.

NOTE 7 – Convertible Notes with Warrants (cont.)

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, 2024 and 2023 was $126,824 and $115,295, respectively. 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. As of June 30, 2024, 10,063,749 CDIs would be issued if the principal and accrued interest were converted.

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, 2024 and 2023 was $139,540 and $68,890, respectively. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 14,784,350 CDIs. As of June 30, 2024, 11,279,909 CDIs would be issued if the principal and accrued interest were converted.

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 on the condensed statements of operations.

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, 2024 and 2023:

	Total	Tranche 1	Tranche 2
Fair value at December 31, 2023	$ 8,453,300	$ 3,964,800	$ 4,488,500
Fair value change in convertible note	(677,200)	(332,200)	(345,000)
Fair value at June 30, 2024	$ 7,776,100	$ 3,632,600	$ 4,143,500

NOTE 7 – Convertible Notes with Warrants (cont.)

	Total	Tranche 1	Tranche 2
Fair value at December 31, 2022	$ 2,182,900	$ 2,182,900	$ -
Fair 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 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, 2024	December 31, 2023
Expected dividend yield	0%	0%
Expected stock-price volatility	102.5% - 106.1%	95.3% - 98.7%
Risk-free interest rate	4.47% - 4.51%	3.91% - 3.94%
Stock price	$ 0.3540	$ 0.3885
Conversion price	$ 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.

For the six months ended June 30, 2023. issuance costs attributable to the second tranche of the convertible note of $10,160 were recorded as interest expense, given the fair value accounting treatment, in accordance with ASC 825-10-25-3.

NOTE 8 – Promissory Note

LIFT Loan

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 had an 18-month draw period that ended July 6, 2024. The loan 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, 2024 and December 31, 2023, the Company had drawn $33,219 on the loan. The balance is included within long-term liabilities on the condensed balance sheets.

NOTE 8 – Promissory Note (cont.)

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.

GGY Promissory Note

As part of the Agreement with GGY (discussed further in Note 9), 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. The promissory note is revalued at each reporting date. As of June 30, 2024 and December 31, 2023, the balance of the note was $353,233 and $364,751, respectively, and is included within current liabilities on the condensed balance sheets. No payments were made on the note during the six months ended June 30, 2024.

NOTE 9 – Capital Commitments

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 (the "Facility") over a 3-year term. The Agreement allows the Company to draw down funds during the 3-year term by giving GGY 15 Australian Securities Exchange ("ASX") trading days' notice to subscribe for CDIs, subject to share lending arrangement(s) being in place. The number of CDIs which GGY may subscribe for is capped at 700% of the average daily number of CDIs traded on the ASX during the 15 trading days prior to the relevant drawdown notice, subject to certain adjustments. The subscription price of the CDIs to be issued to GGY is the higher of (i) 90% of the average closing bid price of the Company's CDIs over the 15 consecutive trading days after the Company gives the drawdown notice, subject to certain adjustments; or (ii) a fixed floor price nominated by the Company in the drawdown notice. The Company controls the timing of drawdowns under the Facility and has no minimum drawdown obligation. The issue of CDIs to GGY pursuant to any drawdown notice will also be conditional on the Company having sufficient placement capacity under ASX Listing Rules 7.1 or 7.1A (as applicable) or obtaining any requisite securityholder approval for the issue.

The Agreement meets the definition of a derivative in accordance with ASC 815-10-15-83 and is measured at fair value. Any changes in fair value of such instruments have been recorded in fair value change of financial instruments on the condensed statements of operations. There was no change in fair value of the derivative asset for the six months ended June 30, 2024.

The derivative asset's fair value was calculated using the Monte Carlo Simulation model utilizing the following assumptions:

Expected stock-price volatility		104.1%
Risk-free interest rate		4.03%
Stock price (in Australian dollars)	$	0.5700

The Company entered into a promissory note to pay GEM Yield Bahamas Limited a fee equal to two percent of the aggregate purchase price, being $600,000 Australian dollars ($399,660 US dollars at issuance date). The fee is payable, whether or not any draw down notices have been delivered, 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.

In addition, pursuant to the terms of the Agreement, the Company issued options to purchase 5,700,000 CDIs with an exercise price of $0.61 Australian dollars per CDI and a 3-year term.

NOTE 9 – Capital Commitments (cont.)

The following table provides a summary of the change in fair value of the options for the six months ended June 30, 2024:

Fair value at December 31, 2023	$ 1,282,760
Fair value change in options	(279,870)
Fair value at June 30, 2024	$ 1,002,890

The options' fair value was calculated using the Black-Scholes option pricing model utilizing the following assumptions:

	June 30, 2024	December 31, 2023
Expected dividend yield	0%	0%
Expected stock-price volatility	99.5%	104.1%
Risk-free interest rate	4.21%	3.67%
Stock price	$ 0.3511	$ 0.3830
Conversion price	$ 0.4041	$ 0.4172

Since issuance, the Company has drawn $444,922 Australian dollars on the Facility, and $29,555,078 Australian dollars is available as of June 30, 2024. Converted to US dollars using the exchange rate of $1 Australian dollar to $0.66 US dollar as of June 30, 2024, these amounts are $294,716 and $19,577,284, respectively.

NOTE 10 – Stockholders' Equity

Capital Stock Authorized

As of June 30, 2024 and December 31, 2023, 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.

In February 2024, the Company completed a Placement and Institutional Entitlement Offer with a mix of US and Australian investors which consisted of 3,766,666 shares of common stock at $0.30 US dollars per share for US investors and 14,069,369 CDIs at $0.45 Australian dollars per share for Australian investors for proceeds of $4,823,937 US dollars, net of expenses.

NOTE 10 – Stockholders' Equity (cont.)

The Company also completed a Retail Entitlement Offer with Australian investors in February 2024 which consisted of 1,419,069 CDIs at $0.45 Australian dollars per share for proceeds of $389,888 US dollars, net of expenses. The remaining 14,378,862 shortfall CDIs were placed at $0.45 Australian dollars per share in April 2024, for proceeds of $3,996,793 US dollars, net of expenses.

Dividend Rights

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

Voting Rights

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

Stock Option and Equity Incentive Plans

The Company and its stockholders adopted a stock incentive plan (the "2006 Plan") in 2006. The 2006 Plan, as amended on January 26, 2011 by the shareholders, reserved 10,918,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options to employees, directors, and consultants. On May 22, 2016, the Company replaced the 2006 Plan with the 2016 Plan, as the 2006 Plan was expiring. The terms of the 2016 Plan were the same as the 2006 Plan. In August 2018, the Board of Directors approved an increase of 500,000 shares to the option pool. On February 14, 2019, the Board of Directors terminated the 2016 Plan and approved the 2019 Equity Incentive Plan, reserving 11,418,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options or other Stock-Based Awards to employees, directors, and consultants. On June 4, 2019, the Board of Directors approved an increase of 2,000,000 shares to the option pool and provided that on the first day of each of the Company's fiscal years during the term of this 2019 Plan beginning in 2020, the number of shares of Common Stock available for issuance from time to time under this 2019 Plan will be increased by an amount equal to the lesser of (i) five percent (5%) of the aggregate number of shares reserved 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. On February 14, 2024, the Board of Directors approved an increase of 5,162,693 shares to the option pool, which was approved by shareholders at the Annual Meeting on May 15, 2024.

NOTE 10 – Stockholders' Equity (cont.)

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, 2024, 16,735,354 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, 2023	16,895,981	$ 0.47	
Exercised	-	-	
Forfeited	(134,050)	0.54	
Expired	(106,900)	0.81	
Granted	8,257,989	0.30	
Options outstanding - June 30, 2024	24,913,020	$ 0.42	$ 1,575,025
Options exercisable - June 30, 2024	6,076,558	$ 0.68	$ 26,000

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2022	12,913,186	$ 0.64	
Exercised	-	-	
Forfeited	(559,344)	0.78	
Expired	(897,332)	0.74	
Granted	6,174,180	0.19	
Options outstanding - June 30, 2023	17,630,690	$ 0.47	$ 187,218
Options exercisable - June 30, 2023	5,623,708	$ 0.67	$ -

As of June 30, 2024, the Company had 2,403,351 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding was 8.07 years as of June 30, 2024.

The weighted average remaining contractual life of options exercisable was 5.23 years as of June 30, 2024.

NOTE 10 – Stockholders' Equity (cont.)

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

	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Expected dividend yield	0%	0%
Expected stock-price volatility	90.2% - 91.7%	93.3% - 94.5%
Risk-free interest rate	4.09% - 4.35%	3.45%
Expected life	5.32 - 6.32 years	5.70 - 6.32 years
Weighted average fair value of options granted	$0.23	$0.15

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.

Total stock-based compensation expense resulting from options granted was ($58,993) and $299,123 for the six months ended June 30, 2024 and 2023, respectively. The negative expense during the six months ended June 30, 2024 is due to a change in probability of achievement for certain performance grants that were previously considered probable. This change resulted in the reversal of the expense already taken until achievement becomes probable, in accordance with ASC 718, Stock Compensation. 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, 2024, the total unrecognized compensation cost related to unvested stock options was $4,217,521. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2024 and the years ended December 31 thereafter:

2024	$	316,118
2025		152,736
2026		107,353
2027		68,396
2028		10,167
Total related to options expected to vest		654,770
Performance grants not probable of achievement		3,562,751
Total unrecognized compensation expense	$	4,217,521

NOTE 10 – Stockholders' Equity (cont.)

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, 2024 could affect future expected amounts.

Restricted Stock

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.

On May 15, 2024, the Company granted 315,946 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 $0.30 per share.

Total stock-based compensation expense resulting from grants of restricted stock was $25,888 and $13,713 for the six months ended June 30, 2024 and 2023, 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.

A summary of activity related to time-based nonvested restricted stock grants during the six months ended June 30, 2024 and 2023 is as follows:

	Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023	751,812	$ 0.22
Granted	315,946	0.30
Vested	(206,597)	0.22
Forfeited	-	-
Outstanding as of June 30, 2024	861,161	$ 0.25

	Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2022	298,297	$ 0.28
Granted	528,089	0.19
Vested	(74,574)	0.28
Forfeited	-	-
Outstanding as of June 30, 2023	751,812	$ 0.22

NOTE 10 – Stockholders' Equity (cont.)

As of June 30, 2024, the total unrecognized compensation cost related to unvested restricted stock was $202,396. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2024, and the years ended December 31 thereafter:

	Total
2024	$ 35,036
2025	69,613
2026	56,179
2027	32,745
2028	8,823
Total	$ 202,396

Issuance of additional shares of restricted stock subsequent to June 30, 2024 could affect future expected amounts.

Warrants

As part of the convertible note issuances in 2022 and the equity raises in 2023, the Company issued warrants to purchase common stock or CDIs which are summarized below:

	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding - December 31, 2023	5,216,158	$ 0.4742
Warrants issued	-	-
Warrants exercised	-	-
Warrants expired/forfeited	-	-
Warrants outstanding - June 30, 2024	5,216,158	$ 0.4742
Warrants exercisable - June 30, 2024	5,216,158	$ 0.4742

The warrants issued in connection with the equity raises were evaluated under ASC 480 and ASC 815. Of the 3,235,318 warrants issued in connection with the equity raises, 2,100,568 were determined to qualify as liabilities due to the exercise price being denominated in a currency other than the Company's functional currency, while the remaining 1,164,750 do not meet the characteristics for liability classification under either provision and as such are classified as equity under ASC 815.

The following table provides a summary of change in the fair value of the warrants classified as a liability for the six months ended June 30, 2024:

Fair value at December 31, 2023	$ 652,516
Fair value change in warrants	(69,415)
Fair value at June 30, 2024	$ 583,101

NOTE 10 – Stockholders' Equity (cont.)

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

	June 30, 2024	December 31, 2023
Expected dividend yield	0%	0%
Expected stock-price volatility	85.9% - 86.0%	86.7%
Risk-free interest rate	4.32%	3.96%
Stock price	$ 0.3511	$ 0.3830
Conversion price	$0.6293 - $0.6624	$0.6498 - $0.6840

NOTE 11 – Income Taxes

The effective tax rate for the six months ended June 30, 2024 and 2023 was zero percent. As a result of the analysis of all available evidence as of June 30, 2024 and December 31, 2023, 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, 2024 and 2023. 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 12 – Subsequent Events

For the six months ended June 30, 2024, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through August 27, 2024.

July 2024 Placement

On July 18, 2024, the Company announced that it received firm commitments for a two-tranche placement to new and existing investors to raise $35 million Australian dollars. The offer price was set at $0.52 Australian dollars per share. The first tranche was completed on July 26, 2024 and resulted in gross proceeds of approximately $17.0 million US dollars (using an exchange rate of $1 Australian dollar to $0.66 US dollar).

The second tranche is subject to shareholder approval, to be sought at a special meeting of stockholders expected to occur August 28, 2024, upon which the remaining gross proceeds of approximately $6.3 million US dollars will be received (using the August 26, 2024 exchange rate of $1 Australian dollar to $0.68 US dollar).