Imricor Medical Systems, Inc (ASX:IMR)

Annual Report 2021

imricor

Contents

109%

Growth in Workforce
year over year

58

Patents
Produced by Imricor development team

169

Years of Combined Experience

8

Languages Spoken

Imricor Medical Systems, Inc.

Imricor Medical Systems, Inc. (ASX:IMR) is a pioneer and leader in developing innovative MRI-compatible medical devices which can be used to carry out MRI-guided cardiac catheter ablation procedures. Imricor is the first company in the world to bring commercially viable and safe MRI-compatible products to the cardiac catheter ablation market.

Headquartered in the US, Imricor seeks to make a meaningful impact on patients, healthcare professionals and healthcare facilities around the world by increasing the success rates and bringing down the overall costs of cardiac catheter ablation procedures.

About this report

Imricor Medical Systems, Inc listed on the Australian Securities Exchange (ASX) and commenced trading on 30 August 2019. References to "Imricor" or "the Company" in this Annual Report are references to Imricor Medical Systems, Inc. The information contained in this report reflects the results for Imricor for the year ended 31 December 2021.

AGM Details

Imricor will hold its Annual Meeting of Stockholders on Wednesday 4 May 2022 at 9:00am, Sydney time (Tuesday 3 May 2022 at 6:00pm US Central Daylight Time). Due to restrictions on travel and public gatherings associated with the COVID-19 pandemic, this meeting will be held as a virtual meeting. To participate online visit https://meetnow.global/MT5LJH7 on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

Further details are provided to stockholders in Imricor's Notice of Annual Meeting.

"We successfully increased our customer base with the signing of five new hospitals during the year, two of which were in new markets for Imricor: Hungary and Greece."

Chair's Message

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present Imricor's Annual Report for 2021.

Throughout the year, we continued to deliver on our strategic goals while navigating the many challenges presented by the COVID-19 pandemic, and we find ourselves well positioned as we enter 2022.

The foundations of our mission to change the standard of care for cardiac catheter ablation, and other life-changing and life-saving interventions, are based on three key strategic pillars. First, we are growing the customer base of sites that have Interventional Cardiac Magnetic Resonance (iCMR) capabilities and are performing procedures with our products. Secondly, we are working to increase the number of different types of ablation procedures, known as indications, doctors can perform with our products. This happens through product development – making the new devices needed for the procedures and working with third parties to develop other needed equipment – and by gaining regulatory approval for the new indications. Thirdly, we are working to broaden the geographic reach of our products by pursuing regulatory approvals outside of our core European markets, such as in the US, Australia and New Zealand.

Growing the Customer Base and Procedure Volumes

Throughout much of 2021, COVID-19 caused significant disruptions in European hospital systems, which presented challenges for our commercialisation efforts. For much of the year, most hospitals across our core European markets were restricted from performing elective procedures, such as atrial flutter ablations, and hospital administrators found it difficult to consider adopting new technology as resources and management time were focused on responding to the pandemic.

Nonetheless, we successfully increased our customer base with the signing of five new hospitals during the year, two of which were in new markets for Imricor: Hungary and Greece. This brought the total number of sites for us to 14 at year-end.

In addition, four of Imricor's sites were operational throughout 2021, performing procedures when pandemic-related restrictions allowed.

Expanding Indications and Product Development

Expanding the types of procedures, or indications, that our products can be used to treat is a key strategic aim for Imricor, and is exemplified by our plans to expand into the ablation of ventricular tachycardia, or VT.

Ventricular tachycardia is an important arrythmia for us to target, as it is one of the key procedures I had in mind when I founded the Company in 2006, and I am pleased to report that we are poised to make realtime iCMR VT ablations a reality.

In order to perform VT ablation in the iCMR environment, several things were needed. First, we needed to develop a means for our products to cross from the right side of the heart to the left side of the heart. This is typically done via a maneuverer known as transseptal puncture, which involves making a small hole in the heart's atrial septum through which devices are then advanced.

To facilitate transseptal puncture in the iCMR, Imricor developed an MRI-compatible bi-directional steerable sheath, an MRI-compatible actively tracked dilator for use with the sheath, and an MRI-compatible transseptal needle. At the same time, we also designed a non-actively tracked dilator that enables our sheath and needle to be used for transseptal puncture in conventional labs as well.

In addition, we updated our Vision-MR ablation catheter to make it more manoeuvrable in the heart's ventricle, and also more cost-effective to produce.

Finally, we needed to ensure the availability of the third-party equipment required for VT ablations, namely an MRI-compatible 12-lead ECG system and an MRI-compatible cardioverter-defibrillator.

The focus and dedication of our research and development team has enabled us to solve the many challenges that come with developing ground-breaking new technologies, and I am pleased to report that our devices are now in the final stage of Design Verification Testing. These devices are being readied for use in our planned VT ablation clinical study, which is scheduled for this year.

Imricor also successfully expanded its relationship with key third-party equipment providers during the year. Throughout 2021, our relationship with MiRTLE Medical, LLC (MiRTLE), the maker of an MRI-compatible 12-lead ECG system, continued to expand as we concluded a joint development agreement to interface their system with our Advantage-MR EP Recorder/Stimulator, followed by a sales distribution agreement that allows us to sell MiRTLE's system to our customers, creating a more streamlined end-to-end process. Finally, in late in 2021, we made a strategic investment in MiRTLE that provided us with a small equity stake in MiRTLE itself, as well as ownership of three systems we can use in our planned VT clinical trial and other commercial rights.

Throughout the year we continued to work with a German company Mammendorfer Institut für Physik und Medizin (MIPM), as they developed an MRI-compatible cardioverter-defibrillator. This relationship continued to grow in early 2022, and we recently entered into a joint development agreement with MIPM to make its system available for our planned VT clinical trial.

Upon a successful preclinical VT study in early 2022, Imricor will be ready to make a submission to the European Competent Authorities for approval to commence a clinical trial, which is designed to provide the important clinical evidence demonstrating that iCMR ablations with Imricor's products are a safe and effective way to treat patients with VT. Upon the successful completion of the trial, it is expected that we will receive CE mark certification of the expanded VT indication for our products. We continue to target the end of 2023 for the expanded VT indications.

Broadening our Geographies

During the year, we achieved several milestones that support our strategy to expand our geographic footprint.

In the US, we completed our pre-submission meetings with the Food and Drug Administration (FDA) and the filing of our application for an Investigational Device Exemption (IDE) to commence a clinical

trial for iCMR atrial flutter ablation. Once the IDE is approved, we can begin a US clinical trial that is designed to ultimately support FDA approval of Imricor's devices.

In Australia, we appointed the Regional Health Care Group (RHCG) as our local agent to help facilitate the Therapeutic Goods Administration (TGA) approval in Australia and Medsafe approval in New Zealand. We have already received Medsafe approval for all Imricor's products in New Zealand, and our products have now been registered in the WAND database for medical devices. We also received TGA approval for Imricor's Advantage-MR system.

Looking to the Year Ahead

As we enter 2022, our focus remains clear. First, we aim to continue growing our customer base and our procedure rates. Secondly, we will continue driving toward expanding our indications to encompass VT. Third, we want to continue progressing toward approvals in the US as well as Australia and New Zealand.

We have been very encouraged by the renewed engagement we are seeing from physicians and hospitals across Europe in the early part of 2022 as the effects of the COVID-19 pandemic diminish. We expect to continue adding new sites to our customer base throughout the year, and we are working with each site to get them up and running as soon as possible. As a result, I am confident that the year ahead will be more in line with our expectations prior to the pandemic.

This year will also be exciting as we complete preclinical VT work, apply for approval to start a VT clinical trial in Europe, and engage with our clinical sites to execute the clinical trial. I very much look forward to updating you on our progress throughout the year.

The prospects for expansions in the US, Australia and New Zealand are also exciting, and while these regulatory processes are lengthy, we will continue driving these forward throughout 2022.

I would like to acknowledge the tremendous work and achievements of the Imricor team over 2021. Our team has met the challenges of the past year with dedication, determination, and the shared belief and focus that we are changing the world of interventional medicine.

On behalf of the Board and Management, I would like to thank our employees for their continued commitment, hard work and resilience through another challenging year. I am immensely proud of our achievements and excited about our potential in the years ahead.

Finally, thank you to our shareholders for your continued support. We look forward to updating you on our further success throughout the year.

> **"This year will be exciting as we complete preclinical VT work, apply for approval to start a VT clinical trial in Europe, and engage with our clinical sites to execute the clinical trial."**

Steve Wedan
Executive Chair, President and CEO
Imricor Medical Systems, Inc.

Key Achievements & Core Strategies

Delivering on our Strategic Plan

1

More sites to do procedures

2

More procedures per site

3

Higher ASP and margin improvement

Grow Customer Base

Expand Geographies

Expand Indications

New Product Development

Key achievements

- Five new sites signed
- Procedures re-commenced across four sites

Key initiatives to support our Strategy

Regulatory Approval Europe

Site Expansion

Hospital Engagement

Strategic Partnerships

Manufacturing

Grow sales & marketing opportunities

Engagement with Key Opinion Leaders

Growing exposure through conferences and journals

Regulatory Approval US

Regulatory Approval Australia

Regulatory Approval New Zealand

Label Translation for European countries

Ventricular Tachycardia (VT) indication

Integration with 3rd party systems
Active MR Tracking

Integration with 3rd party systems
Mirtle Medical

Integration with 3rd party systems
MRI compatible defibrillation system

Cardiac Biopsy
(Biopsy-MR Catheter)

Steerable Sheath and Transeptal Needle

Diagnostic Catheter

Appointed a local agent in Australia

Filed application for an Investigational Device Exemption with the FDA

Two new strategic agreements signed

Successfully raised A$17.5 million

European Customer Base

Site expansion plans underpinned by strong pipeline

Helios Hospital Berlin-Buch

Germany

Helios Hospital Berlin-Buch, part of one of the largest hospital systems in Germany, is the second Helios hospital to sign a purchase agreement with Imricor to establish an iCMR lab to perform cardiac ablations. The equipment was installed in January 2022, two training sessions have been completed and first cases are expected to start in April.

Semmelweis University Heart and Vascular Centre

Hungary

Semmelweis University Heart and Vascular Centre signed on with Imricor to establish an iCMR lab under the direction of Prof. Béla Merkely. Prof. Merkely is an interventional cardiologist, Director of the Heart and Vascular Centre, as well as Rector of Semmelweis University. He and his team are currently modifying the iCMR lab set-up and expect to begin procedures as soon as possible with an anticipated start during Q2 2022.

German Heart Centre Berlin

Germany

The prestigious German Heart Centre Berlin signed on in December of 2021 to adopt Imricor's iCMR ablation solutions. Their team is internationally known for their leadership in cardiovascular magnetic resonance imaging and their CMR Academy, which teaches courses for radiologists and cardiologists all over the world. This site will be one of our primary Centres of Excellence for training. They expect to begin performing procedures in Q2 and, as part of the Sana Einkauf & Logistik Group (Sana), will purchase Imricor's catheters and other consumable devices under Imricor's pricing agreement with Sana.

Charité Medical University Virchow-Klinikum Campus

Germany

As a leading hospital in electrophysiology, as well as cardiovascular image analysis, Charité expect to begin iCMR ablations in Q2 and will utilize the iCMR lab at the German Heart Centre. As part of the Sana Group, they will also purchase Imricor's catheters and accessories under Imricor's pricing agreement with Sana.

Henry Dunant Hospital Centre

Greece

Henry Dunant Hospital, one of the largest and most technologically advanced hospital centres in Southeast Europe, is the first hospital in Greece to sign on to outfit an existing MR facility for iCMR procedures. Installation is expected to take place in April, and they plan to begin with Imricor's iCMR ablation solutions in early May under the direction of Prof. George Andrikopoulos, Director of Electrophysiology. They plan to cooperate with other hospitals in Athens to select patients for their atrial flutter procedures in the iCMR.

Heart Center Dresden

Germany

Heart Center Dresden was the first hospital to sign a commercialization agreement with Imricor and began the first cardiac arrhythmia ablations in the iCMR in 2020.

Helios Leipzig Heart Centre

Germany

Helios Leipzig Heart Centre, one of Imricor's Centres of Excellence, started in 2020 and after slowdowns due to COVID-19 has started again doing procedures weekly.

Lübeck University Hospital

Germany

Lübeck University Heart Center signed on with Imricor in October 2020. Their new Clinic for Rhythmology just re-opened in 2022 and expect to begin cases in Q3.

Rhön Clinic Bad Neustadt Campus

Germany

Rhön Clinic Bad Neustadt, who signed on with Imricor in September 2020, will begin cases later in 2022 in their Radiology lab.

Münster University Hospital

Germany

University Hospital in Münster signed a purchase agreement in October 2020. Covid restrictions delayed their start until February 2022 and cases expect to ramp up in April.

Maastricht University Medical Centre

The Netherlands

While a new iCMR lab is being built, MUMC uses a diagnostic MRI suite to do cardiac ablations with Imricor's products. Cases began in 2021 with expected increases in 2022.

Amsterdam University Medical Center (VUMC)

The Netherlands

VUMC, the first hospital in sign on with Imricor to perform iCMR ablations in The Netherlands, is converting a diagnostic lab to an iCMR and expects cases to restart in May 2022.

Haga Hospital

The Netherlands

Haga Hospital was the first non-university hospital to move toward iCMR ablations. After a long pause in procedures due to Covid-19, they expect to restart cases in Q2.

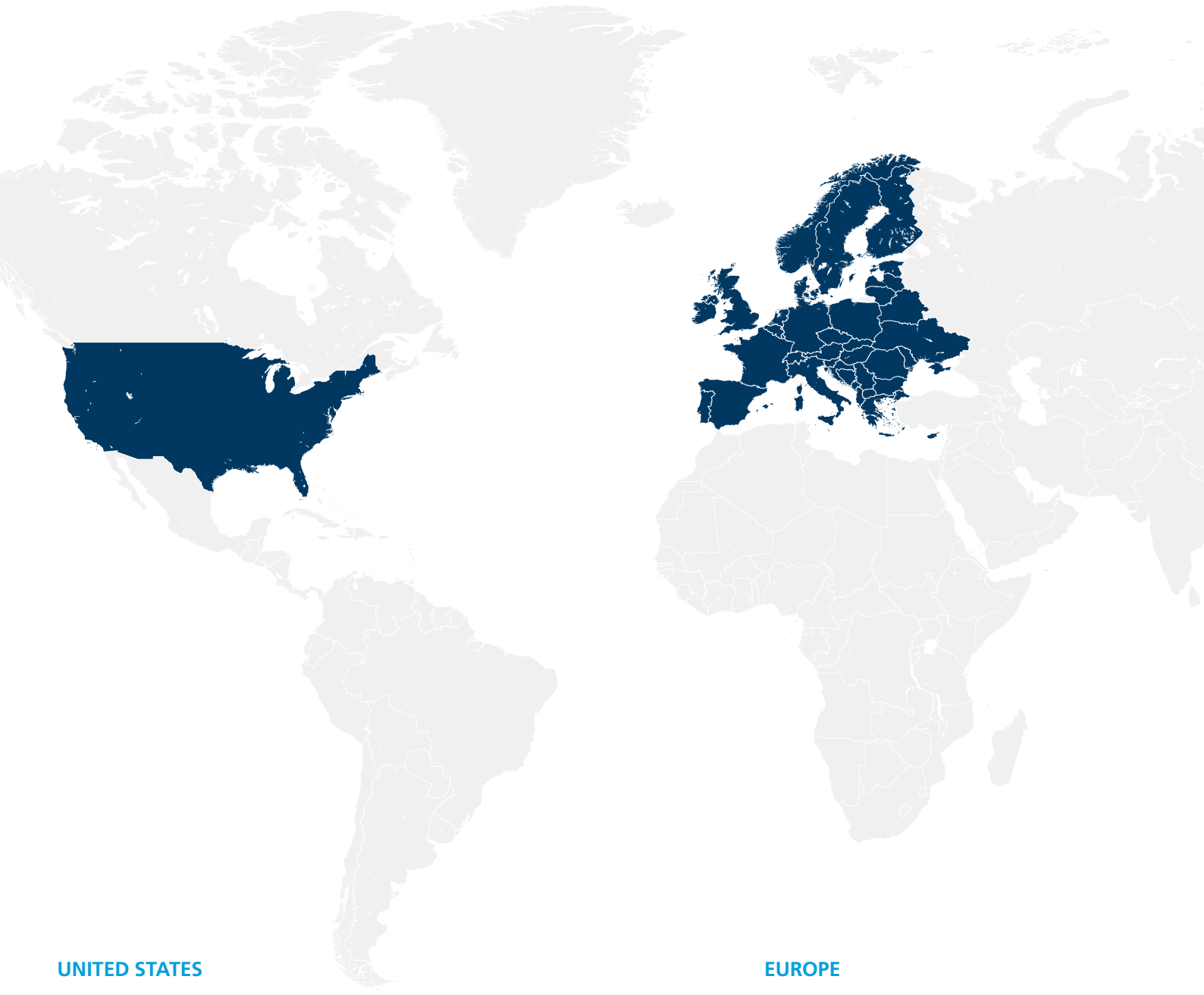
South Paris Cardiovascular Institute (ICPS)

France

ICPS is the first in France to adopt Imricor's technology for realtime iCMR ablations. Cases started in 2021.

The business is well positioned, with an exciting outlook as we work to expand our clinical sites, indications for our products, our product range and geographic footprint.

Geographic Expansion



UNITED STATES

FDA strategy well advanced

Have submitted Investigational Device Exemption with the FDA

Clinical trials planned for early 2023

EUROPE

CE mark received

14 signed sites across five countries

VT Clinical trials expected in late 2022

14

Customer Sites

4

Continents positioned

9

Countries where we have a presence

AUSTRALIA & NEW ZEALAND

Appointed Regional Health Care Group (RHCG) in Australia to help facilitate TGA and Medsafe approvals

Medsafe approval received for all Imricor products in New Zealand

Received TGA approval on Imricor's Advantage-MR System

FRANCE

Clinical site established at South Paris Cardiovascular Institute

THE NETHERLANDS

Clinical sites established at Haga Hospital, Amsterdam UMC and Maastricht University Medical Centre

GERMANY

Eight clinical sites with signed purchase agreements across Germany

Imricor products included in Sana GPO approved catalogue of materials

SWITZERLAND

Imricor products included in Sana GPO approved catalogue of materials

HUNGARY

Clinical site signed at Semmelweis University Heart and Vascular Centre

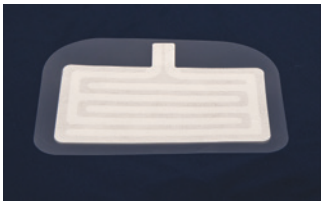
GREECE

Clinical site signed at Henry Dunant Hospital Centre

Our Products

Vision-MR Ablation Catheter

Advantage-MR EP Recorder/Stimulator System



Vision-MR Dispersive Electrode

DESCRIPTION

- The Vision-MR Ablation Catheter is an MR-Conditional (1.5T) RF ablation catheter containing patented technology that allows it to be used while the patient is being actively scanned with MRI. It is designed to look, feel, and function like a traditional ablation catheter.
- Advantage-MR EP Recorder/Stimulator System provides proven technology that allows the physician to utilize both the EP recording system and a cardiac stimulator while ablating within the iCMR environment.
- The Vision-MR Dispersive electrode is used with the Advantage-MR EP Recorder/Stimulator system. It acts like a standard ablation dispersive electrode, but also minimizes eddy currents induced on the device's conductive pads during MR scanning.

TECHNICAL SPECIFICATION

- 9F (3.0mm) catheter with a 4mm open-irrigated deflectable tip and two gold electrodes (1.3mm spacing)
- 3.7mm tip electrode and a 1.4mm ring electrode
- 2 MR-receive coils in the distal end for realtime MR active catheter imaging
- Provides the functionality of both a conventional EP recording system and a cardiac stimulator
- Compatible with the Imricor Vision-MR Ablation Catheter
- Dual-lobe dispersive electrode used with a detached cable
- Includes adhesive conductive gel (hydrogel) to ensure full contact with the patient's skin

TYPE OF PRODUCT

- Disposable
- Received CE mark January 2020
- Capital Good
- Received CE mark January 2016
- Disposable
- Received CE mark January 2020

NavTrac-MR Transseptal Kit

- The NavTrac-MR Transseptal Kit is a designed to access the left atrium during iCMR EP procedures. NavTrac-MR includes an actively tracked dilator to allow for precise anatomical positioning during left-sided EP procedures.

  NavTrac-MR name is currently going through the trademark process
- Includes trackable dilator, steerable sheath, and transseptal needle

Deflectable/Steerable Sheath

- 16 F outside diameter
- Curl diameter 30mm
- Usable length 71cm

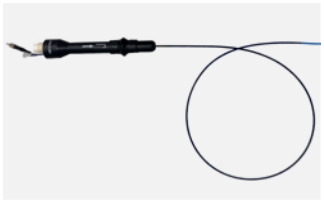
Actively TrackWSWWed Dilator

- Dilator outside diameter .152"
- 2 MR-receive coils in the distal end for realtime MR active catheter imaging. (Coil spacing 5mm)
- Dilator reveal length .97"

Needle

- Tip outer diameter: 0.028"
- Overall Length (including handle): 43.4"
- Useable Length (just tubing with tip): 41.1"
- Hollow shaft to allow a guidewire to pass through to facilitate access to the atrial septum
- Needle reveal of .275"

- Disposable
- In development



Vision-MR Diagnostic Catheter

- The Vision-MR Diagnostic Catheter is an MR-Conditional (1.5T) 9F diagnostic catheter containing patented technology that allows it to be used while the patient is being actively scanned with MRI. It facilitates sensing and pacing during cardiac electrophysiology procedures.

- 9F (3.0mm) catheter with a deflectable tip and two gold electrodes (1.3mm spacing)
- 1.5mm tip electrode and a 1.4mm ring electrode
- 1 MR-receive coil in the distal end for realtime MR active catheter imaging

- Disposable
- In regulatory review with Notified Body

Biopsy Catheter

- The Imricor Biopsy-MR Catheter is designed to obtain intracardiac tissue specimens while the patient is being actively scanned with MRI.
- Innovative delivery sheath design with best-in-class torque transfer and superior curve retention through tortuous anatomy.

- 7Fr catheter with an actuatable forceps at the tip
- 2 MR-receive coils in the distal end for realtime MR active catheter imaging

- Disposable
- In development

Timeline

Imricor signs its first commercialisation contract in Netherlands with the Amsterdam University Medical Centre.

IPO Launched

HISTORICAL →

Commenced procedures across Helios Leipzig Heart Centre, Dresden Heart Centre, Maastricht University Medical Centre and South Paris Cardiovascular Institute

2021 →

1: Signed distribution agreement with Regional Health Care Group (RHCG)

Signed new purchase agreement with Helios Hospital Berlin Buch

Received TGA approval for Imricor's MR-Advantage System

Received Medsafe approval for all products in New Zealand

Registered all products in the WAND database for medical devices in New Zealand

Signed a Sales Agreement with NordicNeuroLab

Signed a Sales Distribution Agreement with MiRTLE Medical

Successfully raised A$17.5 million in an institutional placement and security purchase plan

New lab adoption at Semmelweis University in Hungary

Filed an application for an Investigational Device Exemption (IDE) from the US Food and Drug Administration (FDA)

REGIONAL
HEALTH CARE GROUP

1: Regional Health Care Group (RHCG)
In March, the Company entered into a Distribution Agreement with Regional Health Care Group (RHCG) in Australia and New Zealand. Under the terms of the agreement, RHCG will be the exclusive distributor of Imricor's consumable products, and non-exclusive distributor of Imricor's capital equipment. RHCG will also help facilitate the necessary regulatory approvals and support of Imricor's products.

Signed new agreement with German Heart Centre Berlin

Munster University Hospital First iCMR Procedure

Started VT Ablation preclinical study

TGA approval in Australia

CE Mark approval for VT ablations in Europe

Myocardial Biopsy system moves into next phase

EARLY 2022 →

FUTURE →

2: Strategic investment made in MiRTLE Medical

Added Charité Medical University Virchow-Klinikum Campus

3: Signed fourteenth site at Henry Dunant Hospital Centre

Imricor iCMR Ablation Summit

Transseptal needle & steerable sheath (NavTrac-MR used in VT pre-clinical study)

Commercial release of Diagnostic catheter

Atrial Flutter Ablations approval in the US

MiRTLE

2: MiRTLE Medical

Imricor first partnered with MiRTLE in October 2017 with the establishment of a Joint Development Agreement to work on interfacing MiRTLE's 12-lead ECG system with Imricor's Advantage-MR EP Recorder/Stimulator in the MRI environment. In September this year, the Company announced the expansion of its relationship with MiRTLE through the establishment of a Sales Distribution Agreement, under the terms of which Imricor is a non-exclusive distributor of MiRTLE's 12-lead ECG system.

HENRY DUNANT Hospital Center

3: Henry Dunant Hospital Centre

The Company signed an Equipment and Disposable Pricing Agreement in December with the Henry Dunant Hospital Centre, one of the largest and most technologically advanced hospital centres in Southeast Europe, making it the fourteenth Imricor site in Europe and the first in Greece.

Board of Directors

Steve Wedan

President and Chief Executive Officer, and Chair

Joined Board in May 2006

Mr Wedan co-founded the Company in 2006 and has served as CEO since that time. Mr Wedan is responsible for the overall management and strategic direction of the Company.

Mr Wedan has over 30 years of experience in the medical device industry including design engineering of MRI and ultrasound systems for GE Healthcare, as well as Vice President and Chief Technology Officer for Applied Biometrics Inc. Immediately prior to co-founding Imricor, Mr Wedan founded and operated a technical consulting company, Wedan Technologies Inc., from 2000-2006. Mr Wedan is a member of various international standards committees in the fields of MRI safety and the compatibility of implanted and interventional products in MRI.

Mr Wedan currently serves on the Board of Directors of Medical Device Research Forum, Inc. and Water Rescue Innovations, Inc., as well as the Advisory Board of Poiesis Medical, LLC.

Mr Wedan holds a Bachelor of Science in Electrical Engineering from Michigan Technological University (summa cum laude), and a Master of Science in Electrical Engineering from Marquette University.

Mark Tibbles

Deputy Chair and Lead Independent Director

Chair of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Joined Board in September 2014

Mr Tibbles is an entrepreneur, business owner, company director and active venture investor in and advisor to technology, life science and medical device companies.

Mr Tibbles is currently a Board member of THE NERDERY, LLC, OMEDZA.com, Inc., Poiesis Medical LLC's Chief Strategy Officer and Executive Committee Member, the Managing Director of Strategic Stage Ventures, LLC.

Prior to his current roles, Mr Tibbles was an owner and member of Intuitive Technology Group until it was sold in 2017. Mr Tibbles was also President and founder of PRC Consulting, Inc., a company specialising in the management and implementation of IT projects for Fortune 1000 companies, from 1998 until 2013, when PRC was sold.

Mr Tibbles holds a Bachelor of Arts from Oral Roberts University.

Peter McGregor
Non-executive Director

Chair of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Joined Board in May 2019

Mr McGregor has over 30 years' experience in senior finance and management roles, including having been a partner in the investment banking firm of Goldman Sachs JBWere and a managing director in the institutional banking & markets division of Commonwealth Bank of Australia. He is also a former Chief Financial Officer of the ASX50 transport company, Asciano Limited (ASX: AIO), and Chief Operating Officer of ASX listed Australian Infrastructure Fund Limited (ASX: AIX).

Mr McGregor is an experienced company director, and currently serves as Chairman of Nutrano Produce Group Pty Ltd, and is a director of Pivotal Systems Corporation (ASX: PVS) and the Brisbane Lions Australian Football Club.

Mr McGregor holds a Bachelor of Commerce from the University of Melbourne, is a member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

Anita Messal
Non-Executive Director

Member of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Joined Board in March 2021 and will stand for election at

Ms. Messal currently serves as the Chief Integration Officer at AccentCare where she is responsible for the successful integration of merged and acquired entities across all areas of the business, while delivering upon expected synergy.

Ms. Messal has over 35 years of experience in the health care and benefits industry. Prior to AccentCare, she most recently served as President & Chief Operating Officer of PlanSource.In this role she was responsible for company technology & operations including all aspects of Technology, Product, Service Delivery, Legal, and Human Resources.

Anita has experience in health plan services, health care delivery, care management, and benefits administration. She has worked with self-funded, fully insured and CMS funded care. Her customers and partners include large and mid-size employers, health plans, insurance carriers, brokers, resellers, enterprise software companies and consumers.

Ms. Messal has participated in fund raising from start-up through IPO and sale to strategic buyers and private equity. Anita has worked in both F100 and start-up companies with experience in public, private and non-profit businesses. Her experience includes working in domestic and international markets, with time spent developing programs and partnerships in the United Kingdom and Europe.

Executive Team

Steve Wedan

President and Chief Executive Officer, & Chair

Refer to page 12.

Lori Milbrandt

Vice President of Finance and Chief Financial Officer

Ms Milbrandt has served as the Company's Chief Financial Officer since 2007, initially on a contract basis and since May 2018, as a full-time employee of Imricor.

Ms Milbrandt has over 35 years of accounting, finance, and HR experience. Prior to transitioning to the role of CFO on a full-time basis, Ms Milbrandt was a contract CFO for several medical device companies. Ms Milbrandt has previously held management positions with companies including Microvena, ev3, and DiaSorin (FKA Incstar) and spent the first seven years of her career with KPMG.

Ms Milbrandt currently serves on the board of the Minneapolis Heart Institute Foundation.

Ms Milbrandt holds a Bachelor of Business Administration from the University of Wisconsin-Eau Claire and a Master of Business Administration (Finance) from the University of St. Thomas.

Gregg Stenzel

Chief Operating Officer

Mr Stenzel commenced his role as Chief Operating Officer in January 2021 and is responsible for leading the execution of Imricor's strategic plan across most functional areas of the business.

Mr Stenzel was previously Imricor's Vice President of Operations with responsibility for the Company's operations and the development of manufacturing strategies, including personnel, facilities and outsourcing. He has over 20 years of medical device experience with deep knowledge in new product development, supply chain management, quality and regulatory systems and customer support.

Prior to joining Imricor in 2007, Mr Stenzel was the Manager of Instrument Technical Operations at Beckman Coulter, Inc. a leading manufacturer of In Vitro Diagnostic Systems.

Mr Stenzel holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin - Madison and a Master of Business Administration from the University of Minnesota - Carlson School of Business.

Dan Sunnarborg

Vice President of Engineering

Mr Sunnarborg joined Imricor in 2007 and is responsible for all hardware and software development activities at the Company, including platform development, system control, image processing, user interface, and outsource partnerships.

Mr Sunnarborg has more than 20 years of engineering experience in fields such as medical devices, telecommunications, defense, and consumer electronics. Mr Sunnarborg has also held various design software engineering positions and has led development groups for more than 15 years.

Mr Sunnarborg holds a Bachelor of Science in Engineering Physics from North Dakota State University and a Master of Science in Electrical Engineering from Marquette University.

Jennifer Weisz
Vice President of Regulatory and Quality

Ms Weisz joined Imricor in 2012 and commenced her current role in 2018. Ms Weisz is responsible for implementing and managing the Company's regulatory strategy and quality system.

Ms Weisz has over 19 years of experience in the medical device industry, including product development, clinical evidence development, quality system implementation, and regulatory strategy development and implementation.

Prior to joining the Company, Ms Weisz was a member of the Medtronic Global Clinical Operations Quality team.

Ms Weisz holds a Bachelor of Science in Electrical Engineering from North Dakota State University and a Master of Science in Technical Management from the University of St. Thomas.

Tom Lloyd
Vice President of Clinical Research

Mr Lloyd commenced his current role at Imricor in 2012 and is responsible for leading preclinical and clinical studies, managing intellectual property, and developing new technologies.

Mr Lloyd began his career at the Company in 2007 as a radio-frequency engineer and is the lead inventor on many of the Company's patents.

Mr Lloyd has over 13 years of medical device design experience primarily focused on interactions between implanted devices and the electromagnetic fields associated with MRI.

Mr Lloyd holds a Bachelor and Master of Science in Electrical Engineering from Iowa State University.

Nick Twohy
Vice President of Marketing

Mr Twohy joined Imricor in 2019 and is responsible for global portfolio management, including the product roadmap, product management, marketing teams and communications.

Mr Twohy has over 20 years of experience in the medical devices industry. Most recently he worked as the International Marketing Director for Medtronic in the Cardiac Resynchronisation Therapies business. There he led business planning and execution for the International Markets. Prior to that role, Mr Twohy led multiple product launches at Medtronic including various launches in the CareLink remote monitoring business, and in the Cardiac Rhythm Management business where he led the US launch of the Revo MRI pacemaker system.

Mr Twohy holds a Bachelor of Arts from Hamline University and a Master of Business Administration from the University of St. Thomas.

Greg Englehardt
Executive Director of Sales

Mr Englehardt joined Imricor in 2018 and is responsible for developing and managing the Company's global sales strategies and performance.

Mr Englehardt has 18 years of experience working in the medical device industry with 16 years of sales leadership experience. Prior to joining the Company, Mr Englehardt served as Regional Business Director at Medtronic from 2011 to 2018. Before joining Medtronic, he worked at NeuroMetrix from 2004 until 2011, where he was promoted to multiple sales and leadership roles including Director of Global Business Development/Sales and National Director of Sales.

Mr Englehardt also served as a combat medic in the U.S. army and holds a Bachelor of Science in Nursing from Louisiana State University.

Tyler Sheeley
Director of Operations

Mr Sheeley joined Imricor in 2021 and is responsible for developing and leading operations strategies related to manufacturing, procurement, IT, and field service.

Prior to joining Imricor, Mr Sheeley worked at Altec Inc since 2009 where he was promoted to several leadership roles including multiple Plant Manager positions.

Mr Sheeley holds a Bachelor of Science in Electrical Engineering (summa cum laude) from the Missouri University of Science and Technology.

Operating & Financial Review

Overview

Imricor is a US-based medical device company that seeks to address the current issues with traditional x-ray guided ablation procedures through the development of MRI-guided technology. The Company's principal focus is the design, manufacturing, sale and distribution of MRI-compatible products for cardiac catheter ablation procedures.

Imricor is a pioneer and leader in developing MRI-compatible products for cardiac catheter ablation procedures and in early 2020, brought the first commercially viable and safe MRI-compatible products to the cardiac catheter ablation market.

In January 2020, Imricor obtained CE mark approval for its key consumable products, the Vision-MR Ablation Catheter (with an indication for treating type 1 atrial flutter) and the Vision-MR Dispersive Electrode. The Vision-MR Ablation Catheter is the Company's prime product offering, specifically designed to work under realtime 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. The Company also has approval for the sale of its capital product, the Advantage-MR EP Recorder/Stimulator System, in the European Union.

Imricor is in the early stage of commencing the sale of its capital and consumable products to hospitals and clinics for use in Interventional Cardiac Magnetic Resonance Imaging (iCMR) labs, in which ablation procedures using the Vision-MR Ablation Catheter can be performed. The installation of iCMR labs is driven primarily by MRI equipment vendors working collaboratively with Imricor. These vendors help to target certain sites and support the design and construction of iCMR labs for those sites.

Imricor has joint development agreements with two leading, global MRI vendors, Philips and Siemens. In addition, the Company has a sales distribution agreement with Philips.

The Company also performs contract research on and licences some of its IP for use in other MRI compatible devices. Moving forward, Imricor expects its primary revenue source to be from the sale of its capital and consumable products. Sales revenue will depend on the number of established clinical sites and the procedure volume at each of those sites, as well as the types of arrhythmias the products are used to treat.

Business strategy and opportunities

Imricor's products are designed to operate in a global cardiac catheter ablation market which is estimated to be in excess of US$5.5 billion worldwide, with a CAGR of 8.2%. The global growth is underpinned by several favourable drivers, including rising incidences of cardiac disease due to changing demographic trends, a shift towards minimally invasive procedures and cost savings that have been associated with catheter ablation as a treatment method for certain arrhythmias.

Following receipt of CE mark approval for the Vision-MR Ablation Catheter, Imricor has commenced a controlled release of its key products across Europe, with fourteen sites having executed purchased agreements across Germany, The Netherlands, France, Hungary, and Greece. Imricor aims to expand its customer base with dedicated European sales team targeting clinical sites across these and other European countries.

Within each targeted country, Imricor will first target ablation centres which historically have carried out larger volumes of procedures or which have influential key opinion leaders. Imricor believes targeting locations which are geographically proximate to existing clinical sites may also promote growth.

In Australia, Imricor has entered into a distribution agreement with Regional Health Care Group (RHCG), based in Sydney, who will be the exclusive distributor of Imricor's consumable products and a non-exclusive distributor of Imricor's capital equipment. RHCG will also help facilitate the necessary regulatory approvals and support of Imricor's products.

In the United States, Imricor has applied for an Investigational Device Exception (IDE) from the US Food and Drug Administration. Upon approval of the IDE, the Company will be allowed to initiate a clinical trial designed to demonstrate the safe and effective use of its prodcuts for the treatment of type 1 atrial flutter.

In conjunction with organic growth across existing products, the Company is targeting growth through expanding its product line, providing the opportunity for Imricor's products to be used across a broader range of MR-guided interventional procedures (i.e. beyond type 1 atrial flutter).

Material business risks

The material business risks faced by the Company that have the potential to impact the financial prospects of the Company include:

- *Regulatory risk*: The sale of Imricor's products requires regulatory approval in each relevant jurisdiction. The Company is not assured of receiving future regulatory clearances for its existing products outside of the European Union or approvals for expanding indications or additional products currently in Imricor's product pipeline.
- *Market adoption risk*: The ability of Imricor to generate revenue is dependent on hospitals and clinics with ablation centres in markets where it obtains the required regulatory approval establishing an iCMR lab and adopting Imricor's MRI-compatible technology for cardiac catheter ablation procedures. While Imricor works collaboratively with leading MRI vendors to drive lab adoption, there can be no guarantee on the outcome.

Beyond these risks, the Company maintains general risk exposure associated with market competition, employee capability and intellectual property as well as potential financial capacity constraints within the healthcare sector.

Financial performance

For the year ended 31 December 2021, the Company generated revenue of US$0.696 compared to US$0.702 million for the previous corresponding period. Imricor reported a net loss of US$19.733 million (FY20 US$12.446 million). This net loss increased from the prior year due to higher operating costs associated with R&D prototyping and testing, additional staffing and an increase in inventory reserves.

Financial position

For the 12-month period ending 31 December 2021, Imricor's net cash outflow from operations was US$17.489 compared to US$12.231 million for the prior year. Net cash outflows from investing activities of US$0.695 were down slightly compared to US$0.774 million for the prior year.

Net cash inflows from financial activities of US$11.586 were predominately associated with Imricor's September placement and the October Security Purchase Plan.

At 31 December 2021, Imricor maintained a cash balance of US$18.516 million (FY20 $US25.140 million) which supports the continuation of its commercialisation plans and growth strategy.

Directors' Report

Principal activities

Imricor is a US-based medical device company focused on addressing the current issues with traditional x-ray guided ablation procedures through the development of MRI-guided technology.

The principal activities of Imricor during the course of the year were to design, manufacture and sell MRI-compatible products for cardiac catheter ablation procedures to treat arrhythmias.

There were no significant changes in the nature of the activities of the Company during the year.

Significant changes in the state of affairs

During the year, the Company began resuming in-person sales, marketing and physician education activities as local restrictions implemented in response to the COVID-19 pandemic were eased. Other internal adjustments made during 2020 in response to the pandemic were reevaluated and updated to protect the health and safety of our employees while continuing the progression of the Company's strategic plans of geographic expansion, indication expansion, and product development.

There were no other significant changes in the state of affairs of the Company during the year.

Operating and financial review

The operating and financial review is set out on pages 18 to 19 of this Annual Report.

Directors qualifications and experience

The directors of Imricor at any time during or since the end of the financial year are:

Director	Appointed
Steve Wedan	May 2006
Mark Tibbles	September 2014
Doris Engibous*	April 2019
Peter McGregor	May 2019
Anita Messal	March 2021

*Resigned on 1 March 2021.

The specific duties, qualifications and experience of each Director are set out on pages 14 to 15 of this Annual Report.

Company secretary

Mr Kobe Li was appointed as the Australian company secretary and local agent in April 2019. Mr Li provides company secretarial and corporate governance consulting services to ASX listed companies. Mr Li has previously worked at the ASX Listings Compliance team for eight years as a Senior Adviser. Mr Li is a member of the Governance Institute of Australia.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board		Audit & Risk Committee		Nomination & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Steve Wedan	5	5	-	-	-	-
Mark Tibbles	5	5	6	6	5	5
Doris Engibous	1	1	2	2	3	3
Peter McGregor	5	5	6	6	5	5
Anita Messal	4	4	4	4	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Mr Wedan is an invitee and attends the Audit & Risk Committee and Nomination & Remuneration Committee meetings.

Directors' interests

In this section, reference is made to Share ownership. The instruments registered for trade on the Australian Securities Exchange are CHESS Depositary Interests (CDIs). One CDI is equivalent to one Share.

The relevant interest of each Director in the Shares and stock options of Imricor, as notified by the Directors to the Australian Securities Exchange (ASX) in accordance with ASX Listing Rule 3.19A.2, at the date of this report is as follows:

Director	Number of Shares	Number of Options
Steve Wedan	4,599,733	2,144,241
Mark Tibbles	4,756,878	526,806
Peter McGregor	Nil	246,906
Anita Messal	Nil	38,340

Directors' directorships in other listed entities

Please refer to the Board of Directors section above.

Dividends

No dividends were paid or declared by Imricor during the year.

Subsequent events

On 10 February 2022, the Company announced the scheduled retirement of Lori Milbrandt as its Chief Financial Officer, effective 30 June 2022 and the appointment of Jonathon Gut as the incoming Chief Financial Officer, effective 1 July 2022.

Likely developments

Imricor will continue to pursue its product and geographic-led growth strategy, with a focus on product distribution and the establishment of new customer sites in existing markets, as well as expansion into new markets.

Due to the continued effects of the COVID-19 pandemic, such as hospital restrictions on external personnel and quarantine requirements for hospital staff who test positive for, or have been exposed to, the virus, Imricor has experienced delays in the establishment of European clinical sites in which its products can be used to perform cardiac catheter ablation procedures..

Further information about likely developments in the operations of Imricor and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

Imricor is not subject to any significant environmental regulation under United States legislation.

Indemnities and insurance of officers

As permitted under Delaware law, Imricor indemnifies its Directors and certain officers and is permitted to indemnify employees for certain events or occurrences that happen by reason of their relationship with, or position held at, Imricor. The Company's Certificate of Incorporation and Bylaws provide for the indemnification of its Directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law.

Imricor has entered into indemnification agreements with its Directors and certain officers to this effect, including advancement of expenses incurred in legal proceedings to which the Director or officer was, or is threatened to be made, a party by reason of the fact that such Director or officer is or was a Director, officer, employee or agent of Imricor, provided that such a Director or officer acted in good faith and in a matter that the Director or officer reasonably believed to be in, or not opposed to, the Company's best interests. At present, there is no pending litigation or proceedings involving a Director or officer for which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

Imricor maintains insurance policies that indemnify the Company's Directors and officers against various liabilities that might be incurred by any Director or officer in his or her capacity as such. The premium paid has not been disclosed as it is subject to confidentiality provisions under the insurance policy.

Directors' Report (cont.)

Corporate Governance

Imricor's Corporate Governance Statement is available on the Imricor website at https://imricor.com/corporate-governance/.

Non-audit services

During the year, the Company's auditor Baker Tilly Virchow Krause, LLP has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Public Company Accounting Oversight Board (United States) ('PCAOB') for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principals relating to auditor independence as set out in PCAOB Rule 3520, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor, Baker Tilly Virchow Krause, LLP for audit and non-audit services provided during the year are set out below:

	2021 US$	2020 US$
Fees paid for audit and other services:		
Taxation services	8,245	9,730
Audit or review of the financial statements	98,171	92,515

Jurisdiction of incorporation

Imricor is a company incorporated in the State of Delaware in the United States and registered in Australia as a foreign company. As a foreign company registered in Australia, Imricor is subject to different reporting and regulatory regimes than Australian public companies.

Presentation currency

The functional and presentation currency of the Company is United States Dollars (US Dollars). The financial report is presented in US Dollars with all references to dollars, cents or $'s in these financial statements presented in US currency, unless otherwise stated.

Directors authorisation

This Directors' Report is made out in accordance with a resolution of the Directors.

Steve Wedan
Chairman
8 April 2022

Remuneration Report

Imricor is a Delaware corporation headquarted in Minnesota that is listed on the Australian Securities Exchange and as such is subject to remuneration disclosure requirements that are suitable for reporting in both Australia and the United States. This remuneration report forms part of the Directors' Report and has been prepared using the requirements of section 300A of the ***Australian Corporations Act 2001*** (Cth) as a proxy to determine the contents that the Board has chosen to report.

The Report details the remuneration arrangements for Imricor's key management personnel (KMP):

- Non-Executive Directors (NEDs);
- President and Chief Executive Officer (CEO), Steve Wedan;
- Chief Operating Officer (COO), Gregg Stenzel; and
- Chief Financial Officer (CFO), Lori Milbrandt.

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company.

Role of the Board and Nomination and Remuneration Committee

The Board and its Nomination and Remuneration Committee are responsible for reviewing and approving remuneration and incentive policies and practices. The Company has a clear distinction between the structure of Non-Executive Directors' remuneration and that of the President and CEO, Steve Wedan, COO, Gregg Stenzel and CFO, Lori Milbrandt.

The Nomination and Remuneration Committee:

- Establishes processes for the identification of suitable candidates for appointment to the Board;
- Establishes processes for reviewing the performance of individual Directors, the Board as a whole, and Board committees;
- Determines executive remuneration policy and Non-Executive Director remuneration policy;
- Reviews all equity-based incentive plans and makes recommendations to the Board regarding their adoption and implementation; and
- Ensures that the remuneration policies of Imricor are balanced and do not reward behaviour that is inconsistent with its values.

The Nomination and Remuneration Committee comprises three Non-Executive Directors: Mark Tibbles (Chair), Doris Engibous (to March 2021) and Peter McGregor. Anita Messal replaced Doris Engibous in March 2021.

The Nomination and Remuneration Committee has a formal charter which can be viewed on the Company's website https://imricor.com/corporate-governance/.

Use of external remuneration advisors

From time to time the Nomination and Remuneration Committee may, at its discretion, appoint external advisors or instruct management to compile information as an input to decision making.

During the year the Committee appointed 21-Group to provide remuneration benchmarking services used in determining the remuneration framework for 2021. These services were provided to the Nomination and Remuneration Committee free from any undue influence by management. The total amount incurred to 21-Group in 2021 was US$1,750.

Principles of compensation

Imricor's remuneration framework is designed to support and reinforce its principal strategic objectives. The purpose is to create a reward and incentive framework that produces remuneration outcomes that are aligned to corporate financial and operational performance, as well as the interest of stockholders, having regard to high standards of corporate governance.

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, experience and responsibilities, while being market competitive and enabling the Company to structure awards that may conserve cash reserves due to the Company's current stage of development.

2021 remuneration structure

Imricor's executive compensation packages include a mix of fixed and variable compensation, and short and long-term performance-based incentives.

Fixed component

The Company aims to provide a competitive base salary with reference to the role, market and experience of the individual. The performance of the Company and the individual are considered during the annual remuneration review.

Remuneration Report (cont.)

Short-term incentive component

The Company allocates cash bonuses linked to annual performance targets determined by the Board. These targets are established to promote and reward outstanding performance, beyond what is expected in the ordinary course of business. The target STI opportunity is set as a percentage of fixed remuneration. For 2021 the maximum target opportunity was 50% for the President and CEO, Steve Wedan, 40% for the COO, Gregg Stenzel, and 30% for the CFO, Lori Milbrandt.

Performance targets determined by the Board in relation to 2021, were based 50% on cash management, clinical study enrollment and successful implementation of an electronic Quality Management System and 50% based upon departmental objectives. Commercialization efforts continued to be negatively impacted due to COVID in 2021. As such the Board exercised discretion in granting short-term incentives for 2021 in recognition of the achievements delivered by the management team during the year, including signing of 5 additional labs, re-commencing produres at four sites, filing an application for an Investigational Device Exemption from the US Food and Drug Adminstration, appointing a local agent in Australia, executing various strategic agreements, and completing a financing.

Long-term incentives component

Imricor's 2019 Equity Incentive Plan (2019 Plan) provides equity-based compensation for individuals that is linked to service, the growth and profitability of the Company and increases in stockholder value. The 2019 Plan is designed to align the interests of management with its stockholders, while maintaining a total remuneration opportunity that enables the Company to retain, attract and motivate qualified and high-performing executives.

The 2019 Plan replaced the 2016 Stock Option Plan, with the Company ceasing to grant new awards under the 2016 Plan in February 2019. The predecessor to the 2016 Plan was the 2006 Plan. The rules of all plans were released to the ASX on 30 August 2019 and copies are available on the ASX Announcements section of the Company's website https://imricor.com/investors/.

Other benefits

Certain other benefits are afforded to the executives including medical insurance, life and disability insurance, health savings and flexible spending account, and participation in the Company's 401(k) Plan. Since listing on the ASX, the Company matches employee contributions made to the 401(k) Plan to a maximum of 4% of the employee's annual income.

Share options

Options granted

The following options were granted during FY21:

- 185,000 options with exercise price of US$1.61, expiring 7 April 2031
- 449,200 options with exercise price of US$1.55, expiring 5 May 2031
- 1,075,483 options with exercise price of US$1.57, expiring 7 May 2031
- 2,000 options with exercise price of US$1.55, expiring 10 May 2031
- 8,800 options with exercise price of US$1.55, expiring 17 May 2031

Unissued shares

At the date of this report, unissued Shares under option are:

Expiry date	Exercise price US$	Time-Based	Performance-Based	Total Number of Shares
17 June 2023	0.600	60,000	-	60,000
19 May 2024	0.600	60,000	-	60,000
15 July 2025	0.730	124,000	-	124,000
15 March 2029	0.520	5,311,662	-	5,311,662
30 August 2029	0.980	635,000	-	635,000
17 December 2029	0.750	450,000	-	450,000
6 January 2030	0.800	225,603	202,349	427,952
18 January 2030	0.800	25,000	-	25,000
20 February 2030	1.140	25,000	-	25,000
13 May 2030	0.890	844,300	689,424	1,533,724
14 July 2030	1.100	100,000	-	100,000
7 October 2030	1.960	110,000	-	110,000
7 April 2031	1.610	185,000	-	185,000
5 May 2031	1.550	394,000	-	394,000
7 May 2031	1.570	120,132	889,383	1,009,515
10 May 2031	1.550	2,000	-	2,000
17 May 2031	1.550	8,800	-	8,800
10 February 2032	0.650	205,000	-	205,000

These options do not entitle the holder to participate in any share issue of the Company.

Shares issued on exercise of options

During FY21 the Company issued Shares as a result of the exercise of options as follows (there are no amounts unpaid on the Shares issued):

Number of Shares	Amount paid on each Share
50,995*	US$0.00
50,000	US$0.50
33,639	US$0.52
50,625	US$0.98

*Shares were issued as part of a cashless exercise, as approved by the Board under the 2006 Plan

Remuneration Report (cont.)

Executive remuneration during the year

The remuneration of key management personnel in respect of the financial year ended 31 December 2021 is summarised below.

Executive	Base salary	Short-term Incentive[1]	Long-term incentive
Steve Wedan President and CEO	US$464,000	US$112,738 24% of base salary	304,254 options granted on 7 May 2021 at an exercise price of US$1.57[2]
Gregg Stenzel COO	US$276,000	US$60,168 22% of base salary	161,372 options granted on 7 May 2021 at an exercise price of US$1.57[2]
Lori Milbrandt CFO	US$315,000	US$61,425 20% of base salary	190,718 options granted on 7 May 2021 at an exercise price of US$1.57[2]

1. Determined at the discretion of the Board as discussed above and paid in January 2022.
2. 2021 Options:

Tranche	Percentage of 2021 Options	Vesting Conditions
1	50%	First sale of product in the United States following FDA approval
2	25%	First sale of product in Australia following TGA approval
3	25%	First sale of product for use in a Ventricular Tachycardia ablation procedure following CE Mark approval

Non-executive Directors (NED)

Under Imricor's Bylaws, the Directors decide the total amount paid to all Directors for their services as a Director of Imricor. However, under the ASX Listing Rules, the total amount paid to all Directors (excluding the salary of any executive Director) for their services must not exceed in aggregate in any financial year, the amount fixed by Imricor in a general meeting. This amount has been fixed at US$400,000.

The Board seeks to set NED fees at a level that provides the Company with the ability to attract and retain NED of high calibre with relevant professional expertise and reflects the demands that are made on, and the responsibilities of, the NED, while incurring a cost that is acceptable to stockholders. As Imricor's operations are in the initial stages of commercialisation, the Company has structured NED fees to include both cash remuneration and options in order to maintain appropriate remuneration structures and preserve cash flow. Options issued to NED do not have performance hurdles attached.

NED serving on the board of directors will receive US$65,000 in annual fees. Committee chairs will receive an additional US$10,000 in annual fees. Committee members will receive an additional US$5,000 in annual fees. All fees for Australian NED are inclusive of superannuation. The Chairman, Mr Steve Wedan, receives no remuneration.

The remuneration of Non-Executive Directors in respect of the financial year ended 31 December 2021 is summarised below:

Non-Executive Director	Cash fees	Options Granted[1]
Peter McGregor	US$80,000	40,896
Doris Engibous[2]	US$12,500	Nil
Mark Tibbles	US$80,000	40,896
Anita Messal[2]	US$62,500	38,340

1. The options shall vest over four years 25% on each anniversary of grant date.
2. Doris Engibous resigned on 1 March 2021 and Anita Messal was appointed on 1 March 2021.

IMRICOR MEDICAL SYSTEMS, INC.

Minneapolis, Minnesota

Including Independent Auditors' Report

As of and for the years ended December 31, 2021 and 2020

IMRICOR MEDICAL SYSTEMS, INC.

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Independent Auditors' Report

Independent Auditors' Report

To the Stockholders and Board of Directors of
Imricor Medical Systems Inc.

Opinion

We have audited the financial statements of Imricor Medical Systems, Inc., which comprise the balance sheets as of December 31, 2021 and 2020 and the related statements of operations, stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

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

Basis for Opinion

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Imricor Medical System Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Imricor Medical System Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Minneapolis, Minnesota
February 23, 2022

Balance Sheets

As of 31 December 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 18,516,208	$ 25,139,812
Accounts receivable	94,735	223,237
Inventory	2,582,813	3,069,920
Prepaid expenses and other current assets	1,505,556	491,628
Total Current Assets	22,699,312	28,924,597
ACCOUNTS RECEIVABLE-LONG TERM	201,544	238,749
PROPERTY AND EQUIPMENT, NET	2,951,924	3,094,721
OTHER ASSETS	363,676	515,984
OPERATING LEASE RIGHT OF USE ASSETS	647,951	795,365
TOTAL ASSETS	$ 26,864,407	$ 33,569,416
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 686,724	$ 529,132
Accrued expenses	1,354,428	1,068,908
Current portion of contract liabilities	175,286	40,202
Current portion of operating lease liabilities	186,498	189,143
Current portion of finance lease liability	332,157	8,886
Current portion of financing obligation	-	462,961
Total Current Liabilities	2,735,093	2,299,232
LONG-TERM LIABILITIES		
Other long-term liabilities	-	67,395
Contract liabilities, net of current portion	509,604	549,806
Operating lease liabilities, net of current portion	992,319	1,168,644
Finance lease liability, net of current portion	226,677	19,274
Financing obligation, net of current portion	-	649,015
Total Liabilities	4,463,693	4,753,366
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value: 25,000,000 shares authorized and 0 shares outstanding as of both December 31, 2021 and 2020	-	-
Common stock, $0.0001 par value: 535,000,000 shares authorized as of both December 31, 2021 and 2020 and 143,234,637 and 125,549,550 shares issued and outstanding as of December 31, 2021 and 2020, respectively	14,324	12,556
Additional paid-in capital	94,991,107	81,675,671
Accumulated deficit	(72,604,717)	(52,872,177)
Total Stockholders' Equity	22,400,714	28,816,050
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,864,407	$ 33,569,416

See accompanying notes to financial statements

Statements of Operations

For the years ended 31 December 2021 and 2020

	2021	2020
REVENUES		
Product revenues	$ 371,340	$ 468,263
Service revenue	69,223	38,009
Consulting revenue	-	100,000
Government contract revenue	255,704	95,889
Total Revenue	696,267	702,161
COSTS AND EXPENSES		
Cost of goods sold	2,592,191	1,099,833
Sales and marketing	2,868,360	1,683,653
Research and development	9,675,493	5,546,324
General and administrative	5,819,622	4,328,611
Total Costs and Expenses	20,955,666	12,658,421
Loss from Operations	(20,259,399)	(11,956,260)
OTHER INCOME (EXPENSE)		
Interest income	16,725	29,237
Employee retention credit (**NOTE 1**)	757,714	-
Foreign currency exchange loss	(42,990)	(198,398)
Interest expense	(108,849)	(300,637)
Other expense	(95,741)	(20,415)
Total Other Income (Expense)	526,859	(490,213)
NET LOSS	$ (19,732,540)	$ (12,446,473)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.15)	$ (0.11)
Basic and diluted weighted average shares outstanding	130,801,707	110,137,915

See accompanying notes to financial statements

Statements of Stockholders' Equity (Deficit)

For the years ended 31 December 2021 and 2020

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCES, December 31, 2019	92,682,535	$9,268	$47,449,853	$(40,425,704)	$7,033,417
Stock-based compensation expense	-	-	821,952	-	821,952
Exercise of warrants, net of fees	406,849	41	295,384	-	295,425
Exercise of stock options, net of fees	413,333	41	174,154	-	174,195
Issuance of royalty conversion shares	7,197,634	720	(720)	-	-
Issuance of common stock, net of issuance costs paid in cash of $1,863,233	24,849,199	2,486	32,935,048	-	32,937,534
Net loss	-	-	-	(12,446,473)	(12,446,473)
BALANCES, December 31, 2020	125,549,550	$12,556	$81,675,671	$(52,872,177)	$28,816,050
Stock-based compensation expense	-	-	1,149,598	-	1,149.598
Exercise of stock options, net of fees	185,259	18	87,828	-	87,846
Issuance of common stock, net of issuance costs paid in cash of $716,863	17,499,828	1,750	12,078,010	-	12,079,760
Net loss	-	-	-	(19,732,540)	(19,732,540)
BALANCES, December 31, 2021	143,234,637	$14,324	$94,991,107	$(72,604,717)	$22,400,714

See accompanying notes to financial statements

Statements of Cash Flows

For the years ended 31 December 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (19,732,540)	$ (12,446,473)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	689,114	528,089
Stock-based compensation expense	1,149,598	821,952
Loss on disposal of property and equipment	82,970	-
Change in inventory reserves	668,464	209,852
Foreign currency exchange loss	42,990	198,398
Changes in assets and liabilities		
Accounts receivable	154,062	71,378
Inventory	(181,357)	(2,059,156)
Prepaid expenses and other assets	(823,616)	(24,958)
Accounts payable	148,762	(281,175)
Accrued expenses	218,125	768,806
Contract liabilities	94,882	(17,402)
Net Cash Flows from Operating Activities	(17,488,546)	(12,230,689)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of security deposit	-	(32,146)
Equity investment	(69,560)	-
Purchases of property and equipment	(625,745)	(741,886)
Net Cash Flows from Investing Activities	(695,305)	(774,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options and warrants	87,846	469,620
Payments on financing obligation	(337,804)	(374,023)
Proceeds from issuance of common stock, net	12,079,760	32,937,534
Payments on finance lease liability	(243,498)	(8,420)
Net Cash Flows from Financing Activities	11,586,304	33,024,711
Net Change in Cash	(6,597,547)	20,019,990
CASH - Beginning of Year	25,139,812	5,048,893
Effect of foreign currency exchange rate changes on cash	(26,057)	70,929
CASH - End of Year	$ 18,516,208	$ 25,139,812
Supplemental cash flow disclosure		
Cash paid for interest	$ 176,674	$ 300,637
Noncash investing and financing activities		
Leasehold improvements paid by landlord	$ -	$ 595,534
Operating lease right of use asset	$ -	$ 606,277

See accompanying notes to financial statements

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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 unique 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, the Vision-MR Ablation Catheter is specifically designed to work under real-time MRI guidance, with the intent of enabling higher success rates along with a faster and safer treatment compared to conventional procedures using x-ray guided catheters. Historically, Imricor generated revenue from licensing some of its IP for use in implantable devices and performing contract research but expects to generate most of its future revenue from the sale of the MRI-compatible products it has developed for use in cardiac catheter ablation procedures (comprising single-use consumables and capital goods). On January 13, 2016, Imricor obtained CE mark approval to place one of its key products, the Advantage-MR EP Recorder/Stimulator System, on the market in the European Union. On January 23, 2020, the Company obtained CE mark approval for its other key products, the Vision-MR Ablation Catheter (with an indication for treating type I atrial flutter) and the Vision-MR Dispersive Electrode.

The Company has prepared the accompanying financial statements and notes in conformity with accounting principles generally accepted in the United States of America (US GAAP).

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

Impact of COVID-19 Pandemic

During the years ended December 31, 2021 and 2020, the Company's revenue was impacted by the COVID-19 pandemic. The Company has continued to observe intermittent suspension of many elective procedures associated with various surges in COVID-19. Its products treat conditions that are considered elective. The impact of COVID-19 has varied by region and by healthcare facility. Lab adoption and procedure volumes have continued to be constrained. While restrictions on elective procedures have now been lifted, the most seriously ill patients are being prioritized over elective procedures, including procedures with our product. There have been shortages of personnel at hospitals which has hampered the ability to perform our procedures. While much of Europe is moving to exit emergency measures, we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity, and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, the emergence of new variants, and the impact on our customers and our vendors, for an indefinite period of time. Our future results of operations and liquidity could be adversely impacted by delays in payments from customers, supply chain disruptions, expiration of inventory, product design changes, and uncertain demand.

We will continue to monitor the situation and take further actions that we determine are in the best interest of our stakeholders.

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.

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

Accounts Receivable and Customer Concentrations

Accounts receivable are unsecured, are recorded at net realizable value, and do not bear interest except if a revenue transaction has a significant financing component. The Company makes judgments as to its ability to collect outstanding receivables based upon significant patterns of uncollectability, historical experience, and managements' evaluation of specific accounts and provides an allowance for credit losses when collection becomes doubtful. The Company performs credit evaluations of its customers' financial condition on an as-needed basis. Payment is generally due 30 days from the invoice date and accounts past 30 days are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance. To date the Company has not experienced any significant write-offs or significant deterioration of its accounts receivable aging, and therefore, no allowance for doubtful accounts was considered necessary as of December 31, 2021 or 2020. During the year ended December 31, 2021, the Company had sales from 3 customers that accounted for 67% of revenue and accounts receivable from 3 customers that represented 96% of the accounts receivable balance. During the year ended December 31, 2020, the Company had sales from 5 customers that accounted for 80% of revenue and accounts receivable from 2 customers that represented 96% of the accounts receivable balance.

Accounts receivable includes unbilled receivables of $37,205 and $38,321 as of December 31, 2021 and 2020, respectively, which represents the current portion of minimum royalties due to the Company during the following year. The accounts receivable-long term relates to minimum royalties due to the Company for years ending after December 31, 2022.

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 as of December 31, 2021 and 2020:

	December 31,	
	2021	2020
Raw materials	$ 1,476,630	$ 1,216,964
Work in process	549,303	423,666
Finish goods	1,512,106	1,716,052
Less: excess and obsolescence reserves	(955,226)	(286,762)
	$ 2,582,813	$ 3,069,920

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 December 31, 2021 and 2020. Management continually evaluates the likelihood of future sales based on current economic conditions, restrictions on ability for customers to perform elective procedures, expiration timing of products, and product design changes prior to sale of product on hand. If actual conditions are less favorable than those we have projected, we may need to increase our reserves for excess and obsolete inventories. Any increases in our reserves will adversely impact our 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 December 31, 2021 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 $212,931 for the year ended December 31, 2021, which is included in Cost of goods sold on the statement of operations and Accrued expenses on the balance sheet.

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 years
MRI scanner	7 years
Leasehold improvements	Lesser of useful life or remaining lease term

The Company reviews property and equipment 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.

Research and Development Costs

The Company expenses research and development costs as incurred.

Other Assets

Other assets on the balance sheet include security deposits related to the Company’s operating and financing obligations and an equity investment made during the year ended December 31, 2021.

Other Long-term Liabilities

A certain portion of the Company’s share of Social Security tax was deferred in accordance with The Coronavirus, Aid, Relief and Economic Security Act and was included in other long-term liabilities for the year ended December 31, 2020.

Patents

Expenditures for patent costs are charged to operations as incurred.

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

Income Taxes

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

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

Loss per Share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. The weighted average common shares outstanding were 130,801,707 and 110,137,915 for the years ended December 31, 2021 and 2020, 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 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 years ending December 31, 2021 and 2020.

Foreign Currency Exchange Gains (Losses)

During the years ended December 31, 2021 and 2020, the Company had accounts payable that are denominated in both Australian dollars and Euros and cash accounts and accounts receivable denominated in Euros. These assets and liabilities have been translated into U.S. dollars at year-end exchange rates. Foreign currency exchange gains and losses are included in the statements of operations within other income (expense).

Financial Instruments

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

Revenue Recognition

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

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

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 net sales. 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.

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

Royalties

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

Consulting Revenue

In June 2015, the Company entered into a Joint Research Agreement. The Agreement was amended in August 2017 whereby the Company received an upfront payment of $100,000 to cover costs incurred in the course of providing certain services, which had been included in Contract liabilities-net of current portion. The agreement was to terminate upon the earlier of completion of the project or five years. The project was not completed and has terminated. Therefore, $100,000 was recognized as Consulting revenue for the year ended December 31, 2020.

Government Contract Revenue

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

The Company was awarded a contract with the U.S. government on September 25, 2020 for up to $399,539 to develop an MRI compatible myocardial biopsy system. The Company recognized $255,704 and $95,889 as revenue during the years ended December 31, 2021 and 2020, respectively.

Contract Liabilities

On November 27, 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.

$373,333 is included in long-term contract liabilities as of December 31, 2021 and 2020. The customer sold the portion of the business which held this license in May 2018. The license has been assigned to the purchaser. The project is still on hold with no plans to work on final development during the next 12 months, and therefore, the contract liability is included in long-term liabilities.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as contract liabilities in the accompanying balance sheets, with the contract liabilities to be recognized beyond one year being classified as non-current contract liabilities. As of December 31, 2021 and 2020, the Company had contract liabilities of $684,890 and $590,008, respectively.

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

The following table sets forth information related to the contract liabilities for the years ended December 31:

	2021	2020
Balance at the beginning of the year	$ 590,008	$ 607,410
Decrease from revenue recognized for completion of performance obligations that were included in contract liabilities at the beginning of the period included in:		
Consulting revenue	-	(100,000)
Service revenue	(40,202)	(14,557)
Increase for revenue deferred as the performance obligation has not been satisfied	135,084	97,155
Balance at the end of the year	$ 684,890	$ 590,008

Stock-Based Compensation

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

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

See **NOTE 7** for further details and assumptions regarding the Black-Scholes pricing model.

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.

Employee retention credit

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

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

The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Company qualified for the ERC as it experienced a significant decline in gross receipts (for 2020, defined as a 50% decline in gross receipts when compared to the same calendar quarter in 2019, and for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). As a small employer, all of the Company's otherwise qualified wages were eligible for the ERC. For 2020, the ERC equaled 50 percent of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit for each employee of $5,000. For 2021, the ERC equaled 70 percent of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $21,000 for each employee. The Company determined that it was eligible for the ERC as follows:

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

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

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

During the year ended December 31, 2021, the Company recorded ERC benefits of $757,714 in other income (expense) on the statements of operations. The receivable is included in Prepaid expense and other current assets on the balance sheet as of December 31, 2021.

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

Recent Accounting Pronouncement

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

Subsequent Events

For the year ended December 31, 2021, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through February 23, 2022.

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 of the years ended December 31, 2021 and 2020, had an accumulated deficit as of December 31, 2021 and is in need of additional working capital to fund future operations. These conditions raise substantial doubt about its ability to continue as a going concern for twelve months from the report date.

To continue in existence and expand its operations, the Company will be required to, and management plans to, raise additional working capital through an equity or debt offering and ultimately attain profitable operations. If the Company is not able to raise additional working capital, it would have a material adverse effect on the operations of the Company and continuing research and development of its product, as well as commercialization. These financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2021	December 31, 2020
Compensation	$ 595,942	$ 504,372
Firm inventory commitments	212,931	-
Other accruals	545,555	564,536
Total accrued expenses	$ 1,354,428	$ 1,068,908

NOTE 4 – Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	2021	2020
Office furniture and equipment	$ 293,216	$ 390,160
Lab and production equipment	1,525,226	1,414,136
Computer equipment	264,859	277,821
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,597,087	1,459,919
	4,880,388	4,742,036
Less: Accumulated depreciation and amortization	(1,928,464)	(1,647,315)
	$ 2,951,924	$ 3,094,721

Depreciation expense was $689,114 and $528,089 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 – Leases

Operating Leases

In March 2007, the Company entered into an operating lease agreement for its office and manufacturing space (Gateway) which was originally set to expire in July 2014. The lease was extended through July 2019. In June 2019, the lease was extended through October 2022. In October 2021, the lease was amended to include an increase of approximately 2,465 square feet to a total of approximately 15,115 square feet and an increase to the term for five years starting on the expansion date, which is defined as the earlier of 30 days after the date the landlord delivers possession of the expansion premises or the date that we begin operating our business in the expansion premises. The expansion date is expected to occur in 2022. Upon commencement of the amended lease during 2022, the Company will reallocate the remaining consideration and the lease liability will be remeasured.

The Company entered into a second operating lease agreement for office and warehouse space (Design Center) in August 2018 which commenced on January 1, 2019 and was originally set to expire in March 2026. In February 2020, this lease was amended to include an expansion of space and an increase to the term through May 2030. In addition, the landlord agreed to pay $593,534 in leasehold improvements. Upon commencement of the lease in June 2020, the Company recorded $593,534 in leasehold improvements, a $606,277 right to use asset, and a $1,201,811 lease liability.

Neither lease includes renewal or extension rights. Both lease agreements require the Company to pay a pro rata portion of the lessor's actual operating expenses which are considered variable lease costs as the expenses are trued up on an annual basis.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. As of December 31, 2021 and 2020, the remaining lease term was 7.9 and 8.5 years, respectively, and the discount rate was 5.5%. For the year ended December 31, 2021 and 2020, the operating cash outflows from our operating lease for office and manufacturing space was $221,136 and $192,166, respectively.

NOTE 5 – Leases (cont.)

As of December 31, 2021, maturities of our operating lease liabilities are as follows:

2022	$ 236,191
2023	148,966
2024	153,437
2025	158,050
2026	162,805
2027 and thereafter	593,594
Total lease payments	1,453,043
Less interest	(274,226)
Present value of lease liabilities	1,178,817
Less current potion	(186,498)
Operating lease liability, net of current portion	$ 992,319

The cost components of the Company's operating leases were as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Operating lease cost	$ 221,136	$ 192,166
Variable least cost	122,880	117,356
Total	$ 344,016	$ 309,522

Finance Lease Liability

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.

In December 2021, the Company amended its lease on its MRI Scanner and related service agreement which resulted in a change in classification from a financing obligation to a finance lease (see ***Financing Obligation*** below).
The MRI scanner is included in property and equipment and the Service Agreement is included as Prepaid Service Agreement. The interest rate implied on the amended lease is 7.0%.

The Company's remaining payments under the terms of the finance leases are as follows as of December 31, 2021:

2022	$ 378,537
2023	171,372
2024	67,160
Total payments	617,069
Less amount representing interest	(58,235)
Total present value of total payments	558,834
Less current portion	(332,157)
Finance lease liability, net of current portion	$ 226,677

NOTE 5 – Leases (cont.)

Financing Obligation

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 is 36 months with a monthly rental payment of $54,865. 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. In October 2021, the Company received a proposal from the lessor with an option to extend the lease with favorable terms and reassess the lease term and option to purchase the underlying assets and determined it would no longer elect to exercise the purchase option. On December 8, 2021, the Company executed a revised lease to extend the term of lease for an additional 24 months after the expiration of the original lease. Consequently, the lease no longer qualifies as a financing obligation but is now classified as a finance lease. The Company reassessed the lease term at the time of the receipt of the proposal from the lessor in October 2021 and began accounting for it as a finance lease. When the lease was initially entered into, the interest rate implied in the financing obligation was 21.5%.

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.

For the year ended December 31, 2021, the Company had accounts payable to one vendor that accounted for 16% of the total outstanding balance. For the year ended December 31, 2020, the Company had accounts payable to two vendors that accounted for 12% and 11% of the total outstanding balance.

Purchase Commitments

At December 31, 2021 and 2020, the Company had $1,195,602 and $241,431 in outstanding firm purchase commitments, respectively.

Retirement Plan

The Company maintains retirement plans for its employees in which eligible employees can contribute a percentage of their compensation. The Company contributed $309,929 and $170,062 to these plans during the years ended December 31, 2021 and 2020, respectively.

Employment Agreements

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

NOTE 7 - Stockholders' Equity

Capital Stock Authorized

As of both December 31, 2021 and 2020, 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, depository instruments called CHESS Depositary Interests (CDIs) are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement.

In February 2020, the Company completed an equity raise on the ASX which consisted of 12,083,333 CDIs representing the same number of shares of common stock at $1.68 Australian dollars per share for proceeds of $12,653,221, net of expenses.

During April 2020, 406,849 warrants to purchase common stock were exercised at $0.73 per share for total proceeds of $295,425, net of expenses.

In February 2007, the Company issued rights to 7,200,000 shares of common stock (as adjusted for a subsequent stock split) upon the earlier of an acquisition transaction, an initial public offering pursuant to an effective registration statement under the US Securities Act of 1933 (an initial public offering in the US), or the expiration of certain license agreements. The number of shares to be issued was to be reduced for the value of any royalties paid. In April 2020, the agreements related to these rights expired and the Company issued 7,197,634 shares of common stock. The number of shares issued was reduced by 2,366 to reflect the value of royalties paid. The value of the shares was recorded as an expense upon issuance, which was when the liability was fixed and determinable.

During the year ended December 31, 2020, 413,333 options to purchase common stock were exercised at prices ranging from $0.341 to $0.60 per share for total proceeds of $174,195, net of expenses.

In October 2020, the Company completed an underwritten placement on the ASX which consisted of 12,106,383 CDIs representing the same number of shares of common stock at $2.35 Australian dollars per share for proceeds of $19,195,477, net of expenses.

In November 2020, the Company completed an underwritten security purchase plan on the ASX which consisted of 659,483 CDIs representing the same number of common stock at $2.35 Australian dollars per share for proceeds of $1,088,836, net of expenses.

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

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

NOTE 7 - Stockholders' Equity (cont.)

During July 2021, a total of 33,639 options were exercised at $0.52 per share for total proceeds of $16,479, net of expenses.

In September 2021, the Company completed an equity raise on the ASX which consisted of 16,500,000 CDIs representing the same number of shares of common stock at $1.00 Australian dollar per share for proceeds of $11,351,689, net of expenses.

In October 2021, the Company completed a security purchase plan on the ASX which consisted of 999,828 CDIs representing the same number of common stock at $1.00 Australian dollar per share for proceeds of $728,071, 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 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 Plan, reserving 11,418,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options 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 the 2019 Plan beginning in 2020, the number of shares of Common Stock available for issuance from time to time under the 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. 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 issued to the executive management team vest upon completion of certain milestones, performance requirements, and market conditions. 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.

NOTE 7 - Stockholders' Equity (cont.)

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

	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2020	9,963,094	$ 0.68	
Exercised	(204,264)	0.62	
Cancelled	(225,807)	1.13	
Granted	1,720,483	1.57	
Options outstanding – December 31, 2021	11,253,506	$ 0.81	$ 1,202,221
Options exercisable – December 31, 2021	6,762,568	$ 0.59	$ 1,127,451
Weighted average fair value of options granted during the year ended December 31, 2021		$ 0.96	
Weighted average fair value of options granted during the year ended December 31, 2020		$ 0.58	

As of December 31, 2021, the Company had 1,998,393 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding and exercisable was 7.38 and 6.60 years, respectively, as of December 31, 2021.

The intrinsic value of options exercised during the years ended December 31, 2021 and 2020 was $202,923 and $306,453, respectively.

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

	2021	2020
Expected life	5.57-6.95 years	7 years
Volatility	66.16%	68.3%
Risk-free interest rate	1.24%	0.64%
Dividend Yield	0%	0%

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

NOTE 7 - Stockholders' Equity (cont.)

Total stock-based compensation expense resulting from options granted was $1,149,598 and $821,952 for the years ended December 31, 2021 and 2020, respectively, and charged to the Company's Statement of Operations as follows:

	December 31,	
	2021	2020
Cost of goods sold	$ 36,894	$ -
Sales and marketing	112,220	64,315
Research and development	233,991	296,421
General and administrative	766,493	461,216
	$ 1,149,598	$ 821,952

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 December 31, 2021, the total unrecognized compensation cost related to unvested stock options then outstanding was $2,344,149. Future stock-based compensation expense is expected to be as follows for the years ending December 31:

	Total
2022	$ 1,067,451
2023	773,115
2024	403,921
2025	99,662
Total	$ 2,344,149

Issuance of additional options subsequent to December 31, 2021 could affect future expected amounts.

Stock Warrants

The Company had issued warrants to purchase shares of common stock which are summarized below:

	Number of Warrants	Weighted- Average Exercise Price
Warrants outstanding – December 31, 2019	787,909	$ 0.73
Warrants cancelled	(381,060)	0.73
Warrants exercised	(406,849)	0.73
Warrants outstanding – December 31, 2020	-	$ -

During April 2020, 406,849 warrants to purchase common stock were exercised at $0.73 per share for total proceeds of $295,425, net of expenses. The intrinsic value was $46,121. The remaining 381,060 warrants were cancelled.

NOTE 8 - Income Taxes

The Company has generated both federal and state net operating losses (NOL) of approximately $59,544,000 and federal and state research and development credit carryforwards of approximately $1,943,000 as of December 31, 2021, which, if not used, will begin to expire in 2023. The Company believes that its ability to fully utilize the existing NOL and credit carryforwards could be restricted by changes in control that may have occurred or may occur in the future and by its ability to generate net income. The Company has not yet conducted a formal study of whether, or to what extent, past changes in control of the Company impairs its NOL and credit carryforwards because such NOL and credit carryforwards cannot be utilized until the Company achieves profitability. The Company has established a full valuation allowance as of December 31, 2021 and 2020, that offsets the net tax benefits associated with the NOL and credit carryforwards since realization of these tax benefits is not more likely than not.

Income tax expense (benefit) consists of the following for the year ended December 31:

	2021	2020
Current:		
Federal	$ -	$ -
State	-	-
	-	-
Deferred:		
Federal	(4,310,000)	(2,516,000)
State	(1,104,000)	(625,000)
	(5,414,000)	(3,141,000)
Deferred tax asset valuation allowance	5,414,000	3,141,000
Total provision (benefit)	$ -	$ -

Components of deferred income taxes are as follows as of December 31:

	2021	2020
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 15,481,000	$ 10,752,000
Research and development credit carryforwards	1,943,000	1,498,000
Stock-based compensation	222,000	185,000
Accrued expenses	363,000	17,000
Deferred revenue	178,000	153,000
Prepaid expenses and other assets	(74,000)	(73,000)
Foreign currency exchange	(55,000)	18,000
Depreciation and amortization	16,000	110,000
Gross deferred tax assets (liabilities)	18,074,000	12,660,000
Less valuation allowance	(18,074,000)	(12,660,000)
Net deferred tax assets	$ -	$ -

The change in the valuation allowance was $5,414,000 and $3,141,000 for the years ended December 31, 2021 and 2020, respectively.

The effective tax rate for the year ended December 31, 2021 differs from the federal and state statutory tax rates mainly due to the change in full valuation allowance, incentive stock option expense, and research and development credits.

NOTE 8 - Income Taxes (cont.)

The Company has recognized a reserve of approximately $486,000 and $374,000 for uncertain tax positions which was recorded directly against the valuation allowance as of December 31, 2021 and 2020, respectively. If recognized, these benefits would favorably impact the effective tax rate.

The tax years from inception through December 31, 2021 remain subject to examination by all major taxing authorities due to the net operating loss carryforwards. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense in the Company's Statement of Operations.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future.

Additional Stockholder Information

Additional Stockholder Information

The Company has CHESS Depositary Interests (CDIs) quoted on the Australian Securities Exchange (ASX) trading under the ASX code IMR. Each CDI represents an interest in one share of Class A common stock of the Company (Share). Legal title to the Shares underlying the CDIs is held by CHESS Depositary Nominees Pty Ltd (CDN), a wholly owned subsidiary of the ASX. The Company's securities are not quoted on any other exchange.

Except where noted, all information provided below is current as at 23 March 2022, except as otherwise stated. To avoid double-counting, the holding of Shares by CHESS Depositary Nominees Pty Limited (underpinning the CDIs on issue) have been disregarded in the presentation of the information below, unless otherwise stated.

Share Capital

Type of Security	Number of Securities
Total number of issued shares[1]	143,293,937
Total number of issued CDIs	98,295,236

1. Includes shares held by CHESS Depositary Nominees Pty Limited (98,295,236).

Top 20 Holders of CDIs and Shares Combined (based on share registry reports)

Rank	Name	Number	% of issued capital
1	CITICORP NOMINEES PTY LIMITED <DOMESTIC HIN A/C>	19,209,476.00	13.41
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,269,784.00	8.56
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,023,548.00	8.39
4	Siemens Medical Solutions Usa Inc	8,384,150.00	5.85
5	NATIONAL NOMINEES LIMITED	8,137,737.00	5.68
6	Warren G Herreid Ii	7,819,431.00	5.46
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,799,757.00	4.05
8	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,702,642.00	3.98
9	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,260,798.00	2.28
10	Kahr Foundation	2,950,988.00	2.06
11	Steven R Wedan	2,518,720.00	1.76
12	Bauer Private Equity Fund Vi Llc	1,696,555.00	1.18
13	Steven R Wedan &	1,427,373.00	1.00
14	RONALD D BERGER	1,300,000.00	0.91
15	HENRY R HALPERIN	1,300,000.00	0.91
16	Fleitman Koppa Investments Llc	901,530.00	0.63
17	ALBERT C LARDO AND JENNIFER S LARDO	900,333.00	0.63
18	PENSCO TRUST COMPANY LLC <DAVIS CARTWRIGHT A/C>	867,896.00	0.61
19	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	836,581.00	0.58
20	Johns Hopkins University	698,180.00	0.49
	Top 20 holders	**98,005,479.00**	**68.39**
	Remaining holders	**45,288,458.00**	**31.61**
	Total	**143,293,937.00**	**100.00**

Substantial Holders

The names of substantial holders in the Company and their respective holdings of equity securities (to the best of the Company's knowledge) are as follows:

Name	Number of equity securities	% voting
BlackRock Group	17,529,317	12.23
Warren G. Herreid II & KAHR Foundation	10,771,092	7.52
Siemens Medical Solutions USA, Inc.	8,384,150	5.85
Regal Funds Management Pty Ltd	8,311,716	5.80
Saville Capital	7,180,000	5.01

Distribution of CDIs and Shares

Range	Number	% of issued capital	No. of holders
1 – 1,000	121,467	0.00	219
1,001 – 5,000	672,782	0.00	239
5,001 – 10,000	966,621	0.01	126
10,001 – 100,000	11,088,003	0.08	324
100,001 and over	130,445,064	0.91	72
Total	**143,293,937**	**100.00**	**980**

There are 242 investors holding less than a marketable parcel of CDIs or Shares, based on a minimum of A$500 parcel at A$0.385 per CDI or Share (close of trade price on 21 March 2022)

Distribution of Options

Range	Number	% of issued capital	No. of holders
1 – 1,000	-	-	-
1,001 – 5,000	51,300	0.47	18
5,001 – 10,000	96,800	0.89	11
10,001 – 100,000	816,702	7.50	23
100,001 and over	9,927,566	91.14	17
Total	**10,892,368***	**100**	**69**

*502,713 options lapsed and 205,000 options were granted since the last Appendix 2A was lodged with the ASX on 24 February 2022.

Additional Stockholder Information (cont.)

Required Statements

- There is no current on-market buy-back of the Company's securities.
- The Company is incorporated in the state of Delaware in the United States of America.
- The Company is not subject to Chapters 6, 6A, 6B and 6C of the ***Corporations Act 2001*** (Cth) dealing with the acquisition of shares (ie, substantial holdings and takeovers).
- The Company's securities are not quoted on any exchange other than the ASX.
- The Company's Australian Company Secretary is Mr Kobe Li.
- Under the Delaware General Corporation Law, shares are generally freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or bylaws, or by an agreement signed with the holders of the shares at issue. The Company's amended and restated certificate of incorporation and bylaws do not impose any specific restrictions on transfer. The Company's CDIs were issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable future except in very limited circumstances after the expiration of a restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a 'FOR US' designation on the Australian Securities Exchange (ASX). This designation restricts any CDIs from being sold on the ASX to US persons. However, you are still able to freely transfer your CDIs on the ASX to any person other than a US person. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Voting Rights

Every holder of Shares present in person or by proxy is entitled one vote for each Share held on the record date for the meeting on all matters submitted to a vote of stockholders. Options and Warrants do not carry a right to vote.

CDI holders may attend and vote at the Company's general meetings. The Company must allow CDI holders to attend any meeting of stockholders unless relevant US law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders may:

- instruct CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the CDI Registry before the meeting.
- inform the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting at the general meeting: or
- convert their CDIs into a holding of Shares and vote these at the meeting. Afterwards, if the former CDI holder wishes to sell their investment on the ASX, the holder would need to convert the Shares back to CDIs. In order to vote in person, the conversion of CDIs to Shares must be completed before the record date for the meeting. For information on the process for converting CDIs to common stock, please contact the CDI registry.

One of the above steps must be undertaken before CDI holders can vote at stockholder meetings. CDI voting instruction forms and details of these alternatives will be included in each notice of meeting or proxy statement sent to CDI holders.

Corporate Directory

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Steve Wedan (Chairman and CEO)

Mark Tibbles (Non-executive Director)

Anita Messal (Non-executive Director)

Peter McGregor (Non-executive Director)

Local Agent & Company Secretary

Kobe Li

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