

**IMRICOR MEDICAL SYSTEMS, INC.**

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

This half-year financial report is to be read in conjunction with the financial report for the year ended 31 December 2020.

# IMRICOR MEDICAL SYSTEMS, INC.

## APPENDIX 4D (RULE 4.2A.3)

### HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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#### REPORTING PERIOD

Report for the half-year ended 30 June 2021

All comparisons to half-year ended 30 June 2020

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	\$USD	up/down	% movement
Revenue from ordinary activities	\$366,221	up	32.0%
Profit (loss) after tax from ordinary activities attributable to members	(\$9,752,440)	down	81.9%
Net profit (loss) attributable to members	(\$9,962,262)	down	71.8%

#### Dividend information

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

#### Net tangible asset backing

	30 June 2021 \$USD	30 June 2020 \$USD
Net tangible asset per share of common stock	\$0.19	\$0.18

- **Independent Audit Review:** This report is based on the consolidated 2021 Half-Year Financial Statements which have been reviewed by Baker Tilly US, LLP (formerly Baker Tilly Virchow Krause, LLP) with the Independent Auditor's Review Report included in the 2021 Consolidated Half-Year Financial Statements.
- **Changes in control over entities:** There were no entities over which control was gained or lost during the period.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** Not applicable
- **Set of accounting standards use in compiling the report:** The unaudited consolidated financial statement have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).
- **Details of audit disputes or audit qualification:** Not applicable

**IMRICOR MEDICAL SYSTEMS, INC.**  
Minneapolis, Minnesota

For the Six Months Ended June 30, 2021 and 2020

# IMRICOR MEDICAL SYSTEMS, INC.

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## Independent Auditors' Review Report

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

We have reviewed the accompanying condensed interim financial statements of Imricor Medical Systems, Inc. (the Company), which comprise the condensed balance sheet as of June 30, 2021, and the related condensed statements of operations, stockholders' equity, and cash flows, for the six months ended June 30, 2021 and 2020, and the related notes to the condensed interim financial statements.

### Management's responsibility

The Company's management is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

### Auditors' responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

### Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the condensed interim financial statements referred to above for them to be in accordance with accounting principles generally accepted in the United States of America.

### Report on condensed balance sheet as of December 31, 2020

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Company as of December 31, 2020, and the related statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unqualified audit opinion on those audited financial statements in our report dated February 24, 2021. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Emphasis of Matter Regarding Going Concern

The accompanying condensed interim financial statements have been prepared assuming the company will continue as a going concern. As discussed in Note 2 to the condensed interim financial statements, the company's accumulated deficit and need for additional working capital raise substantial doubt about its ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2 to the condensed interim financial statements. The condensed interim financial statements do not include any adjustments that might result from this uncertainty. Our opinion is not modified with respect to that matter.



Baker Tilly US, LLP  
Minneapolis, Minnesota  
August 25, 2021

**IMRICOR MEDICAL SYSTEMS, INC.**  
**CONDENSED BALANCE SHEETS**  
As of June 30, 2021 and December 31, 2020

	<b>ASSETS</b>	
	(Unaudited) June 30, 2021	(Audited) December 31, 2020
<b>CURRENT ASSETS</b>		
Cash	\$ 15,607,123	\$ 25,139,812
Accounts receivable	251,925	223,237
Inventory	2,822,732	3,069,920
Other current assets	859,375	491,628
Total Current Assets	19,541,155	28,924,597
<b>ACCOUNTS RECEIVABLE-LONG TERM</b>	238,749	238,749
<b>PROPERTY AND EQUIPMENT, NET</b>	3,102,882	3,094,721
<b>OTHER ASSETS</b>	224,320	224,320
<b>OPERATING LEASE RIGHT OF USE ASSETS</b>	723,297	795,365
<b>PREPAID SERVICE AGREEMENT</b>	229,162	291,664
<b>TOTAL ASSETS</b>	<u>\$ 24,059,565</u>	<u>\$ 33,569,416</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 740,155	\$ 529,132
Accrued expenses	1,053,936	1,068,908
Current portion of contract liabilities	72,313	40,202
Current portion of operating lease liabilities	197,915	189,143
Current portion of finance lease liability	9,128	8,886
Current portion of financing obligation	892,828	462,961
Total Current Liabilities	2,966,275	2,299,232
<b>LONG-TERM LIABILITIES</b>		
Other long-term liabilities	67,395	67,395
Contract liabilities, net of current portion	529,705	549,806
Operating lease liabilities, net of current portion	1,067,797	1,168,644
Finance lease liability, net of current portion	14,649	19,274
Financing obligation, net of current portion	-	649,015
Total Liabilities	4,645,821	4,753,366
<b>COMMITMENTS AND CONTINGENCIES (NOTE 8)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value: 25,000,000 shares authorized and 0 shares outstanding as of both June 30, 2021 and December 31, 2020	-	-
Common stock, \$0.0001 par value: 535,000,000 shares authorized as of both June 30, 2021 and December 31, 2020 and 125,701,170 and 125,549,550 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	12,571	12,556
Additional paid-in capital	82,235,612	81,675,671
Accumulated deficit	(62,834,439)	(52,872,177)
Total Stockholders' Equity	19,413,744	28,816,050
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 24,059,565</u>	<u>\$ 33,569,416</u>

**IMRICOR MEDICAL SYSTEMS, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
For the Six Months Ended June 30, 2021 and 2020 (Unaudited)

	Six Months ended June 30,	
<b>REVENUES</b>	2021	2020
Product revenue	\$ 146,379	\$ 170,254
Service revenue	28,064	7,278
Consulting revenue	-	100,000
Contract revenue	191,778	-
Total Revenue	366,221	277,532
<b>EXPENSES</b>		
Cost of goods sold	1,147,969	367,274
Sales and marketing	1,414,207	702,912
Research and development	4,674,344	2,433,410
General and administrative	2,882,141	2,135,691
Total Expenses	10,118,661	5,639,287
Loss from Operations	(9,752,440)	(5,361,755)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	4,191	2,377
Foreign currency exchange loss	(17,563)	(264,693)
Interest expense	(123,328)	(159,213)
Other income (expense)	(73,122)	(14,264)
Total Other Expense	(209,822)	(435,793)
<b>NET LOSS</b>	\$ (9,962,262)	\$ (5,797,548)
<b>EARNINGS PER SHARE:</b>		
Basic and diluted loss per common share	\$ (0.08)	\$ (0.06)
Basic and diluted weighted average shares outstanding	125,643,868	103,583,187

**IMRICOR MEDICAL SYSTEMS, INC.**  
**CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the Six Months Ended June 30, 2021 and 2020 (Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>BALANCES, December 31, 2020</b>	125,549,550	\$ 12,556	\$81,675,671	\$(52,872,177)	\$ 28,816,050
Stock-based compensation expense	-	-	488,590	-	488,590
Exercise of stock options	151,620	15	71,351	-	71,366
Net loss	-	-	-	(9,962,262)	(9,962,262)
<b>BALANCES, June 30, 2021</b>	<b>125,701,170</b>	<b>\$ 12,571</b>	<b>\$82,235,612</b>	<b>\$(62,834,439)</b>	<b>\$ 19,413,744</b>
<b>BALANCES, December 31, 2019</b>	92,682,535	\$ 9,268	\$47,449,853	\$(40,425,704)	\$ 7,033,417
Stock-based compensation expense	-	-	365,150	-	365,150
Issuance of common stock, net of issuance costs paid in cash of \$753,305	12,083,333	1,208	12,652,013	-	12,653,221
Exercise of warrants	406,849	41	296,959	-	297,000
Exercise of stock options	125,000	13	42,612	-	42,625
Issuance of royalty conversion shares	7,197,634	720	(720)	-	-
Net loss	-	-	-	(5,797,548)	(5,797,548)
<b>BALANCES, June 30, 2020</b>	<b>112,495,351</b>	<b>\$ 11,250</b>	<b>\$60,805,867</b>	<b>\$(40,223,252)</b>	<b>\$14,593,865</b>



**IMRICOR MEDICAL SYSTEMS, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
For the Six Months Ended June 30, 2021 and 2020 (Unaudited)

	Six months ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ (9,962,262)	\$ (5,797,548)
Net loss		
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	331,952	228,154
Stock-based compensation expense	488,590	365,150
Loss on disposal of fixed assets	82,970	-
Change in inventory reserves	407,240	(11,676)
Foreign currency exchange loss	17,563	264,692
Changes in assets and liabilities		
Accounts receivable	(28,688)	184,339
Inventory	(160,052)	(1,031,268)
Other assets	(325,252)	68,516
Accounts payable	194,847	(81,862)
Accrued expenses	(14,972)	181,332
Contract liabilities	12,010	(107,278)
Net Cash Flows from Operating Activities	(8,956,054)	(5,737,449)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment of security deposit	-	(32,146)
Purchases of property and equipment	(406,313)	(403,074)
Net Cash Flows from Investing Activities	(406,313)	(435,220)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of common stock warrants and options	71,366	339,625
Proceeds from issuance of common stock, net	-	12,653,221
Payments on finance lease liability	(4,383)	(4,153)
Payments on financing obligation	(219,148)	(177,048)
Net Cash Flows from Financing Activities	(152,165)	12,811,645
<b>Net Change in Cash</b>	(9,514,532)	6,638,976
Cash - beginning of period	25,139,812	5,048,893
Effect of foreign currency exchange rate changes on cash	(18,157)	(262,552)
Cash - end of period	\$ 15,607,123	\$ 11,425,317
<b>Supplemental cash flow disclosure</b>		
Cash paid for interest	\$ 123,326	\$ 159,064
<b>Noncash investing and financing activities</b>		
Property and equipment included in accounts payable	\$ 16,770	\$ 160,521

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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### **NOTE 1 - Summary of Significant Accounting Policies**

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

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

#### *Impact of COVID-19 Pandemic*

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which continues to spread throughout the world and has resulted in travel restrictions, quarantines, “stay-at-home” and “shelter-in-place” orders, business limitations and shutdowns. For the first six months of 2021 and 2020, the Company’s revenue was negatively impacted by the COVID-19 pandemic as hospital restrictions banned outside personnel and postponed most elective procedures. Our products treat conditions that are considered elective. 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. 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, 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, 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.

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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

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#### *Cash*

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

#### *Accounts Receivable*

Accounts receivable are unsecured, are recorded at net realizable value, and do not bear interest except for a revenue transaction with a significant financing component (see **Royalties** below). 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 will provide an allowance for credit losses when collection becomes doubtful. The Company performs credit evaluations of its customers' financial condition on an as-needed basis. Payment is generally due 30 days from the invoice date and accounts past 30 days are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance. To date, the Company has not experienced any significant write-offs or significant deterioration of its accounts receivable aging, and therefore, no allowance for doubtful accounts was considered necessary as of June 30, 2021 or December 31, 2020.

Accounts receivable includes unbilled receivables of \$70,284 as of June 30, 2021 and December 31, 2020 which represents the current portion of minimum royalties due to the Company. The long-term accounts receivable relates to minimum royalties due to the Company beyond twelve months from the respective balance sheet date.

#### *Inventory*

Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out ("FIFO") method. The establishment of allowances for excess and obsolete inventories is based on historical usage and estimated exposure on specific inventory items. Inventories are as follows as of June 30, 2021 and December 31, 2020:

	2021	2020
Raw Materials	\$ 1,377,747	\$ 1,216,964
Work in Process	334,377	423,666
Finished Goods	1,804,610	1,716,052
Less: obsolescence reserve	(694,002)	(286,762)
	<u>\$ 2,822,732</u>	<u>\$ 3,069,920</u>

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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

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#### *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 lease term

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

#### *Research and Development Costs*

The Company expenses research and development costs as incurred.

#### *Other Assets*

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

#### *Patents*

Expenditures for patent costs are charged to operations as incurred.

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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

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#### *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 125,643,868 and 103,583,187 for the six months ended June 30, 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 six months ended June 30, 2021 and 2020.

#### *Foreign currency exchange gains (losses)*

As of June 30, 2021 and December 31, 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 period-end exchange rates. Foreign currency exchange gains and losses are included in the statements of operations within other income (expense).

#### *Financial Instruments*

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

#### *Revenue Recognition*

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

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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

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

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

#### *Royalties*

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

#### *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 six months ended June 30, 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 \$191,778 as revenue during the six months ended June 30, 2021.

#### *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 June 30, 2021 and December 31, 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 June 30, 2021 and December 31, 2020, the Company had contract liabilities of \$602,018 and \$590,008, respectively.

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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

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#### *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 restricted stock awards and 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.

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### **NOTE 2 – Going Concern**

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The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company incurred losses from operations and negative cash flows from operations for both six month periods ended June 30, 2021 and 2020, had an accumulated deficit as of June 30, 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.

## IMRICOR MEDICAL SYSTEMS, INC.

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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#### NOTE 3 – Property and Equipment

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Property and equipment consisted of the following:

	June 30, 2021	December 31, 2020
Office furniture and equipment	\$ 357,891	\$ 390,160
Lab and production equipment	1,266,014	1,414,136
Computer equipment	261,317	277,821
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,588,962	1,459,919
Total costs	4,674,184	4,742,036
Less: Accumulated depreciation and amortization	(1,571,302)	(1,647,315)
Property and equipment, net	<u>\$ 3,102,882</u>	<u>\$ 3,094,721</u>

Depreciation expense was \$331,952 and \$228,154 for the six months ended June 30, 2021 and 2020, respectively.

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#### NOTE 4 – Accrued Expenses

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Accrued expenses consist of the following:

	June 30, 2021	December 31, 2020
Compensation	\$ 452,416	\$ 504,372
Other accruals	601,520	564,536
Total accrued expenses	<u>\$ 1,053,936</u>	<u>\$ 1,068,908</u>

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#### NOTE 5 – Leases

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##### *Operating Leases*

In June 2019 the Company recorded a \$358,506 right to use asset and lease liability associated with a lease extension for the Company's office and warehouse space. The remaining consideration associated with the lease has been reallocated and the lease liability remeasured as the amended lease provided for additional space and the lease term has been extended. In addition, the landlord agreed to pay \$595,534 in leasehold improvements. Upon commencement of the lease in June 2020, the Company recorded \$595,534 in leasehold improvements, a \$606,277 right to use asset, and a \$1,201,811 lease liability.



## IMRICOR MEDICAL SYSTEMS, INC.

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

#### **NOTE 5 – Leases, (cont.)**

As of June 30, 2021, maturities of our operating lease liabilities are as follows:

2021	\$	132,290
2022		236,191
2023		148,966
2024		153,437
2025		158,050
2026 and thereafter		756,399
Total payments		1,585,333
Less amount representing interest		(319,621)
Total present value of total payments		1,265,712
Less current portion		(197,915)
Operating lease liability, net of current portion	\$	1,067,797

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

	2021	2020
Operating lease cost	\$ 110,568	\$ 86,561
Variable least cost	63,476	52,749
Total	\$ 174,044	\$ 139,310

#### *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 meets the requirements to be classified as a finance lease. Therefore, the agreement is considered a failed sale leaseback arrangement and is not accounted for as a lease, but rather is accounted for as a financing obligation. The MRI scanner is included in property and equipment and the Service Agreement is included as Prepaid Service Agreement. The lease agreement includes an option to repurchase the related assets for \$425,000 at the end of the lease term, which the Company deems it is reasonably certain to do. The interest rate implied in the financing obligation is 21.5%.

The Company's remaining payments under the terms of the financing obligation are as follows as of June 30, 2021:

2021	\$	329,190
2022		274,325
Expected buy out at end of lease term		425,000
Total payments		1,028,515
Less amount representing interest		(135,687)
Total present value of total payments		892,828
Less current portion		(892,828)
Financing obligation, net of current portion	\$	-

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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### **NOTE 6 - Commitments and Contingencies**

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#### *Vendor concentration*

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

As of June 30, 2021, there was no vendor concentration. As of December 31, 2020, the Company had accounts payable to two vendors that accounted for 12% and 11% of the total outstanding balance.

#### *Purchase Commitments*

As of June 30, 2021 and December 31, 2020, the Company had \$1,260,878 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 \$159,203 and \$74,628 to these plans during the six months ended June 30, 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, respectively.

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### **NOTE 7 - Stockholders' Equity**

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#### *Capital Stock Authorized*

As of June 30, 2021 and December 31, 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

On February 20, 2020, the Company completed an equity raise on the Australian Securities Exchange (ASX) per CHES Depository Interest (CDI). The equity capital raise 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.

The ASX uses an electronic system called CHES for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHES system of holding securities or electronic transfers of legal title to shares. To enable companies to have their securities cleared and settled electronically through CHES, depository instruments called CDIs are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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### **NOTE 7 - Stockholders' Equity, (cont.)**

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Settlement.

During April 2020, 406,849 warrants to purchase common stock were exercised at \$0.73 per share for total proceeds of \$297,000.

During April 2020, a total of 125,000 options were exercised at \$0.34 per share for total proceeds of \$42,625.

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 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 \$47,982, 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 this 2019 Plan beginning in 2020, the number of shares of Common

## IMRICOR MEDICAL SYSTEMS, INC.

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

#### **NOTE 7 - Stockholders' Equity, (cont.)**

Stock available for issuance from time to time under this 2019 Plan will be increased by an amount equal to the lesser of (i) five percent (5%) of the aggregate number of shares reserved under this Plan on the last day of the immediately preceding fiscal year, and (ii) such number of shares determined by the Board (the "Annual Increase"). On April 20, 2020, the Board of Directors approved an increase of 3,470,925 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 12, 2020. On January 14, 2021, the Board of Directors approved an increase of 844,471 shares to the option pool. 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.

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

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2019	8,064,933	\$ 0.58	
Exercised	(125,000)	0.34	
Cancelled	(131,100)	0.40	
Granted	2,337,994	0.88	
Options outstanding – June 30, 2020	10,146,827	\$ 0.66	\$ 3,751,173
Options exercisable – June 30, 2020	3,786,000	\$ 0.55	\$ 1,810,209
	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2020	9,963,094	\$ 0.68	
Exercised	(170,625)	0.64	
Cancelled	(179,307)	1.07	
Granted	1,720,483	1.57	
Options outstanding – June 30, 2021	11,333,645	\$ 0.81	\$ 7,980,698
Options exercisable – June 30, 2021	6,311,527	\$ 0.58	\$ 5,780,254

The aggregate intrinsic value is calculated as the difference between the weighted average exercise price of the underlying awards and the Company's fair value of its common stock as of June 30, 2021 and 2020.

As of June 30, 2021, the Company had 1,951,893 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding was 7.93 years as of June 30, 2021.

The weighted average remaining contractual life of options exercisable was 7.16 years as of June 30, 2021.

The intrinsic value of options exercised during the six months ended June 30, 2021 and 2020 was \$178,912 and \$31,096, respectively.

## IMRICOR MEDICAL SYSTEMS, INC.

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

#### **NOTE 7 - Stockholders' Equity, (cont.)**

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

	Six-month Period ended June 30, 2021	Six-month Period ended June 30, 2020
Expected life	5.33-6.25 years	5.5-7 years
Volatility	66.16%	68.28%
Risk-free interest rate	1.24%	2.5%
Dividend Yield	0%	0%
Weighted average fair value of options granted	\$0.95	\$0.59

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

Total stock-based compensation expense resulting from options granted was \$488,590 and \$365,150 for the six months ended June 30, 2021 and 2020, respectively. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company's deferred income tax assets.

As of June 30, 2021, the total unrecognized compensation cost related to unvested stock options was \$3,067,035. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2021 and the years ended December 31 thereafter:

	<b>Total</b>
2021	\$ 772,513
2022	1,020,240
2023	884,479
2024	317,575
2025	72,228
Total	\$ 3,067,035

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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### NOTE 7 - Stockholders' Equity, (cont.)

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#### *Stock Warrants*

The Company had also 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 – June 30, 2020	<u>-</u>	<u>\$ -</u>

During April 2020, 406,849 warrants to purchase common stock were exercised at \$0.73 per share for total proceeds of \$297,000. The intrinsic value was \$46,121. The remaining 381,060 warrants were cancelled.

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### NOTE 8 - Income Taxes

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

The Company's income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items. The Company's effective tax rate for the six months ended June 30, 2021 properly excluded tax benefits associated with year-to-date pre-tax losses due to the full valuation allowance recorded.

The Company has generated both federal and state net operating losses (NOL) of approximately \$41,265,000 and federal and state research and development credit carryforwards of approximately \$1,498,000 as of December 31, 2020, which, if not used, will begin to expire in 2023. The Company believes that its ability to fully utilize the existing NOL and credit carryforwards could be restricted by changes in control that may have occurred or may occur in the future and by its ability to generate net income. The Company has not yet conducted a formal study of whether, or to what extent, past changes in control of the Company impairs its NOL and credit carryforwards because such NOL and credit carryforwards cannot be utilized until the Company achieves profitability. The Company has established a full valuation allowance as of June 30, 2021 and December 31, 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.

The tax years from inception through June 30, 2021 remain subject to examination by all major taxing authorities due to the net operating loss carryovers. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense in the Company's statement of operations.

# IMRICOR MEDICAL SYSTEMS, INC.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As of June 30, 2021 and December 31, 2020 and for the six-months ended June 30, 2021 and 2020

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### **NOTE 9 – Subsequent Events**

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For the six months ended June 30, 2021, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through August 25, 2021.