

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

31 DECEMBER 2024 RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 31 December 2023)

A commentary on the results for the period:

Total revenue for the year was \$959,424 compared to \$615,568 for the prior corresponding period ("PCP") due to increased product sales, largely driven by increased sales of third-party equipment and the Company's consumable devices. Total product sales of \$766,584 were up \$329,865, or 76%, compared to the PCP.

The net loss for the year increased to \$29,692,831 compared to \$22,625,902 for the PCP due primarily to the change in fair value of the convertible note and derivative liability. When adjusting for these items, net loss for the year was 7% less compared to the PCP.

	2024	2023
GAAP net loss	\$29,692,831	\$22,625,902
Less: Loss from capital commitment agreement	-	(1,297,204)
Less: Fair value change of financial instruments	(14,138,191)	(4,645,923)
Adjusted net loss	\$15,554,640	\$16,682,775

The Company had cash and cash equivalents of \$15,707,739 at 31 December 2024 compared to \$831,522 at 31 December 2023. Net cash flow from financing activities for the year was \$30,334,214 largely comprising proceeds received from two placements.

Throughout the year, the Company engaged with new and existing sites in Europe to increase the number of active sites performing procedures which is reflected in our strong revenue growth. Additionally, the Company achieved numerous regulatory and clinical milestones in the pursuit of bringing new devices to the market and expanding into new geographies, which lays a solid foundation for growing revenues and reaching new markets in the coming years.

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

	\$USD	up/down	% movement
Revenue from ordinary activities	\$959,424	up	55.86%
Loss after tax from ordinary activities attributable to members	(\$29,692,831)	up	31.23%
Net loss attributable to members	(\$29,692,831)	up	31.23%
Net tangible asset backing			
	31 Dec 2024	31 Dec 2023	
	\$USD	\$USD	
Net tangible asset per share of common stock	(\$0.03)	(\$0.05)	
Net tangible asset per CDI	(\$0.03)	(\$0.05)	

Dividend information

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

- **Annual financial results:**

This report is based on the accompanying 2024 Financial Statements which have been audited by BDO USA, P.C. with the Independent Auditor's Report included in the 2024 Financial Statements.

- **Changes in control over entities:**

There were no entities over which control has been gained or lost during 2024.

- **Details of dividends and dividend reinvestment plans:**

No dividends have been declared or proposed.

- **Details of associates or joint ventures:**

N/A

- **Set of accounting standards used in compiling the report:**

The audited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (US GAAP) and are denominated in U.S. dollars.

- **Details of audit disputes or audit qualification:**

An unqualified opinion has been issued and includes an emphasis of matter paragraph relating to substantial doubt about the Company's ability to continue as a going concern.

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IMRICOR MEDICAL SYSTEMS, INC.
Minneapolis, Minnesota

Including Independent Auditor's Report

As of and for the years ended December 31, 2024 and 2023

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IMRICOR MEDICAL SYSTEMS, INC.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Imricor Medical Systems, Inc. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, stockholders' equity (deficit), 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 the Company as of December 31, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 described in Note 2 to the financial statements, the Company has suffered recurring losses and has negative cash flows 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.

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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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 the Company'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 the Company'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.

BDO USA, P.C.

Minneapolis, MN
February 26, 2025

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IMRICOR MEDICAL SYSTEMS, INC.

BALANCE SHEETS

As of December 31, 2024 and 2023

	ASSETS	
	2024	2023
CURRENT ASSETS		
Cash	\$ 15,707,739	\$ 831,522
Accounts receivable	345,342	392,557
Inventory	1,502,048	1,681,354
Prepaid expenses and other current assets	794,308	1,034,706
Total Current Assets	18,349,437	3,940,139
ACCOUNTS RECEIVABLE, LONG TERM	141,430	185,854
PROPERTY AND EQUIPMENT, NET	1,878,751	2,274,310
INVENTORY, LONG TERM	327,721	838,365
OTHER ASSETS	208,212	178,400
OPERATING LEASE RIGHT OF USE ASSETS	718,379	891,251
TOTAL ASSETS	\$ 21,623,930	\$ 8,308,319
	LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES		
Accounts payable	\$ 334,870	\$ 2,104,144
Accrued expenses	1,493,095	790,722
Current portion of promissory note	-	364,751
Current portion of contract liabilities	59,519	582,693
Current portion of operating lease liabilities	259,292	237,172
Current portion of finance lease liability	-	65,999
Current portion of financing obligation	209,137	422,866
Total Current Liabilities	2,355,913	4,568,347
LONG-TERM LIABILITIES		
Convertible note	19,869,700	8,453,300
Option and warrant liabilities	4,667,067	1,945,276
Promissory note, net of current portion	-	33,219
Contract liabilities, net of current portion	1,098,533	794,969
Operating lease liabilities, net of current portion	875,553	1,136,601
Other long-term liabilities	134,197	129,972
Total Liabilities	29,000,963	17,061,684
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.0001 par value:		
25,000,000 shares authorized and 0 shares outstanding as of both December 31, 2024 and 2023	-	-
Common stock, \$0.0001 par value:		
535,000,000 shares authorized as of both December 31, 2024 and 2023 and 270,175,766 and 168,918,134 shares issued and outstanding as of December 31, 2024 and 2023, respectively	27,018	16,893
Additional paid-in capital	134,875,666	103,816,628
Accumulated deficit	(142,279,717)	(112,586,886)
Total Stockholders' Equity (Deficit)	(7,377,033)	(8,753,365)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 21,623,930	\$ 8,308,319

See accompanying notes to financial statements

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IMRICOR MEDICAL SYSTEMS, INC.
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES		
Product revenue	\$ 766,584	\$ 436,719
Service revenue	77,091	48,849
Consulting revenue	115,749	130,000
Total Revenues	959,424	615,568
COSTS AND EXPENSES		
Cost of goods sold	1,883,542	1,731,407
Sales and marketing	2,272,044	2,731,756
Research and development	8,180,184	7,919,568
General and administrative	4,920,466	5,087,841
Total Costs and Expenses	17,256,236	17,470,572
Loss from Operations	(16,296,812)	(16,855,004)
OTHER INCOME (EXPENSE)		
Interest income	257,718	63,013
Government grant income	325,332	164,446
Foreign currency exchange gain	197,867	5,514
Interest expense	(20,065)	(47,947)
Fair value change of financial instruments	(14,138,191)	(4,645,923)
Loss from capital commitment agreement	-	(1,297,204)
Other Expense	(18,680)	(12,797)
Total Other Income (Expense)	(13,396,019)	(5,770,898)
NET LOSS	\$ (29,692,831)	\$ (22,625,902)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	\$ (0.13)	\$ (0.14)
Basic and diluted weighted average shares outstanding	223,999,081	156,610,729

See accompanying notes to financial statements

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IMRICOR MEDICAL SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2024 and 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
BALANCES, December 31, 2022	151,347,625	\$ 15,135	\$ 97,456,289	\$ (89,960,984)	\$ 7,510,440
Stock-based compensation expense	-	-	538,943	-	538,943
Issuance of common stock and restricted stock, net of issuance costs of \$80,931	17,570,509	1,758	4,992,836	-	4,994,594
Issuance of warrants, net of fees	-	-	828,560	-	828,560
Net loss	-	-	-	(22,625,902)	(22,625,902)
BALANCES, December 31, 2023	168,918,134	\$ 16,893	\$ 103,816,628	\$ (112,586,886)	\$ (8,753,365)
Stock-based compensation expense	-	-	68,769	-	68,769
Issuance of common stock and restricted stock, net of issuance costs of \$1,905,897	101,257,632	10,125	30,990,269	-	31,000,394
Net loss	-	-	-	(29,692,831)	(29,692,831)
BALANCES, December 31, 2024	270,175,766	\$ 27,018	\$ 134,875,666	\$ (142,279,717)	\$ (7,377,033)

See accompanying notes to financial statements

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IMRICOR MEDICAL SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (29,692,831)	\$ (22,625,902)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	748,165	707,545
Stock-based compensation expense	68,769	538,943
(Gain) loss on disposal of property and equipment	(2,423)	854
Change in inventory reserves	60,866	375,107
Amortization of right-of-use assets	172,872	152,493
Services performed in exchange for property and equipment	(100,000)	-
Foreign currency exchange gain	(197,867)	(5,514)
Change in fair value of convertible note	11,416,400	4,136,600
Change in fair value of derivative asset and option and warrant liability	2,721,791	509,323
Issuance of promissory note for capital commitment agreement	-	399,660
Issuance of option liability	-	920,550
Amortization of issuance costs of convertible note	-	10,160
Changes in assets and liabilities		
Accounts receivable	66,277	(216,252)
Inventory	453,877	(919,453)
Prepaid expenses and other assets	210,586	601,773
Accounts payable and other liabilities	(1,746,136)	1,910,926
Accrued expenses	702,373	(134,214)
Lease liabilities	(237,019)	(201,506)
Contract liabilities	(219,610)	861,451
Net Cash Flows used in Operating Activities	<u>(15,573,910)</u>	<u>(12,977,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(77,976)	(82,783)
Proceeds from sale of property and equipment	3,000	-
Net Cash Flows used in Investing Activities	<u>(74,976)</u>	<u>(82,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, restricted stock, and warrants	32,906,291	5,847,517
Issuance costs of common stock, restricted stock, and warrants	(1,905,897)	(85,266)
Proceeds from promissory note	-	33,219
Payment on promissory note	(386,452)	-
Payments on finance lease liability	(65,999)	(160,680)
Proceeds from financing obligation	344,050	598,228
Payments on financing obligation	(557,779)	(683,786)
Proceeds from convertible note and warrant	-	2,675,000
Debt issuance costs on convertible note	-	(10,573)
Net Cash Flows provided by Financing Activities	<u>30,334,214</u>	<u>8,213,659</u>
Net Change in Cash	14,685,328	(4,846,580)
CASH - Beginning of Year	831,522	5,687,816
Effect of foreign currency exchange rate changes on cash	190,889	(9,714)
CASH - End of Year	<u>\$ 15,707,739</u>	<u>\$ 831,522</u>
Supplemental cash flow disclosure		
Cash paid for interest	<u>\$ 22,855</u>	<u>\$ 45,157</u>
Noncash investing and financing activities		
Transfer from inventory to property and equipment	<u>\$ 175,207</u>	<u>\$ 301,370</u>
Property and equipment obtained in exchange for services	<u>\$ 100,000</u>	<u>\$ -</u>
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 35,200</u>
Operating lease right of use assets in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 47,316</u>
Issuance costs included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 3,864</u>
Settlement of promissory note with issuance of CDs	<u>\$ -</u>	<u>\$ 42,630</u>

See accompanying notes to financial statements

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IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

NOTE 1 – Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Imricor Medical Systems, Inc. (“Imricor” and the “Company”) is a U.S.-based medical device company that seeks to address the current issues with traditional x-ray-guided ablation procedures through the development of Magnetic Resonance Imaging (“MRI”) guided technology. Incorporated in the State of Delaware in 2006, the Company’s principal focus is the design, manufacturing, sale and distribution of MRI-compatible products for cardiac catheter ablation procedures. Imricor’s technology utilizes an intellectual property (“IP”) portfolio that includes technology developed in-house, as well as IP originating from Johns Hopkins University, Koninklijke Philips N.V., and Livetec Ingenieurbuero, GmbH. The Company is headquartered in Burnsville, Minnesota, where it has development and manufacturing facilities. The Company’s primary product offering is the Vision-MR Ablation Catheter, which is specifically designed to work under real-time MRI guidance, with the intent of enabling higher success rates along with a faster and safer treatment compared to conventional procedures using x-ray guided catheters. Historically, Imricor generated revenue from licensing some of its IP for use in implantable devices and performing contract research. Revenue is now generated from the sale of the MRI-compatible products it has developed for use in cardiac catheter ablation procedures (comprising single-use consumables and capital goods). On January 13, 2016, Imricor obtained CE mark approval to place one of its key products, the Advantage-MR EP Recorder/Stimulator System, on the market in the European Union. On January 23, 2020, the Company obtained CE mark approval for its other key products, the Vision-MR Ablation Catheter (with an indication for treating type I atrial flutter) and the Vision-MR Dispersive Electrode. On March 1, 2024, the Company obtained CE mark approval for the Vision-MR Diagnostic Catheter.

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

The Company’s financial statements and notes are presented in United States dollars, unless otherwise noted, which is also the functional currency.

Cash

Cash consists of funds in depository accounts. The Company considers cash invested in highly liquid financial instruments with maturities of three months or less at the date of purchase to be cash equivalents. The Company holds cash with high quality financial institutions and, at times, such balances may be in excess of federal insurance limits.

Accounts Receivable and Customer Concentrations

Accounts receivable are unsecured, are recorded net of amounts expected for credit losses, and do not bear interest except if a revenue transaction has a significant financing component. The Company reviews the allowance for credit losses by considering factors such as historical experience, current economic conditions that may affect a customer’s ability to pay, and reasonable and supportable forecasts. Payment is generally due 30 days from the invoice date. When all collection efforts have been exhausted, the account is written off against the related allowance. To date the Company has not experienced any significant write-offs or significant deterioration of its accounts receivable aging, and therefore, no allowance for credit losses was considered necessary as of December 31, 2024 or 2023.

During the year ended December 31, 2024, the Company had sales from 4 customers that accounted for 19%, 17%, 16%, and 15% of revenue and accounts receivable from 4 customers that represented 87% of the accounts receivable balance. During the year ended December 31, 2023, the Company had sales from 4 customers that accounted for 21%, 21%, 20%, and 20% of revenue and accounts receivable from 3 customers that represented 89% of the accounts receivable balance.

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

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

The Company's accounts receivable balance as of December 31, 2024, 2023, and 2022 was \$345,342, \$392,557, and \$125,544, respectively. Accounts receivable includes unbilled receivables of \$44,424 and \$43,130 as of December 31, 2024 and 2023, 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 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:

	2024	2023
Inventory - Current Portion		
Raw materials	\$ 501,766	\$ 98,169
Work in process	228,396	355,504
Finished goods	771,886	1,227,681
Total Inventory - Current Portion	1,502,048	1,681,354
Inventory - Long-term		
Raw materials	231,721	691,874
Finished goods	96,000	146,491
Total Inventory - Long-term	327,721	838,365
Total Inventory	\$ 1,829,769	\$ 2,519,719

The Company utilizes significant estimates in determining the realizable value of its inventory, including the future revenue forecasts that will result in product sales. These estimates have a corresponding impact on the inventory values recorded as of December 31, 2024 and 2023. Management continually evaluates the likelihood of future sales based on current economic conditions, expiration timing of products, and product design changes prior to sale of product on hand. If actual conditions are less favorable than those the Company has projected, it may need to increase its reserves for excess and obsolete inventories. Any increases in the Company's reserves will adversely impact its 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, 2024 will result in recognition of cost of sales based on initial inventory costs, net of reserves taken for expected realization values.

Property and Equipment

Property and equipment are stated at cost. Additions and improvements that extend the lives of assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on a straight-line basis over the shorter of the estimated useful lives of the related assets or life of the lease.

The standard estimated useful lives of property and equipment are as follows:

Office furniture and equipment	5 years
Lab and production equipment	5 years
Computer equipment	3 - 5 years
MRI scanner	7 years
Leasehold improvements	Lesser of useful life or remaining lease term

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IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

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

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 would be 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.

Nonmonetary Transaction

The Company had a nonmonetary exchange with a vendor whereby the vendor provided equipment to the Company in exchange for space to display the vendor's product at the Company's booths at two tradeshows during the year ended December 31, 2024. The Company is using the equipment for research and development activities. The transaction was recorded with an addition of \$100,000 to Property and equipment on the balance sheets and an equal reduction to sales and marketing expense on the statements of operations.

Other Assets

Other assets on the balance sheet include security deposits related to the Company's operating leases, an equity investment, and a derivative asset. The balance is made up of the following as of December 31:

	December 31,	
	2024	2023
Security deposit	\$ 52,597	\$ 52,597
Equity investment	69,560	69,560
Derivative asset	56,243	56,243
Prepaid expense	29,812	-
	<u>\$ 208,212</u>	<u>\$ 178,400</u>

The equity investment made during the year ended December 31, 2021 is held at cost. There have been no impairment losses recognized for the years ended December 31, 2024 and 2023.

Patents

Expenditures for patent costs are charged to operations as incurred.

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

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 223,999,081 and 156,610,729 for the years ended December 31, 2024 and 2023, respectively.

Dilutive net income (loss) per share assumes the exercise and issuance of all potential common stock equivalents in computing the weighted-average number of common shares outstanding, unless their effect is antidilutive. The computation of dilutive net income (loss) per share attributable to common stockholders assumes the potential dilutive effect of potential common stock, which includes common stock consisting of (a) stock options and warrants using the treasury stock method, and (b) convertible notes using the if-converted method. The effects of including incremental shares associated with stock options, warrants, and convertible notes outstanding are anti-dilutive due to the net loss incurred and are not included in the diluted weighted average number of shares of common stock outstanding for the years ended December 31, 2024 and 2023.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share for the years ended December 31 because to do so would be anti-dilutive:

	2024	2023
Exercise of stock options	31,255,170	22,595,981
Conversion of convertible notes	22,427,625	20,304,392
Exercise of warrants	5,216,158	5,216,158
Total	58,898,953	48,116,531

Foreign Currency Exchange Gains (Losses)

As of December 31, 2024, the Company had cash accounts denominated in Euros and Australian dollars, accounts payable that were denominated in Australian dollars, Euros, and Hungarian forint, and accounts receivable denominated in Euros and Hungarian forint. As of December 31, 2023, the Company had cash accounts denominated in Euros, accounts payable that were denominated in both Australian dollars and Euros, a promissory note denominated in Australian dollars, and accounts receivable denominated in Euros and Swiss Francs. These assets and liabilities have been remeasured into U.S. dollars at year-end exchange rates. Foreign currency exchange gains of \$197,867 and \$5,514 for the years ended December 31, 2024 and 2023, respectively, are included in the statements of operations within other expense.

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IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

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

Revenue Recognition

In order for an arrangement to be considered a contract, it must be probable that the Company will collect the consideration to which it is entitled for goods or services to be transferred. The Company then assesses the goods or services promised within the contract to determine whether each promised good or service is a performance obligation. Performance obligations are promises in a contract to transfer a distinct good or service to the customer that (i) the customer can benefit from on its own or together with other readily available resources, and (ii) is separately identifiable from other promises in the contract.

The Company determines the transaction price based on the amount of consideration the Company expects to receive for providing the promised goods or services in the contract. Consideration may be fixed, variable, or a combination of both. At contract inception for arrangements that include variable consideration, the Company estimates the probability and extent of consideration it expects to receive under the contract utilizing either the most likely amount method or expected amount method, whichever best estimates the amount expected to be received. The Company then considers any constraints on the variable consideration and includes in the transaction price variable consideration to the extent it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For product sales that contain a single performance obligation, the Company recognizes revenue when control is transferred to the customer. This occurs at a point in time when title to the goods and risk of loss transfers. The transaction price is based on invoice price, net of any variable consideration.

When accounting for a contract that contains multiple performance obligations, the Company must develop judgmental assumptions to determine the estimated standalone selling price (“SSP”) for each performance obligation identified in the contract. The Company utilizes the observable SSP when available, which represents the price charged for the promised product or service when sold separately. When the SSP for the Company’s products or services are not directly observable, the Company determines the SSP using relevant information available and applies suitable estimation methods including, but not limited to, the cost-plus margin approach. The Company then allocates the transaction price to each performance obligation based on the relative SSP and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) control is transferred to the customer and the performance obligation is satisfied.

Revenue from service contracts is recognized over the contract period on a straight-line basis, as the customer benefits from the services throughout the service contract period.

Revenue is derived from both domestic and foreign countries. Sales tax and value added taxes in foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – Summary of Significant Accounting Policies (cont.)

The following table provides revenue by country based on the location where services are provided and products are sold for more than 10% of the total revenue for the years ended December 31:

	December 31,	
	2024	2023
Hungary	\$ 178,187	\$ -
Germany	167,320	162,966
Switzerland	166,046	-
Qatar	155,466	-
U.S.	115,749	130,000
Netherlands	98,237	195,841
United Kingdom	-	126,761
Other countries	78,419	-
	\$ 959,424	\$ 615,568

As of December 31, 2024, \$129,794 of a contract's transaction price was allocated to an unsatisfied performance obligation. The Company expects to recognize the revenue related to this performance obligation during 2025. As of December 31, 2023, there were no unsatisfied performance obligations that were not recorded within deferred revenue on the balance sheets.

Royalties

On June 1, 2012, the Company licensed certain intellectual property to a customer which included a royalty of 3% of product sales, subject to a minimum of \$50,000 per year through 2028. The minimum guaranteed royalties were recognized upon the execution of the license agreement as these proceeds were not variable consideration. The remaining minimum royalty payments to be received, less the portion which represents future interest expected to be received within 12 months is included in Accounts Receivable and the amounts expected to be received in future periods beyond 12 months are included in Accounts Receivable-Long term. Any royalties received in the future which are more than the minimum guaranteed royalty will be recognized when they are earned.

Consulting Revenue

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

In April 2023, the Company entered into a Statement of Work to develop a prototype version of the Company's catheter that is compatible with a GE Healthcare MRI system. The Company recognized \$60,000 and \$130,000 as consulting revenue during the years ended December 31, 2024 and 2023, respectively.

The Company also recognized \$55,749 in consulting revenue during the year ended December 31, 2024 related to work performed with a research institution utilizing the Company's MRI scanner.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – Summary of Significant Accounting Policies (cont.)

Contract Liabilities

In 2013, the Company licensed certain intellectual property to a customer in exchange for an upfront non-refundable license fee and milestone payments, which can total up to \$7,000,000. The Company collected \$6,000,000 of these milestone payments, including the non-refundable license fee, on or before October 2016. A total of \$373,333 of this amount is deferred as of December 31, 2024 and 2023. The customer sold the portion of the business which held this license in May 2018, and 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 as of December 31, 2024 and 2023.

The Company invoices its customers for product revenue and consulting revenue based on the billing schedules in its sales arrangements. Service contracts are billed up-front, prior to the services having been performed, and the associated deferred revenue is recognized over the term of the service contract period.

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, 2024 and 2023, the Company had total current and long-term contract liabilities of \$1,158,052 and \$1,377,662, respectively, of which \$1,098,533 and \$794,969 was included in long-term liabilities as of December 31, 2024 and 2023, respectively. A total of \$166,046 of the contract liability balance was also in accounts receivable on the balance sheets as of December 31, 2023. As of December 31, 2024, the Company expects to recognize \$12,780 of the balance included in long-term liabilities during 2026, and the remaining \$1,085,753 at an indeterminable time. The decrease in contract liabilities is due to recognition of revenue for completion of performance obligations that were included in contract liabilities at the beginning of the period.

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

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	\$ 1,377,662	\$ 516,211
Decrease from revenue recognized for completion of performance obligations that were included in contract liabilities at the beginning of the period included in:		
Product revenue	(166,046)	-
Service revenue	(24,879)	(21,406)
Consulting revenue	(55,749)	-
Increase for revenue deferred as the performance obligation has not been satisfied related to:		
Product revenue	-	768,937
Service revenue	27,064	58,171
Consulting revenue	-	55,749
Balance at the end of the year	<u>\$ 1,158,052</u>	<u>\$ 1,377,662</u>

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IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – Summary of Significant Accounting Policies (cont.)

Derivative Asset and Liability

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

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

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

Stock-Based Compensation

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

The Company’s policy is to account for forfeitures as they occur and compensation expense is recognized on a straight-line basis over the vesting period for awards with service and market conditions; for awards with performance conditions, expense is recognized for those that are probable of being achieved. Compensation expense is recognized for all awards over the vesting period to the extent the employees or directors meet the requisite service requirements, whether or not the award is ultimately exercised. Conversely, when an employee or director does not meet the requisite service requirements and forfeits the award prior to vesting, any compensation expense previously recognized for the award is reversed.

See **Note 10** for further details and assumptions used in the Black-Scholes pricing model.

Fair Value Measurement

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

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – Summary of Significant Accounting Policies (cont.)

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

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

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

The carrying value of financial assets and liabilities recorded at fair value is measured on a recurring or nonrecurring basis. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. The Company had no financial assets or liabilities carried and measured on a nonrecurring basis during the reporting periods. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis, based on the fair value hierarchy:

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	\$ -	\$ -	\$ 56,243	\$ 56,243
Total Other Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,243</u>	<u>\$ 56,243</u>
Long-term Liabilities				
Convertible note	\$ -	\$ -	\$ 19,869,700	\$ 19,869,700
Option and warrant liability	\$ -	\$ -	\$ 4,667,067	\$ 4,667,067
Total Long-term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,536,767</u>	<u>\$ 24,536,767</u>
	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	\$ -	\$ -	\$ 56,243	\$ 56,243
Total Other Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,243</u>	<u>\$ 56,243</u>
Long-term Liabilities				
Convertible note	\$ -	\$ -	\$ 8,453,300	\$ 8,453,300
Option and warrant liability	\$ -	\$ -	\$ 1,945,276	\$ 1,945,276
Total Long-term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,398,576</u>	<u>\$ 10,398,576</u>

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

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

As of December 31, 2024 and 2023, the recorded values of cash, prepaid expenses, accounts payable, and accrued expenses and other liabilities approximate their fair values due to the short-term nature of these items. As of December 31, 2023, the carrying value of the promissory note (Note 8) was a reasonable approximation of fair value.

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IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – Summary of Significant Accounting Policies (cont.)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Bioscience Innovation Grant

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

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

As of December 31, 2024 and 2023, BIG benefits of \$177,057 and \$164,428, respectively, were included in Prepaid expense and other current assets on the balance sheets. Income of \$325,332 and \$164,446 for the years ended December 31, 2024 and 2023, respectively, was included in government grant income on the statements of operations. The Company collected the full 2023 amount in January 2024, and \$73,791 of the 2024 amount in January 2025.

Recently Adopted Accounting Pronouncement

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. Adoption of the ASU did not materially impact the Company's financial statements. See Note 12 for further details.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect this ASU to have any impact on its financial position or operations but is currently assessing the impact on the financial statement disclosures.

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2024 and 2023

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

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

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)*. The amendment requires disaggregated disclosure of income statement expenses for public business entities (“PBEs”). The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2026. Early adoption is permitted. The Company is evaluating the disclosure requirements related to the new standard.

In November 2024, the FASB issued ASU 2024-04, *Debt – Debt with Conversion and Other Options (Subtopic 470-20)*, which amends ASC 470-20 to clarify the circumstances in which an entity is required to account for a settlement of a debt instrument as an induced conversion. The standard is effective for fiscal years beginning after December 15, 2025. Early adoption is permitted for all entities that have adopted the amendments in Update 2020-06. The Company is evaluating the disclosure requirements related to the new standard.

NOTE 2 – Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company incurred losses from operations and negative cash flows from operations for both of the years ended December 31, 2024 and 2023, and had an accumulated deficit as of December 31, 2024. These conditions raise substantial doubt about its ability to continue as a going concern for twelve months from the date the financial statements are available to be issued.

Until the Company is able to generate sustainable product revenues at profitable levels, the Company will be required to, and management plans to, raise additional working capital through an equity or debt offering. If the Company is not able to raise additional working capital, it would have a material adverse effect on the operations of the Company and may adversely impact the Company’s ability to achieve its intended business objectives. These financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2024	2023
Compensation	\$ 896,715	\$ 122,843
Firm inventory commitments	-	15,541
Other accruals	596,380	652,338
	<u>\$ 1,493,095</u>	<u>\$ 790,722</u>

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – Property and Equipment

As of December 31, property and equipment consisted of the following:

	December 31,	
	2024	2023
Office furniture and equipment	\$ 249,399	\$ 272,267
Lab and production equipment	2,416,607	2,143,096
Computer equipment	241,067	228,794
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,641,837	1,641,837
	<u>5,748,910</u>	<u>5,485,994</u>
Less: accumulated depreciation and amortization	(3,870,159)	(3,211,684)
	<u>\$ 1,878,751</u>	<u>\$ 2,274,310</u>

Depreciation expense was \$748,165 and \$707,545 for the years ended December 31, 2024 and 2023, 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. The lease was amended to increase the square footage and extend the term for five years. Upon commencement of the amended lease in March 2022, the Company recorded a right of use asset and lease liability of \$570,752. As part of the amendment, the landlord reimbursed the Company for \$35,041 in leasehold improvements.

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 of 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.

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

As the leases do not provide an implicit rate, the Company uses its 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, 2024 and 2023, the weighted average remaining lease term on operating leases was 4.5 and 5.4 years, respectively, and the weighted average discount rate was 5.6%. For the year ended December 31, 2024 and 2023, the operating cash outflows from operating leases was \$307,842 and \$283,076 respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – Leases (cont.)

As of December 31, 2024, maturities of the Company's operating lease liabilities are as follows:

2025	\$ 316,105
2026	325,197
2027	220,144
2028	173,167
2029	178,359
2030 and thereafter	75,228
Total lease payments	<u>1,288,200</u>
Less: interest	<u>(153,355)</u>
Present value of lease liabilities	1,134,845
Less: current portion	<u>(259,292)</u>
Operating lease liability, net of current portion	<u>\$ 875,553</u>

The cost components of the Company's operating leases for office and manufacturing space, which were included in general and administrative expenses on the statements of operations, were as follows for the years ended December 31, 2024 and 2023:

	December 31,	
	2024	2023
Operating lease cost	\$ 228,426	\$ 228,426
Variable lease cost	<u>156,450</u>	<u>142,038</u>
	<u>\$ 384,876</u>	<u>\$ 370,464</u>

Finance Lease Liability

On June 1, 2019, the Company entered into a sale leaseback agreement for the purchase of its MRI scanner (\$1,200,000) and related Service Agreement (\$500,000). The term of the lease was 36 months with a monthly rental payment of \$54,865 and an implied interest rate of 21.5%. The lease originally met the requirements to be classified as a financing obligation. It was considered a failed sale leaseback arrangement as the lease agreement included an option to repurchase the related assets for \$425,000 at the end of the lease term, which the Company deemed it was reasonably certain to do. On December 8, 2021, the Company executed a revised lease to extend the term of lease for an additional 24 months after the expiration of the original lease, with the Company owning the scanner outright at the conclusion of the extension term. Consequently, the lease no longer qualified as a financing obligation and was classified as a finance lease liability on the balance sheets beginning December 31, 2021. Beginning June 1, 2022, the start of the amended agreement term, the monthly rental payment was \$13,342 and the implied interest rate was 7.0%. During the years ended December 31, 2024 and 2023, the Company paid \$67,159 and \$161,181, respectively, on this finance lease liability, with \$1,160 and \$10,398, respectively, of the amount representing interest. As of December 31, 2024, there are no remaining payments on this lease.

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 was 5.4% and the term of the lease was four years. As of December 31, 2023, there were no remaining payments on the lease.

IMRICOR MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2024, the Company had accounts payable to two vendors that accounted for 14% and 13% of the total outstanding balance. For the year ended December 31, 2023, the Company had accounts payable to three vendors that accounted for 15%, 14% and 11% of the total outstanding balance.

Purchase Commitments

At December 31, 2024 and 2023, the Company had \$366,675 and \$475,800, respectively, in outstanding firm purchase commitments for raw materials inventory and prototype components used in research and development activities. As of December 31, 2024, payment of the purchase commitments is expected to be made within one year. During the years ended December 31, 2024 and 2023, the Company purchased \$109,767 and \$911,475, respectively, under firm purchase commitments outstanding at the beginning of the respective year.

Financing Obligation

The Company entered into an agreement to finance a portion of an annual insurance premium for the policy periods beginning August 2024 and 2023. The financing obligation is to be paid in 10 monthly installments of \$35,665 and \$62,012 beginning in September 2024 and 2023, respectively, and the stated interest rate is 7.91%. The remaining balance on the financing obligation is \$209,137 and \$422,866 as of December 31, 2024 and 2023, 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 \$269,541 and \$243,951 to these plans during the years ended December 31, 2024 and 2023, respectively.

Employment Agreements

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

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NOTE 7 – Convertible Notes with Warrants

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

The first tranche was issued on December 23, 2022. The Company received \$2,325,000 in gross proceeds from the issuance of the convertible note. The convertible note bears interest of 10% per annum, compounded annually. The interest accrued during the years ended December 31, 2024 and 2023 was \$256,311 and \$233,010, respectively. All or a portion of the principal is convertible into CHES Depositary Interests (“CDIs”, as described further in Note 10) at a price of \$0.2691 per share at the election of the holder following the 36 month anniversary of the closing date. All or a portion of accrued and unpaid interest is convertible into CDIs at a price of \$0.2563 per share at the election of the holder during the same time frame. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 12,849,949 CDIs. As of December 31, 2024, 10,568,963 CDIs would be issued if the principal and accrued interest were converted.

The second tranche was issued on March 28, 2023. The Company received \$2,675,000 of gross proceeds from the issuance of the convertible note. The second tranche is subject to the same terms as the first tranche. The interest accrued during the years ended December 31, 2024 and 2023 was \$287,874 and \$203,740, respectively. The maximum number of CDIs to be issued upon conversion of the principal and interest is no more than 14,784,350 CDIs. As of December 31, 2024, 11,858,662 CDIs would be issued if the principal and accrued interest were converted.

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

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

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

The convertible notes were recorded as a liability on the balance sheets at the dates of issuance. The following table provides a summary of change in fair value of the two tranches of the convertible notes for the years ended December 31:

	Total	Tranche 1	Tranche 2
Fair value at December 31, 2022	\$ 2,182,900	\$ 2,182,900	\$ -
Fair value of additions at issuance date	2,133,800	-	2,133,800
Fair value change in convertible note	4,136,600	1,781,900	2,354,700
Fair value at December 31, 2023	\$ 8,453,300	\$ 3,964,800	\$ 4,488,500
Fair value change in convertible note	11,416,400	5,305,100	6,111,300
Fair value at December 31, 2024	\$ 19,869,700	\$ 9,269,900	\$ 10,599,800

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NOTE 7 – Convertible Notes with Warrants (cont.)

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

	December 31, 2024	December 31, 2023	March 28, 2023
Expected dividend yield	0%	0%	0%
Expected stock-price volatility	88.1% - 89.4%	95.3% - 98.7%	90%
Risk-free interest rate	4.16% - 4.17%	3.91% - 3.94%	3.67%
Stock price	\$ 0.8416	\$ 0.3885	\$ 0.2045
Conversion price	\$ 0.2691	\$ 0.2691	\$ 0.2691

Significant assumptions used to determine the fair value of the convertible note include the estimated probability of a change in control event, which is based on management’s expectation of future transactions, and the volatility of the stock price, which is estimated based on both the Company’s own historical volatility as well as historic volatilities of traded shares from a selected publicly traded peer group, believed to be comparable after consideration of size, maturity, profitability, growth, risk and return on investment.

The Company evaluated the warrants under ASC 480, “Distinguishing Liabilities from Equity” and ASC 815. The warrants do not meet the characteristics for liability classification under either provision and as such are classified as equity under ASC 815. Given that the convertible notes were subject to fair value remeasurement, the fair value of the convertible notes was carved out from gross proceeds and the remainder of the gross proceeds of the first and second tranches of \$127,900 and \$541,200, respectively, was allocated to warrants. The warrants were recorded as Additional paid-in capital on the balance sheets at the dates of issuance. No subsequent remeasurement of the warrants is required.

Issuance costs attributable to the second tranche of the convertible note of \$10,160 were recorded as interest expense during the year ended December 31, 2023 given the fair value accounting treatment, in accordance with ASC 825-10-25-3. Issuance costs allocated to the second tranche warrant of \$413 were recorded in Additional paid-in capital given the equity classification of the warrants.

NOTE 8 – Promissory Notes

LIFT Loan

On January 6, 2023, the Company obtained a \$1,500,000 loan from the Bank of North Dakota under the North Dakota Commerce Department’s Innovation Technology Loan Fund (“LIFT”). The loan matures in five years and has an interest rate of 0% for the first three years and 2% for the next two years of the loan, with monthly interest payments due. The outstanding loan balance is due at maturity on January 6, 2028. As of December 31, 2023, the Company had drawn \$33,219 on the loan and the balance was included within long-term liabilities on the balance sheets. The balance was paid in full during the year ended December 31, 2024.

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

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NOTE 8 – Promissory Notes (cont.)

GGY Promissory Note

As part of the Agreement with GGY (discussed further in Note 9), the Company issued a promissory note in relation to its promise to pay a fee of \$600,000 Australian dollars within the first year of the Agreement's term. In the event the fee is not paid in full within the first year, interest will accrue on the unpaid portion at the Mortgage Free Business Finance Rate published by Westpac Banking Corporation, compounded monthly. The promissory note is revalued at each reporting date. As of December 31, 2023, the balance of the note was \$364,751 and is included within current liabilities on the balance sheets. During the year ended December 31, 2023, the Company settled \$66,738 Australian dollars on the promissory note by issuing 118,935 CDIs at an average price of \$0.56 Australian dollars per share. The remaining balance on the note, along with accrued interest of \$3,103, was paid in full during the year ended December 31, 2024.

NOTE 9 – Capital Commitments

On July 6, 2023, the Company entered into a Capital Commitment Agreement (“Agreement”) with GEM Global Yield LLC SCS (“GGY”), under the terms of which GGY has agreed to provide the Company with up to \$30 million Australian dollars through a Security Subscription Facility (the “Facility”) over a 3-year term. The Agreement allows the Company to draw down funds during the 3-year term by giving GGY 15 Australian Securities Exchange (“ASX”) trading days’ notice to subscribe for CDIs, subject to share lending arrangement(s) being in place. The number of CDIs which GGY may subscribe for is capped at 700% of the average daily number of CDIs traded on the ASX during the 15 trading days prior to the relevant drawdown notice, subject to certain adjustments. The subscription price of the CDIs to be issued to GGY is the higher of (i) 90% of the average closing bid price of the Company’s CDIs over the 15 consecutive trading days after the Company gives the drawdown notice, subject to certain adjustments; or (ii) a fixed floor price nominated by the Company in the drawdown notice. The Company controls the timing of drawdowns under the Facility and has no minimum drawdown obligation. The issue of CDIs to GGY pursuant to any drawdown notice will also be conditional on the Company having sufficient placement capacity under ASX Listing Rules 7.1 or 7.1A (as applicable) or obtaining any requisite securityholder approval for the issue.

The issuance date fair values of the financial instruments issued in connection with the Agreement and issuance costs of \$40,348 were recorded as a loss from capital commitment agreement on the statements of operations for the year ended December 31, 2023. Any subsequent changes in fair value of such instruments have been recorded in fair value change of financial instruments on the statements of operations.

The Agreement meets the definition of a derivative in accordance with ASC 815-10-15-83 and is measured at fair value. The following table provides a summary of the change in fair value of the derivative asset for the years ended December 31, 2024 and 2023:

Fair value at issuance date	\$ 63,354
Fair value change in derivative asset	(7,111)
Fair value at December 31, 2023	<u>56,243</u>
Fair value change in derivative asset	-
Fair value at December 31, 2024	<u>\$ 56,243</u>

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NOTE 9 – Capital Commitments (cont.)

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

	December 31, 2023	July 6, 2023
Expected stock-price volatility	104.1%	92.5%
Risk-free interest rate	4.03%	4.57%
Stock price (in Australian dollars)	\$ 0.5700	\$ 0.4450

The carrying value of the derivative asset as of December 31, 2024 is a reasonable approximation of fair value.

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

The following table provides a summary of the change in fair value of the options for the years ended December 31, 2024 and 2023:

Fair value at issuance date	\$ 920,550
Fair value change in options	372,210
Fair value at December 31, 2023	<u>1,292,760</u>
Fair value change in options	1,842,240
Fair value at December 31, 2024	<u><u>\$ 3,135,000</u></u>

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

	December 31, 2024	December 31, 2023	July 7, 2023
Expected dividend yield	0%	0%	0%
Expected stock-price volatility	85.4%	104.1%	92.5%
Risk-free interest rate	3.97%	3.67%	4.26%
Stock price	\$ 0.8455	\$ 0.3830	\$ 0.2997
Conversion price	\$ 0.3792	\$ 0.4172	\$ 0.4063

Since issuance, the Company has drawn \$444,922 Australian dollars on the Facility, and \$29,555,078 Australian dollars is available as of December 31, 2024. Converted to U.S. dollars using the exchange rate of \$1 Australian dollar to \$0.62 U.S. dollar as of December 31, 2024, these amounts are \$276,608 and \$18,374,392, respectively.

NOTE 10 – Stockholders' Equity

Capital Stock Authorized

As of both December 31, 2024 and 2023, the Board of Directors of the Company had authorized 560,000,000 shares of capital stock, consisting of 535,000,000 shares of common stock and 25,000,000 shares of preferred stock.

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NOTE 10 – Stockholders’ Equity (cont.)

Common Stock

The Australian Securities Exchange (“ASX”) uses an electronic system called CHESSE for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHESSE system of holding securities or electronic transfers of legal title to shares. To enable companies to have their securities cleared and settled electronically through CHESSE, depositary instruments called CHESSE 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 is held by a depositary, CHESSE Depositary Nominees Pty Ltd (“CDN”), which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement.

In July 2023, the Company completed an equity raise from a U.S. investor which consisted of 2,857,143 shares of common stock at \$0.35 per share for proceeds of \$981,766, net of expenses. In conjunction with the equity raise, the Company issued 428,571 warrants to purchase common stock at a price of \$0.60 per share. The accounting treatment of the warrants is discussed below.

In August 2023, the Company completed an equity raise with a mix of US, Australian and New Zealand investors, which consisted of 2,564,103 shares of common stock at \$0.39 per share for U.S. investors and 2,127,056 CDIs at \$0.61 Australian dollars per share for Australian and New Zealand investors for proceeds of \$1,816,939, net of expenses. In conjunction with the equity raise, the Company issued warrants to purchase common stock or CDIs, with 384,616 warrants to purchase common stock issued to U.S. investors at a price of \$0.60 per share and 319,068 warrants to purchase CDIs to Australian and New Zealand investors at a price of \$1.00 Australian dollars per share. The accounting treatment of the warrants is discussed below.

In September and October 2023, the Company completed two draws on the GGY Facility and issued a total of 961,868 shares of common stock at an average price of \$0.53 Australian dollars per share for proceeds of \$257,868, net of expenses and payments on the GGY promissory note.

In October 2023, the Company completed an equity raise with a mix of U.S., Australian and New Zealand investors, which consisted of 1,406,250 shares of common stock at \$0.32 per share for U.S. investors and 7,126,000 CDIs at \$0.50 Australian dollars per share for Australian and New Zealand investors for proceeds of \$2,676,957, net of expenses. In conjunction with the equity raise, the Company issued warrants to purchase common stock or CDIs, with 351,563 warrants to purchase common stock issued to U.S. investors at a price of \$0.60 per share and 1,781,500 warrants to purchase CDIs to Australian and New Zealand investors at a price of \$0.95 Australian dollars per share. The accounting treatment of the warrants is discussed below.

In February 2024, the Company completed a placement and institutional entitlement offer with a mix of U.S. and Australian investors which consisted of 3,766,666 shares of common stock at \$0.30 per share for U.S. investors and 14,069,396 CDIs at \$0.45 Australian dollars per share for Australian investors for proceeds of \$4,823,937, net of expenses.

The Company also completed a retail entitlement offer with Australian investors, which consisted of 1,419,069 CDIs at \$0.45 Australian dollars per share for proceeds of \$389,888, net of expenses in February 2024 and 14,378,862 CDIs at \$0.45 Australian dollars per share, for proceeds of \$3,996,793, net of expenses in April 2024.

In July and September 2024, the Company completed a two-tranche placement with a mix of Australian and U.S. investors, which consisted of 67,064,836 CDIs at \$0.52 Australian dollars per share and 242,857 shares of common stock at \$0.35 per share for U.S. investors for proceeds of \$21,791,209, net of expenses.

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NOTE 10 – Stockholders’ Equity (cont.)

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 stockholders, 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 Stock Option Plan (the “2016 Plan”), as the 2006 Plan was expiring. The terms of the 2016 Plan were the same as the 2006 Plan. In August 2018, the Board of Directors approved an increase of 500,000 shares to the option pool. On February 14, 2019, the Board of Directors terminated the 2016 Plan and approved the 2019 Equity Incentive Plan (the “2019 Plan”), reserving 11,418,500 shares of the Company’s common stock for the granting of incentive and nonqualified stock options, or other stock-based awards, to employees, directors and consultants. On June 4, 2019, the Board of Directors approved an increase of 2,000,000 shares to the option pool and provided that on the first day of each of the Company’s fiscal years during the term of 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 stockholders at the Annual Meeting on May 12, 2020. On January 14, 2021, the Board of Directors approved an increase of 844,471 shares to the option pool. On April 6, 2022, the Board of Directors approved an increase of 848,695 shares to the option pool. On April 4, 2023, the Board of Directors approved an increase of 7,929,130 shares to the option pool, which was approved by the stockholders at the Annual General Meeting on May 11, 2023. On February 14, 2024, the Board of Directors approved an increase of 6,488,279 shares to the option pool, which was approved by stockholders at the Annual Meeting on May 15, 2024.

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 U.S. dollars using the prevailing exchange rate. Generally, vesting terms of outstanding options range from immediate to four years. In addition, some options have been issued to the executive management team that vest upon completion of certain milestones, performance requirements, and market conditions; as of December 31, 2024, 16,735,354 of these options are issued and outstanding. For these performance-based awards, expense is recognized when it is probable the performance condition will be achieved. If at any point the Company determines that the performance condition is improbable, any previously recognized expense is reversed. Adjustments for forfeitures are recorded as they occur. In no event are the options exercisable for more than ten years after the date of grant. The Company issues new shares of common stock when stock options are exercised.

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NOTE 10 – Stockholders’ Equity (cont.)

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

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2022	12,913,186	\$ 0.64	
Exercised	-	-	
Forfeited	(1,362,978)	0.48	
Expired	(1,133,407)	0.71	
Granted	6,479,180	0.32	
Options outstanding - December 31, 2023	<u>16,895,981</u>	<u>\$ 0.47</u>	<u>\$ 1,575,274</u>
Options exercisable - December 31, 2023	<u>5,759,508</u>	<u>\$ 0.67</u>	<u>\$ 13,413</u>
Weighted average fair value of options granted during the year ended December 31, 2023		<u>\$ 0.15</u>	

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2023	16,895,981	\$ 0.47	
Exercised	-	-	
Forfeited	(148,750)	0.53	
Expired	(115,050)	0.82	
Granted	8,922,989	0.32	
Options outstanding - December 31, 2024	<u>25,555,170</u>	<u>\$ 0.42</u>	<u>\$ 12,066,510</u>
Options exercisable - December 31, 2024	<u>6,349,658</u>	<u>\$ 0.67</u>	<u>\$ 1,585,640</u>
Weighted average fair value of options granted during the year ended December 31, 2024		<u>\$ 0.24</u>	

As of December 31, 2024, the Company had 1,761,201 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding and exercisable was 7.62 and 4.83 years, respectively, as of December 31, 2024.

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

	2024	2023
Expected life	5.32 - 6.32 years	5.70 - 6.32 years
Volatility	90.19% - 91.69%	87.40% - 94.49%
Risk-free interest rate	4.05% - 4.35%	3.45% - 4.85%
Dividend yield	0%	0%

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NOTE 10 – Stockholders’ Equity (cont.)

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

Total stock-based compensation expense resulting from options is charged to the Company’s statements of operations as follows:

	December 31,	
	2024	2023
Cost of goods sold	\$ 11,191	\$ 24,329
Sales and marketing	(593)	79,475
Research and development	24,362	126,800
General and administrative	(27,115)	271,471
	<u>\$ 7,845</u>	<u>\$ 502,075</u>

The negative sales and marketing and general and administrative stock-based compensation expense on the statements of operations during the year ended December 31, 2024 is due to a change in probability of achievement for certain performance grants that were previously considered probable. This change resulted in the reversal of expense already taken until achievement becomes probable, in accordance with ASC 718, Stock Compensation. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company’s deferred income tax assets.

As of December 31, 2024, the total unrecognized compensation cost related to unvested stock options then outstanding was \$4,309,325. Future stock-based compensation expense is expected to be as follows for the years ending December 31:

2025	\$ 373,335
2026	173,657
2027	135,484
2028	64,098
Total related to options expected to vest	<u>746,574</u>
Performance grants not probable of achievement	3,562,751
Total unrecognized compensation expense	<u>\$ 4,309,325</u>

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

Issuance of additional options subsequent to December 31, 2024 could affect future expected amounts.

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NOTE 10 – Stockholders’ Equity (cont.)

Restricted Stock

On May 12, 2023, the Company granted 528,089 shares of restricted stock to its three independent board directors. The restricted stock vests annually over four years on the anniversary of the grant date, provided that the participant continuously provides services to the Company through the applicable vesting date. The fair market value on the date of grant was \$0.19 per share.

On May 15, 2024, the Company granted 315,946 shares of restricted stock to its three independent board directors. The restricted stock vests annually over four years on the anniversary of the grant date, provided that the participant continuously provides services to the Company through the applicable vesting date. The fair market value on the date of grant was \$0.30 per share.

A summary of activity related to time-based nonvested restricted stock grants during 2023 and 2024 is as follows:

	Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2022	298,297	\$ 0.28
Granted	528,089	0.19
Vested	(74,574)	0.28
Forfeited	-	-
Outstanding as of December 31, 2023	751,812	\$ 0.22
Granted	315,946	0.30
Vested	(206,597)	0.22
Forfeited	-	-
Outstanding as of December 31, 2024	861,161	\$ 0.25

Total stock-based compensation expense resulting from grants of restricted stock was \$60,924 and \$36,868 for the years ended December 31, 2024 and 2023, respectively, and is included in general and administrative expenses on the statements of operations. 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, 2024, the total unrecognized compensation cost related to unvested restricted stock was \$167,360. Future unrecognized stock-based compensation expense is expected to be as follows for the years ended December 31 thereafter:

2025	\$ 69,613
2026	56,179
2027	32,745
2028	8,823
Total	\$ 167,360

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NOTE 10 – Stockholders’ Equity (cont.)

Warrants

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

	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding - December 31, 2022	907,141	\$ 0.2563
Warrants issued	4,309,017	0.5201
Warrants exercised	-	-
Warrants expired/forfeited	-	-
Warrants outstanding - December 31, 2023	5,216,158	\$ 0.4742
Warrants issued	-	-
Warrants exercised	-	-
Warrants expired/forfeited	-	-
Warrants outstanding - December 31, 2024	5,216,158	\$ 0.4742
Warrants exercisable - December 31, 2024 and 2023	5,216,158	\$ 0.4742

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

Issuance costs attributable to the warrants classified as a liability of \$9,656 were expensed during the year ended December 31, 2023 given the fair value accounting treatment. Issuance costs allocated to the warrants classified as equity of \$4,335 were recorded in Additional paid-in capital as of December 31, 2023 given the equity classification of the warrants.

The following table provides a summary of change in fair value of the warrants classified as a liability for the year ended December 31, 2024 and 2023:

Fair value at issuance date	\$ 522,514
Fair value change in warrants	130,002
Fair value at December 31, 2023	652,516
Fair value change in warrants	879,551
Fair value at December 31, 2024	\$ 1,532,067

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

	December 31, 2024	December 31, 2023	October 23, 2023	August 14 and 15, 2023	July 14, 2023
Expected dividend yield	0%	0%	0%	0%	0%
Expected stock-price volatility	85.9% - 86.1%	86.7%	87.2%	87.3%	85.4%
Risk-free interest rate	4.37%	3.96%	4.70% - 4.86%	4.19% - 4.26%	3.83%
Stock price	\$ 0.8455	\$ 0.3830	\$ 0.2840	\$ 0.4079 - \$ 0.4298	\$ 0.2687
Conversion price	\$ 0.5906 - \$ 0.6217	\$ 0.6498 - \$ 0.6840	\$ 0.5995 - \$ 0.6000	\$ 0.6000 - \$ 0.6512	\$ 0.6000

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NOTE 11 – Income Taxes

As of December 31, 2024, the Company had generated approximately \$91,570,000 of net operating losses (“NOL”) for federal tax purposes. As a result of the Tax Cuts and Jobs Act, for U.S. income tax purposes, NOLs generated prior to December 31, 2017 can still be carried forward for up to 20 years, while NOLs generated after December 31, 2017 carryforward indefinitely, but are limited to 80% utilization against taxable income. Of the total federal NOL of \$91,570,000, \$18,662,000 will begin to expire in 2028 through 2037, and \$72,908,000 will not expire but will only offset 80% of future taxable income.

As of December 31, 2024, the Company had also generated approximately \$38,423,000 of state NOLs. The state NOLs can be carried forward for up to 15 years and are limited to 80% utilization against taxable income. The state NOLs will begin to expire in 2025 through 2039 if they are not used.

As of December 31, 2024, the Company had approximately \$2,124,000 of federal research and development (“R&D”) credit carryforwards available for federal tax purposes. As of December 31, 2024, the Company also had approximately \$1,121,000 of state R&D credit carryforwards available for Minnesota. The federal R&D credits carryforwards will begin to expire in 2028 through 2037, and the state R&D credits carryforwards will begin to expire in 2028 through 2039, if they are not used.

In assessing the realizability of deferred tax assets as of December 31, 2024 and 2023, the Company determined it is more likely than not that its net deferred tax assets will not be realized and the Company continues to maintain a valuation allowance for the full amount of the deferred tax assets.

Pursuant to Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Code”), annual use of the Company’s NOLs and R&D credit carryforwards may be limited if there is a cumulative change in ownership of greater than 50% within a three-year period. The amount of annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. If sufficiently limited, the related tax assets would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance.

In 2023, the Company completed an analysis of past equity offerings, and other transactions that had an impact on the Company’s ownership structure, for potential ownership changes under Sections 382 and 383 of the Code and concluded that the Company experienced ownership changes in 2009, 2011 and 2020. The analysis determined that there were limitations on the amount of pre-ownership change NOL carryforwards that can be utilized annually to offset future taxable incomes.

In 2024, the Company completed an analysis of equity offerings during the year, and other transactions that have an impact on the Company’s ownership structure, for potential ownership changes under Sections 382 and 383 of the Code and concluded no ownership changes were experienced during the year. The Company may experience subsequent ownership changes as a result of future equity offerings or other changes in the ownership of Company stock, some of which are beyond the Company’s control. Similar provisions of state tax law may also apply to limit the use of accumulated state tax attributes.

The Company conducts intensive research and experimentation activities, generating R&D tax credits for Federal and state purposes under Section 41 of the Code. The Company has not performed a formal study validating these credits claimed in the tax returns. Once a study is prepared, the amount of R&D tax credits available could vary from what was originally claimed on the tax returns.

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NOTE 11 – Income Taxes (cont.)

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

	2024	2023
Current:		
Federal	\$ -	\$ -
State	-	-
	-	-
Deferred:		
Federal	(6,686,000)	(4,594,000)
State	(260,000)	(737,000)
	(6,946,000)	(5,331,000)
Deferred tax asset valuation allowance	6,946,000	5,331,000
Total provision (benefit)	\$ -	\$ -

The provision for income taxes differs from the tax computed using the statutory U.S. federal income tax rate of 21% for the years ended December 31, 2024 and 2023 as a result of the following items:

	2024	2023
Tax at U.S. statutory rate	\$ (6,235,000)	\$ (4,751,000)
State tax expense, net of federal benefit	(393,000)	(472,000)
Permanent items and other	(87,000)	332,000
R&D credits, net	(205,000)	(312,000)
Fair value change in convertible note	(194,000)	-
Change in tax rate	168,000	(128,000)
Change in valuation allowance	6,946,000	5,331,000
Income tax expense	\$ -	\$ -

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

	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	\$ 22,204,000	\$ 19,514,000
Research and development credit carryforwards	3,010,000	2,683,000
Section 174 Capitalization of R&D	3,333,000	2,683,000
Stock-based compensation	360,000	359,000
Accrued expenses	291,000	339,000
Deferred revenue	254,000	313,000
Fixed assets	352,000	299,000
Fair value change of financial instruments	4,330,000	1,051,000
Gross deferred tax assets	34,134,000	27,241,000
Valuation allowance	(34,007,000)	(27,061,000)
Deferred tax assets, net	127,000	180,000
Deferred tax liabilities:		
Prepaid expenses and other assets	47,000	141,000
Foreign currency exchange	80,000	39,000
Net deferred tax assets (liabilities)	\$ -	\$ -

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NOTE 11 – Income Taxes (cont.)

The change in the valuation allowance was \$6,946,000 and \$5,331,000 for the years ended December 31, 2024 and 2023, respectively.

The Company has recognized a reserve of approximately \$810,000 and \$723,000 for uncertain tax positions which was recorded directly against the valuation allowance as of December 31, 2024 and 2023, respectively. If recognized, these benefits would favorably impact the effective tax rate.

The tax years from 2008 through December 31, 2024 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 statements of operations.

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

NOTE 12 – Segment Information

The Company sells capital equipment, which includes both Imricor-developed and third-party equipment, and consumable products, for use in Interventional Cardiac Magnetic Resonance Imaging ("iCMR") labs, and capital equipment maintenance service agreements.

Operating segments are defined as components of an enterprise about which separate discrete financial information is available for evaluation by the Chief Operating Decision Maker ("CODM") when making decisions regarding resource allocation and assessing performance. The Company's CODM is its Chief Executive Officer, who reviews consolidated financial results when making resource allocation decisions or evaluating Company performance. To date, the Company has viewed its operations and manages its business as one segment.

Significant expenses within loss from operations, as well as within net loss, include cost of goods sold, research and development, sales and marketing, and general and administrative expenses, which are each separately presented on the Company's statements of operations. Other segment items within net loss include interest income and expense, government grant income, foreign currency exchange gain (loss), fair value change of financial instruments, and other expense.

Revenues by region were as follows:

	December 31,	
	2024	2023
Europe	\$ 688,209	\$ 485,568
U.S.	115,749	130,000
Middle East	155,466	-
Total revenue by geography	<u>\$ 959,424</u>	<u>\$ 615,568</u>

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NOTE 12 – Segment Information (cont.)

Product revenue by type were as follows:

	December 31,	
	2024	2023
Equipment revenue	\$ 305,891	\$ 146,305
Consumable revenue	460,693	289,913
Total product revenue	\$ 766,584	\$ 436,218

Property and equipment is held in the following countries:

	December 31,	
	2024	2023
U.S.	\$ 1,198,383	\$ 1,623,999
Germany	206,084	251,746
Other foreign countries	474,284	398,565
	\$ 1,878,751	\$ 2,274,310

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

See Note 1 for further details on the Company's products and services, geographic areas, and major customers.

NOTE 13 – Subsequent Events

For the year ended December 31, 2024, the Company evaluated, for potential recognition and disclosure, events that occurred through the date the financial statements were available for issuance, February 26, 2025.

On February 6, 2025, a total of 163,935 options to purchase CDIs were exercised at \$0.61 Australian dollars per share for gross proceeds of \$62,410.

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