IMRICOR MEDICAL SYSTEMS, INC.

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2025

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 31 December 2024.

IMRICOR MEDICAL SYSTEMS, INC.

APPENDIX 4D (RULE 4.2A.3)

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2025

REPORTING PERIOD

Report for the half-year ended 30 June 2025
Corresponding period for the half-year ended 30 June 2024

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$USD	up/down	% movement
Revenue from ordinary activities	$196,875	down	(51.7)%
Profit (loss) after tax from ordinary activities attributable to members	($13,141,353)	up	91.6%
Net profit (loss) attributable to members	($13,141,353)	up	91.6%

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

Net tangible asset backing	30 June 2025 $USD	30 June 2024 $USD
Net tangible asset per share of common stock	$0.07	($0.03)

- **Independent Audit Review:**
  This report is based on the 2025 Half-Year Financial Statements which have been reviewed by BDO USA, P.C. with the Independent Auditor's Review Report included in the 2025 Half-Year Financial Statements.

- **Changes in control over entities:**
  Imricor B.V., a wholly owned subsidiary of Imricor Medical Systems, Inc., was formed on 11 March 2025, to engage in research and development activities. Expenses incurred for the half year ended 30 June 2025 related to Imricor B.V. are not material to the financial statements.

- **Details of dividends and dividend reinvestment plans:**
  No dividends have been declared or proposed.

- **Details of associates or joint ventures:**
  Not applicable

- **Set of accounting standards used in compiling the report:**
  The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) and are denominated in US dollars.

- **Details of audit disputes or audit qualification:**
  Not applicable

A commentary on the results for the period:

Total revenue for the period was $196,875 compared to $407,756 for the prior corresponding period ("PCP") due to decrease in product sales, largely driven by sales in the PCP of the Company's equipment and third-party equipment. Total product sales of $155,797 were down $173,731, or a 53% decrease, compared to the PCP.

The net loss for the period increased to $13,141,353 compared to $6,858,199 for the PCP due primarily to the change in fair value of the convertible note and derivative liability, which were partially offset by the foreign currency exchange gain. When adjusting for these items, net loss for the period was 26% more compared to the PCP, due to:

- Increases in personnel costs as the Company grew the sales and marketing team to fully staff our European field sales group and support upcoming key product launches of the second-generation products alongside our NorthStar Mapping System in Europe; and
- Timing of costs associated with the ongoing VISABL-AFL clinical trial and the start of the latest VISABL-VT clinical trial, and submissions with regulatory agencies as we obtained CE Mark approval of the second-generation products and continue to work towards FDA approval in the US.

	2025	2024
GAAP net loss	($13,141,353)	($6,858,199)
Plus (Less): Change in fair value	4,315,199	(1,026,484)
Less: Foreign currency gain	(1,159,494)	(9,783)
Adjusted net loss	($9,985,648)	($7,894,466)

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

IMRICOR MEDICAL SYSTEMS, INC.

Minneapolis, Minnesota

For the Six Months Ended June 30, 2025 and 2024

IMRICOR MEDICAL SYSTEMS, INC.

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Independent Auditor's Review Report

Stockholders and Board of Directors
Imricor Medical Systems, Inc.

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of Imricor Medical Systems, Inc. (the Company), which comprise the condensed consolidated balance sheet as of June 30, 2025, and the related condensed consolidated statements of operations, stockholders' equity (deficit) and cash flows for the six-month periods ended June 30, 2025 and 2024, and the related notes (collectively referred to as the interim financial information).

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

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Consolidated Balance Sheet as of December 31, 2024

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2024, and the related consolidated statements of in operations, changes in stockholders' equity (deficit), and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 26, 2025. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, P.C.

Minneapolis, Minnesota

August 25, 2025

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

As of June 30, 2025 and December 31, 2024

	June 30, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS		
Cash	$ 50,343,737	$ 15,707,739
Accounts receivable	254,725	345,342
Inventory	1,221,221	1,502,048
Prepaid expenses and other current assets	573,268	794,308
Total Current Assets	52,392,951	18,349,437
ACCOUNTS RECEIVABLE, LONG TERM	141,430	141,430
PROPERTY AND EQUIPMENT, NET	1,753,508	1,878,751
INVENTORY, LONG TERM	426,777	327,721
OTHER ASSETS	195,870	208,212
OPERATING LEASE RIGHT OF USE ASSETS	655,716	718,379
TOTAL ASSETS	$ 55,566,252	$ 21,623,930
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 404,933	$ 334,870
Accrued expenses	1,257,202	1,493,095
Current portion of contract liabilities	47,062	59,519
Current portion of operating lease liabilities	288,018	259,292
Current portion of financing obligation	-	209,137
Total Current Liabilities	1,997,215	2,355,913
LONG-TERM LIABILITIES		
Convertible notes	23,764,700	19,869,700
Option and warrant liabilities	4,794,122	4,667,067
Contract liabilities, net of current portion	1,085,753	1,098,533
Operating lease liabilities, net of current portion	753,492	875,553
Other long-term liabilities	90,987	134,197
Total Liabilities	32,486,269	29,000,963
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.0001 par value: 25,000,000 shares authorized and 0 shares outstanding as of both June 30, 2024 and December 31, 2023	-	-
Common stock, $0.0001 par value: 535,000,000 shares authorized as of both June 30, 2025 and December 31, 2024 and 320,446,352 and 270,175,766 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	32,045	27,018
Additional paid-in capital	178,469,008	134,875,666
Accumulated deficit	(155,421,070)	(142,279,717)
Total Stockholders' Equity (Deficit)	23,079,983	(7,377,033)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 55,566,252	$ 21,623,930

See accompanying notes to the condensed consolidated interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
For the Six Months Ended June 30, 2025 and 2024

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
REVENUES		
Product revenue	$ 155,797	$ 329,528
Service revenue	41,078	22,479
Consulting revenue	-	55,749
Total Revenues	196,875	407,756
COSTS AND EXPENSES		
Cost of goods sold	811,694	947,854
Sales and marketing	2,204,693	1,167,452
Research and development	5,762,807	3,798,616
General and administrative	2,529,797	2,555,261
Total Costs and Expenses	11,308,991	8,469,183
Loss from Operations	(11,112,116)	(8,061,427)
OTHER INCOME (EXPENSE)		
Interest income	481,892	28,579
Government grant income	658,546	148,276
Foreign currency exchange gain	1,159,494	9,783
Interest expense	(4,170)	(9,213)
Fair value change of financial instruments	(4,315,199)	1,026,484
Other expense	(9,800)	(681)
Total Other Income (Expense)	(2,029,237)	1,203,228
NET LOSS	$ (13,141,353)	$ (6,858,199)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.04)	$ (0.04)
Basic and diluted weighted average shares outstanding	296,574,416	190,666,603

See accompanying notes to the condensed consolidated interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (Unaudited)
For the Six Months Ended June 30, 2025 and 2024

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity (Deficit)
BALANCES, December 31, 2024	270,175,766	$ 27,018	$134,875,666	$(142,279,717)	$ (7,377,033)
Stock-based compensation expense	-	-	286,795	-	286,795
Issuance of common stock and restricted stock, net of fees	49,766,651	4,977	42,821,194	-	42,826,171
Exercise of options, net of fees	503,935	50	485,353	-	485,403
Net loss	-	-	-	(13,141,353)	(13,141,353)
BALANCES, June 30, 2025	320,446,352	$ 32,045	$178,469,008	$(155,421,070)	$ 23,079,983
BALANCES, December 31, 2023	168,918,134	$ 16,893	$103,816,628	$(112,586,886)	$ (8,753,365)
Stock-based compensation expense	-	-	(33,105)	-	(33,105)
Issuance of common stock and restricted stock, net of fees	315,946	32	(1,466)	-	(1,434)
Issuance of warrants, net of fees	33,633,993	3,363	9,207,255	-	9,210,618
Net loss	-	-	-	(6,858,199)	(6,858,199)
BALANCES, June 30, 2024	202,868,073	$ 20,288	$112,989,312	$(119,445,085)	$ (6,435,485)

See accompanying notes to the condensed consolidated interim financial statements.

IMRICOR MEDICAL SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Six Months Ended June 30, 2025 and 2024

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (13,141,353)	$ (6,858,199)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	361,674	369,526
Stock-based compensation expense	286,795	(33,105)
Loss (gain) on sale of property and equipment	1,438	(2,423)
Change in inventory reserves	214,719	32,427
Amortization of right-of-use assets	92,791	84,751
Services performed in exchange for property and equipment	-	(100,000)
Foreign currency exchange gain	(1,159,493)	(9,783)
Change in fair value of convertible notes	3,895,000	(677,200)
Change in fair value of derivative asset and option and warrant liabilities	420,199	(349,284)
Changes in assets and liabilities		
Accounts receivable	93,266	63,017
Inventory	(32,948)	264,273
Prepaid expenses and other assets	233,382	587,306
Accounts payable	4,581	(1,358,896)
Accrued expenses	(235,893)	322,228
Lease liabilities	(127,585)	(116,383)
Contract liabilities	(25,237)	(234,234)
Net Cash Flows used in Operating Activities	(9,118,664)	(8,015,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(236,685)	(38,723)
Proceeds from sale of property and equipment	-	3,000
Net Cash Flows used in Investing Activities	(236,685)	(35,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock and restricted stock	44,139,201	9,827,789
Issuance costs of common stock and restricted stock	(1,313,031)	(618,605)
Proceeds from exercise of options, net of expenses	192,260	-
Payments on finance lease liability	-	(65,999)
Payments on financing obligation	(209,137)	(422,866)
Net Cash Flows provided by Investing Activities	42,809,293	8,720,319
Net Change in Cash	33,453,944	668,617
CASH - Beginning of Period	15,707,739	831,522
Effect of foreign currency exchange rate changes on cash	1,182,054	3,123
CASH - End of Period	$ 50,343,737	$ 1,503,262
Supplemental cash flow disclosure		
Cash paid for interest	$ 4,169	$ 12,004
Noncash investing and financing activities		
Property and equipment included in accounts payable	$ 1,184	$ 6,411
Fair value adjustment for CDI options exercised	$ 293,143	$ -
Property and equipment obtained in exchange for services	$ -	$ 100,000
Operating lease right of use assets in exchange for operating lease liability	$ 30,128	$ -

See accompanying notes to the condensed consolidated interim financial statements.

NOTE 1 – Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Imricor Medical Systems, Inc. is a U.S.-based medical device company that, along with its wholly-owned subsidiary, Imricor B.V. (together, "Imricor" and the "Company"), 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 but expects to generate most of its future revenue from the sale of the MRI-compatible products it has developed for use in cardiac catheter ablation procedures (comprising single-use consumables and capital goods). The Company has obtained CE mark approval to place its key products on the market in the European Union under the European Union's Medical Device Regulation ("EU MDR"), including the Advantage-MR EP Recorder/Stimulator System, 2nd generation Vision-MR Ablation Catheter, Vision-MR Diagnostic Catheter, and NorthStar Mapping System.

The Company has prepared the accompanying unaudited condensed consolidated interim financial statements and notes in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the accompanying condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary to fairly present the Company's condensed consolidated interim financial information. The accompanying unaudited condensed consolidated balance sheet at December 31, 2024 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by U.S. GAAP for annual financial statements. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2024.

The Company's condensed consolidated interim financial statements and footnotes are presented in United States dollar amounts, unless otherwise noted, which is also the functional currency.

Cash

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

Accounts Receivable

Accounts receivable are unsecured, are recorded net of amounts expected for credit losses, and do not bear interest except if a revenue transaction has a significant financing component. The Company reviews the allowance for credit losses by considering factors such as historical experience, current economic conditions that may affect a customer's ability to pay, and reasonable and supportable forecasts. Payment is generally due 30 days from the invoice date. When all collection efforts have been exhausted, the account is written off against the related allowance. To date the Company has not experienced any significant write-offs or significant deterioration of its accounts receivable aging, and therefore, no allowance for credit losses was considered necessary as of June 30, 2025 or December 31, 2024.

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

The following table sets forth information related to current accounts receivable for the six months ended June 30:

	2025	2024
Balance at January 1	$ 345,342	$ 392,557
Decrease from accounts receivable collected	(149,102)	(175,238)
Increase for accounts receivable not yet collected	58,485	$ 94,799
Balance at June 30	$ 254,725	$ 312,118

During the six months ended June 30, 2025, the Company had sales from 2 customers that accounted for 53% and 32% of revenue and accounts receivable from 3 customers that represented 60%, 21%, and 17% of the accounts receivable balance at June 30, 2025. During the six months ended June 30, 2024, the Company had sales from 4 customers that accounted for 41%, 23%, 17%, and 14% of revenue and accounts receivable from 4 customers that represented 53%, 21%, 14%, and 12% of the accounts receivable balance at June 30, 2024.

Accounts receivable includes unbilled receivables of $44,424 as of June 30, 2025 and December 31, 2024 and $43,130 as of December, 31, 2023, which represents the current portion of minimum royalties due to the Company. The long-term accounts receivable relates to minimum royalties due to the Company beyond twelve months from the respective balance sheet date.

Inventory

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

	June 30, 2025	December 31, 2024
Inventory - Current Portion		
Raw materials	$ 323,081	$ 501,766
Work in process	212,563	228,396
Finished goods	685,577	771,886
Total Inventory - Current Portion	1,221,221	1,502,048
Inventory - Long-term		
Raw materials	330,777	231,721
Finished goods	96,000	96,000
Total Inventory - Long-term	426,777	327,721
Total Inventory	$ 1,647,998	$ 1,829,769

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

The Company utilizes estimates in determining the realizable value of its inventory, including the future revenue forecasts that will result in product sales. These estimates have a corresponding impact on the inventory values recorded as of June 30, 2025 and December 31, 2024. Management continually evaluates the likelihood of future sales based on current economic conditions, expiration timing of products, and product design changes prior to sale of product on hand. If actual conditions are less favorable than those the Company has projected, the Company may need to increase its reserves for excess and obsolete inventories. Any increases in 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 June 30, 2025 will result in recognition of cost of sales based on initial inventory costs, net of reserves taken for expected realization values. For the six months ended June 30, 2025 and 2024, the Company recorded inventory reserves of $214,719 and $32,427, respectively.

Property and Equipment

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

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

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

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

Research and Development Costs

The Company expenses research and development costs as incurred.

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

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 six months ended June 30, 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 condensed consolidated balance sheets and an equal reduction to sales and marketing expense on the condensed consolidated statements of operations.

Other Assets

Other assets on the condensed consolidated balance sheets include security deposits related to the Company's operating leases, an equity investment, a derivative asset, and a prepaid expense. The balance is made up of the following:

	June 30, 2025	December 31, 2024
Security deposit	$ 56,516	$ 52,597
Equity investment	69,560	69,560
Derivative asset	56,243	56,243
Prepaid expense	13,551	29,812
	$ 195,870	$ 208,212

The equity investment of $69,560 is held at cost. There have been no impairment losses or observable price changes recognized for the six months ended June 30, 2025 and 2024.

Patents

Expenditures for patent costs are charged to operations as incurred.

Income Taxes

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

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

Loss per Share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. The weighted average common shares outstanding were 296,574,416 and 190,666,603 for the six months ended June 30, 2025 and 2024, respectively.

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

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 options and warrants outstanding are anti-dilutive due to the net loss incurred and are not included in the diluted weighted average number of shares of common stock outstanding for the six months ended June 30, 2025 and 2024.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share for the six months ended June 30 because to do so would be anti-dilutive:

	2025	2024
Exercise of stock options	39,331,086	30,613,020
Conversion of convertible note	23,570,817	21,343,658
Exercise of warrant	5,216,158	5,216,158
Total	68,118,061	57,172,836

Foreign currency exchange gains (losses)

As of June 30, 2025, the Company had cash accounts denominated in Euros and Australian dollars, accounts payable that are denominated in Australian dollars and Euros, and accounts receivable denominated in Euros and Hungarian forint. 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. These assets and liabilities have been translated into U.S. dollars at period-end exchange rates. Foreign currency exchange gains of $1,159,494 and $9,783 for the six months ended June 30, 2025 and 2024, respectively, are included on the condensed consolidated statements of operations within other income (expense).

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.

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

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.

As of June 30, 2025 and December 31, 2024, $129,794 of a contract's transaction price was allocated to an unsaturated performance obligation. The Company expects to recognize the revenue related to this performance obligation during the remainder of 2025.

Royalties

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

Consulting Revenue

The Company recognizes revenue for consulting over time using the "as invoiced" practical expedient, except for in certain instances where billings are made in advance of the satisfaction of the performance obligations. The Company recognized $55,749 in consulting revenue during the six months ended June 30, 2024 related to work performed with a public research institution utilizing the Company's MRI scanner. No consulting revenue was recognized during the six months ended June 30, 2025.

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 and is included in long-term contract liabilities as of June 30, 2025 and December 31, 2024. 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 on the condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024.

The Company invoices its customers for product revenue and consulting revenue based on the billing schedules in its sales arrangements. Service contracts are billed in advance, 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 on the accompanying condensed consolidated balance sheets, with the contract liabilities to be recognized beyond one year being classified as non-current contract liabilities. As of June 30, 2025 and December 31, 2024, the Company had contract liabilities of $1,132,815 and $1,158,052, respectively, of which $1,085,753 and $1,098,533 was included in long-term liabilities as of June 30, 2025 and December 31, 2024, respectively. As of June 30, 2025, the Company expects to recognize the balance included in long-term liabilities 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 six months ended June 30:

	2025	2024
Balance at the beginning of the period	$ 1,158,052	$ 1,377,662
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	(28,396)	(12,439)
Consulting revenue	-	(55,749)
Increase for revenue deferred as the performance obligation has not been satisfied related to:		
Service revenue	3,159	-
Balance at the end of the period	$ 1,132,815	$ 1,143,428

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 8) meets the definition of a derivative and is recorded upon issuance within other assets on the condensed consolidated balance sheets at fair value. The derivative asset is revalued at each balance sheet date, with changes in fair value recorded on the condensed consolidated statements of operations as other income or expense. The Company estimates the fair value of the asset using the Monte Carlo Simulation model.

Also in connection with the Agreement with GGY, the Company issued 5,700,000 options which were determined to qualify as liabilities in accordance with Accounting Standards Codification ("ASC") 480-10, Distinguishing Liabilities from Equity and ASC 815-40, Derivatives and Hedging. Additionally, the Company issued warrants in connection with the equity raises in August and October 2023 (Note 9), where 2,100,568 warrants were determined to qualify as liabilities due to the exercise price being denominated in a currency other than the Company's functional currency. The result of this accounting treatment is that the options and warrants are recorded upon issuance as a liability on the condensed consolidated balance sheets at fair value and are revalued at each balance sheet date, with the change in fair value recorded on the condensed consolidated 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 8 and 9** 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 stock option awards granted to directors and employees. The fair value of stock options, including performance awards, without a market condition is estimated at the date of grant using the Black-Scholes option-pricing model. The fair value of stock options with a market condition is estimated at the date of grant using the Monte Carlo Simulation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield.

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

See **NOTE 9** for further details and assumptions regarding the Black-Scholes pricing model.

Fair Value Measurement

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

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 June 30, 2025			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	$ -	$ -	$ 56,243	$ 56,243
Total Other Assets	$ -	$ -	$ 56,243	$ 56,243
Long-term Liabilities				
Convertible note	$ -	$ -	$ 23,764,700	$ 23,764,700
Option and warrant liability	-	-	4,794,122	4,794,122
Total Long-term Liabilities	$ -	$ -	$ 28,558,822	$ 28,558,822

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Other Assets				
Derivative asset	$ -	$ -	$ 56,243	$ 56,243
Total Other Assets	$ -	$ -	$ 56,243	$ 56,243
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	$ -	$ -	$ 24,536,767	$ 24,536,767

The convertible note (Note 7), the derivative asset (Note 8), and the option and warrant liability (Notes 8 and 9) are recognized at fair value on a recurring basis at June 30, 2025 and December 31, 2024 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, 8 and 9** for further details and assumptions used in the respective pricing model.

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

As of June 30, 2025 and December 31, 2024, the recorded values of cash, prepaid expenses, accounts payable, contract liabilities, and accrued expenses and other liabilities approximate their fair values due to the short-term nature of these items.

Estimates

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

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 do not include grant accounting guidance related to transfers of assets from governments to business entities, therefore, the Company has elected to follow the grant accounting model in International Accounting Standard ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance. In accordance with IAS 20, the Company cannot recognize any income from the grant until there is reasonable assurance (similar to the "probable" threshold in 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 June 30, 2025 and December 31, 2024, the Company recorded BIG benefits of $248,432 and $177,057, respectively, in Prepaid expense and other current assets on the condensed consolidated balance sheets, and for the six months ended June 30, 2025 and 2024, $658,546 and $148,276, respectively, was recorded in government grant income on the condensed consolidated statements of operations. The Company collected the full balance as of June 30, 2025 in July 2025.

Recently Adopted Accounting Pronouncements

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

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. The Company adopted this standard as of January 1, 2025. The adoption of ASU 2024-01 has no material impact on the Company's condensed consolidated financial statements.

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

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs not discussed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated balance sheets or condensed consolidated statements of operations.

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 annual periods beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the disclosure requirements the new standard will have on the annual financial statements.

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. ASU No. 2025-01 amends the guidance to confirm that all public business entities must present the required expense-disaggregation disclosures in annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027. 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 – Liquidity

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.

At each reporting period, the Company evaluates whether conditions or events raise substantial doubt about its ability to continue as a going concern for one year after the date that the financial statements are available to be issued. In performing this evaluation, management considers the Company's current financial condition, results of operations, cash flows, contractual obligations, and its ability to obtain additional financing if needed.

As disclosed in the Company's financial statements for the year ended December 31, 2024, management concluded that substantial doubt existed about the Company's ability to continue as a going concern due to recurring operating losses, negative cash flows from operations, and the need to secure additional financing to fund operations beyond the then-current cash runway.

NOTE 2 – Liquidity (cont.)

For the six months ended June 30, 2025, the Company incurred net losses of $13,141,353, and negative cash flows from operating activities of $9,118,664. As of June 30, 2025, the Company had working capital of $50,395,735. Since December 31, 2024, the Company completed an equity raise which resulted in net proceeds of $42,827,577 (see Note 9), which has materially improved its liquidity and extended its projected cash runway.

Management has evaluated the principal conditions affecting the Company's liquidity, including recurring operating losses, negative cash flows, and contractual obligations due within the next 12 months. Based on this evaluation, management has concluded that the Company's existing working capital is sufficient to fund its operations for at least the 12-month period following the date these financial statements are available to be issued.

NOTE 3 – Property and Equipment

Property and equipment consisted of the following:

	June 30, 2025	December 31, 2024
Office furniture and equipment	$ 326,299	$ 249,399
Lab and production equipment	2,499,700	2,416,607
Computer equipment	304,974	241,067
MRI scanner	1,200,000	1,200,000
Leasehold improvements	1,641,837	1,641,837
	5,972,810	5,748,910
Less: accumulated depreciation and amortization	(4,219,302)	(3,870,159)
	$ 1,753,508	$ 1,878,751

Depreciation and amortization expense was $361,674 and $369,526 for the six months ended June 30, 2025 and 2024, respectively.

NOTE 4 – Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2025	December 31, 2024
Compensation	$ 529,416	$ 896,715
Other accruals	727,786	596,380
	$ 1,257,202	$ 1,493,095

NOTE 5 – Leases

Operating Leases

The Company entered into an operating lease for a vehicle in June 2025. The lease is set to expire in May 2027. Upon commencement of the lease, the Company recorded a right of use asset and a lease liability of $30,128.

Maturities of the Company's operating lease liabilities are as follows for the six months ending December 31, 2025 and the years ended December 31 thereafter:

2025	$ 169,031
2026	343,795
2027	227,433
2028	173,167
2029	178,359
2030 and thereafter	75,228
Total lease payments	1,167,013
Less: interest	(125,503)
Present value of lease liabilities	1,041,510
Less: current portion	(288,018)
Operating lease liability, net of current portion	$ 753,492

The cost components of the Company's operating leases for office and manufacturing space, which were included in general and administrative expenses on the condensed consolidated statements of operations, were as follows for the six months ended June 30:

	2025	2024
Operating lease cost	$ 114,213	$ 114,213
Variable lease cost	88,051	77,783
	$ 202,264	$ 191,996

Financing Leases

On June 1, 2019, the Company entered into a sale leaseback agreement for the purchase of its MRI scanner ($1,200,000) and related Service Agreement ($500,000). The term of the lease was 36 months with a monthly rental payment of $54,865 and an implied interest rate of 21.5%. The lease originally met the requirements to be classified as a financing obligation. It was considered a failed sale leaseback arrangement as the lease agreement included an option to repurchase the related assets for $425,000 at the end of the lease term, which the Company deemed it was reasonably certain to do. On December 8, 2021, the Company executed a revised lease to extend the term for an additional 24 months after the expiration of the original lease, with the Company owning the scanner outright at the conclusion of the extension term. Consequently, the lease no longer qualified as a financing obligation and was classified as a finance lease liability on the condensed consolidated balance sheets beginning December 31, 2021. Beginning June 1, 2022, the start of the amended agreement term, the monthly rental payment is $13,432 and the implied interest rate is 7.0%. As of June 30, 2024, there were no remaining lease payments outstanding on the finance lease.

NOTE 6 – Commitments and Contingencies

Vendor Concentration

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

At June 30, 2025, the Company had accounts payable to one vendor that accounted for 18% of the total outstanding balance. At December 31, 2024, the Company had accounts payable to two vendors that accounted for 14% and 13% of the total outstanding balance.

Purchase Commitments

At June 30, 2025 and December 31, 2024, the Company had $480,655 and $366,675, respectively, in outstanding firm purchase commitments for raw materials inventory and prototype components used in research and development activities. As of June 30, 2025, payment of the purchase commitments is expected to be made within one year. During the six months ended June 30, 2025 and 2024, the Company purchased $137,101 and $107,112, respectively, under firm purchase commitments outstanding at the beginning of the respective period.

Financing Obligation

The Company entered into an agreement to finance a portion of an annual insurance premium for the policy period beginning August 2024. The financing obligation was to be paid in 10 monthly installments of $35,665 beginning in September 2024, and the stated interest rate was 7.91%. As of June 30, 2025, there were no payments remaining to be paid.

Retirement Plan

The Company maintains retirement plans for its employees in which eligible employees can contribute a percentage of their compensation. The Company contributed $171,331 and $129,804 to these plans during the six months ended June 30, 2025 and 2024, respectively.

Employment Agreements

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

NOTE 7 – Convertible Notes with Warrants

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

The first tranche was issued on December 23, 2022. The Company received $2,325,000 in gross proceeds from the issuance of the convertible note. The convertible note bears interest of 10% per annum, compounded annually. The interest accrued during the six months ending June 30, 2025 and 2024 was $139,506 and $126,824, respectively. All or a portion of the principal is convertible into CHESS Depositary Interests ("CDIs", as described further in Note 9) at a price of $0.2691 per share at the election of the holder following the 36 month anniversary of the closing date. All or a portion of accrued and unpaid interest is convertible into CDIs at a price of $0.2563 per share at the election of the holder during the same time frame. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 12,849,949 CDIs. As of June 30, 2025, 11,113,272 CDIs would be issued if the principal and accrued interest were converted.

The second tranche was issued on March 28, 2023. The Company received $2,675,000 of gross proceeds from the issuance of the convertible note. The second tranche is subject to the same terms as the first tranche. The interest accrued during the six months ending June 30, 2025 and 2024 was $153,494 and $139,540, respectively. The maximum number of CDIs to be issued upon conversion of the principal amount and interest is no more than 14,784,350 CDIs. As of June 30, 2025, 12,457,545 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 CDI. The warrants expire five years after the dates of issuance.

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

The convertible notes were recorded as a liability on the condensed consolidated balance sheets at the dates of issuance. The following table provides a summary of change in fair value of the two tranches of the convertible notes during the six months ended June 30, 2025 and 2024:

	Total	Tranche 1	Tranche 2
Fair value at December 31, 2024	$ 19,869,700	$ 9,269,900	$ 10,599,800
Fair value change in convertible note	3,895,000	1,858,300	2,036,700
Fair value at June 30, 2025	$ 23,764,700	$ 11,128,200	$ 12,636,500

NOTE 7 – Convertible Notes with Warrants (cont.)

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

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

	June 30, 2025	December 31, 2024
Expected dividend yield	0%	0%
Expected stock-price volatility	74.4% - 76.4%	88.1% - 89.4%
Risk-free interest rate	3.71% - 3.77%	4.16% - 4.17%
Stock price	$ 0.9970	$ 0.8416
Conversion price	$ 0.2691	$ 0.2691

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

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

NOTE 8 – 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.

NOTE 8 – Capital Commitments (cont.)

The Agreement meets the definition of a derivative in accordance with ASC 815 and is measured at fair value. Any changes in fair value of such instruments have been recorded in fair value change of financial instruments on the condensed consolidated statements of operations. There was no change in fair value of the derivative asset for the six months ended June 30, 2025 or 2024.

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

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

The Company entered into a promissory note to pay GEM Yield Bahamas Limited a fee equal to two percent of the aggregate purchase price, being $600,000 Australian dollars ($399,660 U.S. dollars at issuance date). The fee was payable, whether or not any draw down notices have been delivered, within the first year of the Agreement's term. In the event the fee was not paid in full within the first year, interest would accrue on the unpaid portion at the Mortgage Free Business Finance Rate published by Westpac Banking Corporation, compounded monthly. The Company paid the remaining balance on the note, along with accrued interest, in July 2024.

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

No CDI Options were exercised during the six months ended June 30, 2024. A summary of activity related to the CDI Options during the six months ended June 30, 2025 is as follows:

Options outstanding at December 31, 2024	5,700,000
Exercise of options	(503,935)
Options outstanding at June 30, 2025	5,196,065

The following provides a summary of the change in fair value of the CDI options for the six months ended June 30, 2025 and 2024:

Fair value at December 31, 2024	$	3,135,000
Exercise of options		(293,143)
Fair value change in options		158,266
Fair value at June 30, 2025	$	3,000,123
Fair value at December 31, 2023	$	1,282,760
Fair value change in options		(279,870)
Fair value at June 30, 2024	$	1,002,890

NOTE 8 – Capital Commitments (cont.)

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

	June 30, 2025	December 31, 2024
Expected dividend yield	0%	0%
Expected stock-price volatility	76.8%	85.4%
Risk-free interest rate	3.35%	3.97%
Stock price	$ 0.9956	$ 0.8455
Conversion price	$ 0.3996	$ 0.3792

Since issuance, the Company has drawn $444,922 Australian dollars on the Facility, and $29,555,078 Australian dollars is available as of June 30, 2025. Converted to U.S. dollars using the exchange rate of $1 Australian dollar to $0.66 U.S. dollar as of June 30, 2025, these amounts are $291,424 and $19,358,576, respectively.

NOTE 9 – Stockholders' Equity

Capital Stock Authorized

As of June 30, 2025 and December 31, 2024, the Board of Directors of the Company had authorized 560,000,000 shares of capital stock, consisting of 535,000,000 shares of common stock and 25,000,000 shares of preferred stock.

Common Stock

The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHESS system of holding securities or electronic transfers of legal title to shares. To enable companies to have their securities cleared and settled electronically through CHESS, depositary instruments called CHESS Depositary Interests ("CDIs") are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CHESS Depositary Nominees Pty Ltd ("CDN"), which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement. One share of common stock is equivalent to one CDI.

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 14,069,369 CDIs at $0.45 Australian dollars per share for Australian investors for proceeds of $4,823,937 U.S. dollars, 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 February 2025, a total of 163,935 CDI Options were exercised at $0.61 Australian dollars per share for total proceeds of $61,419, net of expenses.

In March 2025, the Company completed an equity raise with Australian investors which consisted of 49,645,391 CDIs at $1.41 Australian dollars per share for proceeds of $42,827,577, net of expenses.

NOTE 9 – Stockholders' Equity (cont.)

In March 2025, a total of 340,000 CDI Options were exercised at $0.61 Australian dollars per share for total proceeds of $130,842, net of expenses.

Dividend Rights

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

Voting Rights

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

Stock Option and Equity Incentive Plans

The Company and its stockholders adopted a stock incentive plan (the "2006 Plan") in 2006. The 2006 Plan, as amended on January 26, 2011 by the shareholders, reserved 10,918,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options to employees, directors, and consultants. On May 22, 2016, the Company replaced the 2006 Plan with the 2016 Plan, as the 2006 Plan was expiring. The terms of the 2016 Plan were the same as the 2006 Plan. In August 2018, the Board of Directors approved an increase of 500,000 shares to the option pool. On February 14, 2019, the Board of Directors terminated the 2016 Plan and approved the 2019 Equity Incentive Plan, reserving 11,418,500 shares of the Company's common stock for the granting of incentive and nonqualified stock options or other Stock-Based Awards to employees, directors, and consultants. On June 4, 2019, the Board of Directors approved an increase of 2,000,000 shares to the option pool and provided that on the first day of each of the Company's fiscal years during the term of this 2019 Plan beginning in 2020, the number of shares of Common Stock available for issuance from time to time under this 2019 Plan will be increased by an amount equal to the lesser of (i) five percent (5%) of the aggregate number of shares reserved under this Plan on the last day of the immediately preceding fiscal year, and (ii) such number of shares determined by the Board (the "Annual Increase"). On April 20, 2020, the Board of Directors approved an increase of 3,470,925 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 12, 2020. On January 14, 2021, the Board of Directors approved an increase of 844,471 shares to the option pool. On April 6, 2022, the Board of Directors approved an increase of 848,695 shares to the option pool. On April 4, 2023, the Board of Directors approved an increase of 7,929,130 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 11, 2023. On February 14, 2024, the Board of Directors approved an increase of 6,488,279 shares to the option pool, which was approved by shareholders at the Annual Meeting on May 15, 2024. On February 17, 2025, the Board of Directors approved an increase of 7,650,000 shares to the option pool, which was approved by the shareholders at the Annual Meeting on May 14, 2025.

NOTE 9 – Stockholders' Equity (cont.)

Options are granted at a price equal to the closing sale price of a CDI as of the date of grant, converted from Australian dollars to 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 June 30, 2025, 24,914,305 of these options are issued and outstanding. For these performance-based awards, expense is recognized when it is probable the performance condition will be achieved. If at any point the Company determines that the performance condition is improbable, any previously recognized expense is reversed. Adjustments for forfeitures are recorded as they occur. In no event are the options exercisable for more than ten years after the date of grant. The Company issues new shares of common stock when stock options are exercised.

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

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2024	25,555,170	0.42	
Exercised	-	-	
Forfeited	-	-	
Expired	(19,100)	0.74	
Granted	8,598,951	1.06	
Options outstanding - June 30, 2025	34,135,021	$ 0.58	$ 15,648,824
Options exercisable - June 30, 2025	6,746,966	$ 0.66	$ 2,627,793

	Number of Option Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding - December 31, 2023	16,895,981	$ 0.47	
Exercised	-	-	
Forfeited	(134,050)	0.54	
Expired	(106,900)	0.81	
Granted	8,257,989	0.30	
Options outstanding - June 30, 2024	24,913,020	$ 0.42	$ 1,575,025
Options exercisable - June 30, 2024	6,076,558	$ 0.68	$ 26,000

As of June 30, 2025, the Company had 710,090 shares available for grant under the Plan.

The weighted average remaining contractual life of options outstanding and exercisable was 7.82 and 4.57 years, respectively, as of June 30, 2025.

NOTE 9 – Stockholders' Equity (cont.)

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

	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
Expected dividend yield	0%	0%
Expected stock-price volatility	86.0% - 88.0%	90.2% - 91.7%
Risk-free interest rate	4.14% - 4.38%	4.09% - 4.35%
Expected life	5.32 - 6.82 years	5.32 - 6.32 years
Weighted average fair value of options granted	$0.82	$0.23

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 in the six months ended June 30 as follows:

	2025	2024
Cost of goods sold	$ 13,583	$ (883)
Sales and marketing	52,337	(11,244)
Research and development	73,635	(4,403)
General and administrative	108,488	(42,463)
	$ 248,043	$ (58,993)

The negative expense during the six months ended June 30, 2024 is due to a change in probability of achievement for certain performance grants that were previously considered probable. This change resulted in the reversal of the expense already taken until achievement becomes probable, in accordance with ASC 718, Stock Compensation. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company's deferred income tax assets.

NOTE 9 – Stockholders' Equity (cont.)

As of June 30, 2025, the total unrecognized compensation cost related to unvested stock options was $11,098,299. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2025 and the years ended December 31 thereafter:

2025	$ 330,717
2026	391,591
2027	317,462
2028	139,314
2029	16,250
Total related to options expected to vest	1,195,334
Performance grants not currently probable of achievement	9,902,965
Total unrecognized compensation expense	$ 11,098,299

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 regulatory approval is obtained.

Issuance of additional options subsequent to June 30, 2025 could affect future expected amounts.

Restricted Stock

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

On May 14, 2025, the Company granted 121,260 shares of restricted stock to its three independent board directors. The restricted stock vests annually on the anniversary of the grant date, provided that the participant continuously provides services to the Company through the applicable vesting date. The fair market value on the date of grant was $1.07 per share.

Total stock-based compensation expense resulting from grants of restricted stock was $38,752 and $25,888 for the six months ended June 30, 2025 and 2024, respectively. No income tax benefits were recognized related to this compensation expense due to the full valuation allowance provided on the Company's deferred income tax assets.

A summary of activity related to time-based nonvested restricted stock grants during the six months ended June 30, 2025 and 2024 is as follows:

	Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2024	861,161	$ 0.25
Granted	121,260	1.07
Vested	(285,583)	0.34
Forfeited	-	-
Outstanding as of June 30, 2025	696,838	$ 0.39

NOTE 9 – Stockholders' Equity (cont.)

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

As of June 30, 2025, the total unrecognized compensation cost related to unvested restricted stock was $258,357. Future unrecognized stock-based compensation expense is expected to be as follows for the six months ended December 31, 2025, and the years ended December 31 thereafter:

	Total
2025	$ 51,376
2026	88,594
2027	65,160
2028	41,327
2029	11,900
Total	$ 258,357

Issuance of additional shares of restricted stock subsequent to June 30, 2025 could affect future expected amounts.

Warrants

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

	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding - December 31, 2024	5,216,158	$ 0.4742
Warrants issued	-	-
Warrants exercised	-	-
Warrants expired/forfeited	-	-
Warrants outstanding - June 30, 2025	5,216,158	$ 0.4742
Warrants exercisable - June 30, 2025	5,216,158	$ 0.4742

NOTE 9 – Stockholders' Equity (cont.)

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

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

The following table provides a summary of change in the fair value of the warrants classified as a liability for the six months ended June 30, 2025 and 2024:

Fair value at December 31, 2024	$ 1,532,067
Fair value change in warrants	261,932
Fair value at June 30, 2025	$ 1,793,999
Fair value at December 31, 2023	$ 652,516
Fair value change in warrants	(69,415)
Fair value at June 30, 2024	$ 583,101

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

	June 30, 2025	December 31, 2024
Expected dividend yield	0%	0%
Expected stock-price volatility	85.9%	85.9% - 86.1%
Risk-free interest rate	3.92%	4.37%
Stock price	$ 0.9956	$ 0.8455
Conversion price	$0.6223 - $0.6550	$0.5906 - $0.6217

NOTE 10 – Income Taxes

The effective tax rate for the six months ended June 30, 2025 and 2024 was zero percent. As a result of the analysis of all available evidence as of June 30, 2025 and December 31, 2024, the Company recorded a full valuation allowance on its net deferred tax assets. Consequently, the Company reported no income tax benefit during the six months ended June 30, 2025 and 2024. If the Company's assumptions change and the Company believes that it will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of future income tax expense. If the assumptions do not change, each period the Company could record an additional valuation allowance on any increases in the deferred tax assets.

NOTE 11 – Segment Information

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 views 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:

	2025	2024
Europe	$ 196,875	$ 352,007
U.S.	-	55,749
Total revenue by geography	$ 196,875	$ 407,756

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 six months ended June 30:

	2025	2024
Netherlands	$ 124,547	$ 19,783
Germany	62,514	98,985
Switzerland	-	166,046
US	-	55,749
Croatia	-	67,193
Other countries	9,813	-
	$ 196,874	$ 407,756

Product revenue by type were as follows:

	2025	2024
Consumable revenue	$ 134,986	$ 153,696
Equipment revenue	20,811	175,832
Total product revenue	$ 155,797	$ 329,528

NOTE 11 – Segment Information (cont.)

Property and equipment is held in the following countries:

	June 30, 2025	December 31, 2024
U.S.	$ 1,155,137	$ 1,198,383
Germany	221,550	206,084
Other foreign countries	376,821	474,284
	$ 1,753,508	$ 1,878,751

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, and major customers.

NOTE 12 – Subsequent Events

For the six months ended June 30, 2025, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the financial statements through August 25, 2025.

The One, Big, Beautiful Bill Act (the "Act") was signed into law in July 2025. The Act contains significant tax law changes with various effective dates affecting business taxpayers, including a permanent extension of the 21% flat corporate income tax rate which was previously set to expire after 2025. Among the other tax law changes that will impact the Company relate to the timing of certain tax deductions including depreciation expense, research and development expenditures and interest expense. The Company will implement the tax law changes for its next financial statements for the period ending December 31, 2025. The Company is still evaluating the potential impact of this new law.