Final Results for Year Ended 31 December 2019

April 21, 2020

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MaxCyte, Inc.
21 April 2020

MaxCyte, Inc.
("MaxCyte" or the "Company")

MaxCyte Reports Final Results for Year Ended 31 December 2019

Gaithersburg, Maryland - 21 April 2020: MaxCyte (LSE: MXCT), the global clinical-stage cell-based therapies and life sciences company, today announces its full-year audited results for the year ended 31 December 2019.

HIGHLIGHTS (including post-period-end highlights)
Financial

Key metrics	2019	2018	% change
Revenue	$21.6m	$16.7m	29.7%
Gross margin	88.4%	89.0%	(0.6%)
CARMA investment	($11.7m)	($6.5m)	79.3%
Total operating expenses	($31.5m)	($23.3m)	35.7%
EBITDA before CARMA*	$1.3m	($0.8m)	N/A
Net profit (loss) before CARMA investment	($1.2m)	($2.3m)	(50.0%)
Total assets	$30.0m	$24.3m	23.6%
Cash and cash equivalents, including short-term investments	$16.7m	$14.4m	15.7%

Information above is as of 31 December 2019 and 31 December 2018, respectively.

** Excluding associated non-cash stock-based compensation of $0.8m and $1.5m in 2018 and 2019, respectively. CARMA investment includes additional stock-based compensation of $0.5m and $0.3m in 2018 and 2019, respectively.*

- 2019 revenues increased nearly 30% year over year, ahead of prior market expectations:
  - Revenue growth accelerated by emergence of milestone revenue as fastest growing revenue stream
  - Revenue accelerated in the second half of 2019, totalling $13.2m, an increase of 36%

over the second half of 2018 ($9.7m)

- The Company's first positive operating results for the Life Sciences business, substantially ahead of expectations: $1.3m EBITDA before CARMA
- Significant medium and long-term upside from potential pre-commercial milestone payments resulting from partnered therapeutic programmes: currently nine commercial deals in place and more than $800m in potential milestones plus a share of commercial value
- Five-year revenue compounded annual growth rate ("CAGR") now 25%
- Successful fundraise of £10.0m (before expenses) completed on 01 March 2019. Cash at 31 December 2019, was $16.7m

Operational

- Significant commercial momentum in transformative therapies:
    - Five new clinical/commercial licences signed in 2019, including with industry leaders Kite (a Gilead Company), Editas Medicine, Vor Biopharma and KSQ Therapeutics
    - Allogene Therapeutics clinical/commercial licence signed on 24 March 2020, bringing total to nine
    - More than 100 cell therapy programmes licensed, more than 70 licensed for clinical use
- Leadership position further established in clinical non-viral cell engineering for off-the-shelf CAR-T immuno-oncology medicines and for inherited genetic diseases:
    - MaxCyte technology has enabled more than 15 clinical cell therapy programmes to-date for diseases spanning from blood cancers to solid tumors to inherited diseases and disorders
    - Of the first five US clinical trials utilising CRISPR gene-editing approaches for *ex vivo* gene modified cell therapy, four are using MaxCyte technology, creating new treatments for cancer and inherited genetic diseases
- Launched next generation ExPERT™ brand series of instruments and consumables:
    - Three instrument formats with enhanced design and functionality to support users from early research through commercial manufacture of approved therapeutics
    - Wider range of consumables that offer expanded utility from early research to clinical and commercial use
- MaxCyte's Phase I dose-escalation trial with MCY-M11, a wholly-owned, non-viral, mRNA-based cell therapy candidate under development by MaxCyte's CARMA™ Cell Therapies subsidiary, progressing well:
    - Fourth dosing cohort commenced according to plan in the first quarter of 2020
    - Clinical development of MCY-M11 will continue, however timelines may be impacted due to the COVID-19 global pandemic and the current deprioritisation of non-COVID-19 clinical trials and restrictions on patient recruitment at clinical trial sites. Preliminary clinical results are expected to be announced in H2 2020
- Appointment of adviser to facilitate independent investment and new partnerships for the CARMA platform

Commenting on the annual results, Doug Doerfler, CEO of MaxCyte, said: *"2019 was a year of outstanding progress across all areas of our business. Our Life Sciences business continued to exhibit strong growth, reflecting MaxCyte's leadership as an enabler of next-generation cell-based therapies and resulting in a period of financial outperformance.*

"Over the year we maintained progress with our lead CARMA candidate, MCY-M11, which is advancing through a Phase I clinical trial, demonstrating the feasibility of our one-day cell therapy

manufacturing process. We remain fully committed to the MCY-M11 clinical development programme, though are prepared for an impact on timelines due to delays caused by COVID-19 restrictions. In March 2020, dosing in the 4th cohort commenced according to schedule and at the higher dosing level. I am really proud of this achievement and would like to thank everyone involved in the trial to date.

"With unprecedented restrictions in place due to COVID-19, we remain mindful of the potential impact on revenues through slowdowns in customer operations or delays in clinical trials. However, we remain confident that MaxCyte has a resilient business model underpinned by strong recurring revenues and prospects for continued growth.

"We have every reason to remain highly optimistic for the future. I believe we will continue to see long-term momentum in MaxCyte's business as a whole and, notwithstanding the COVID-19 situation, I look forward to updating the market with our continued positive progress."

Conference call and webcast for analysts

A conference call for analysts and investors with Q&A will be held at 11:00 a.m. BST on Tuesday, 21 April 2020. The presentation will be available on the Investors section of MaxCyte's website at https://www.maxcyte.com/investors/

Dial-in details:
UK Participant dial-in: 0800 279 6619
International dial-in: +44 (0) 2071 928338
Participant code: 5093946

A replay file will be made available shortly afterwards via the Company website.

The Company anticipates mailing of the 2019 MaxCyte Annual Report in mid-May 2020.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014.

About MaxCyte

MaxCyte, the clinical-stage global cell-based therapies and life sciences company, uses its proprietary next-generation cell and gene therapies to revolutionise medical treatments and ultimately save lives. The Company's premier cell engineering enabling technology is currently being deployed by leading drug developers worldwide, including all of the top ten global biopharmaceutical companies. MaxCyte licences have been granted to more than 100 cell therapy programmes, with more than 70 licensed for clinical use, and the Company has now entered into nine clinical/commercial license partnerships with leading cell therapy and gene editing developers. MaxCyte was founded in 1998, is listed on the London Stock Exchange (AIM:MXCT) and is headquartered in Gaithersburg, Maryland, US. For more information, visit www.maxcyte.com.

For further information, please contact:

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

MaxCyte holds a global leadership position in the large drug discovery and rapidly-growing cell therapy markets. We are proud to help the world's leading pharmaceutical and biotechnology companies reach their discovery, development, manufacturing and commercialisation goals, particularly as the industry works together during the current coronavirus ("COVID-19") global pandemic. Our broad global customer base includes all ten of the top-ten pharma companies by revenue, and 20 of the top 25. MaxCyte has become the partner of choice for leading cellular therapy and gene-editing companies and is the industry standard non-viral approach to cell and gene therapy. Our technology, with the ExPERT™ brand series of commercially-oriented instruments and consumables at its core, continues to enable new therapies, which have the potential to transform the treatment of many challenging diseases.

Strong financial performance

MaxCyte had another strong financial year with a 30% increase in reported revenues over the previous year, positive EBITDA before CARMA in the Life Sciences business, and gross margins of approximately 88%. Our cash position was bolstered by a successful fundraise of £10.0m (before expenses) through a placing of new shares, ending the year with cash of $16.7m.

Inspiring partnerships

Using MaxCyte technology, our partners are exploring new methods of treatment for leukaemias, solid tumor cancers and genetic disorders such as sickle cell disease, as well as new approaches for patients suffering from autoimmune diseases. We are proud of our partnerships with industry-leading companies that are advancing new drugs, including cell-based and gene-edited therapies

for patients with high unmet medical needs. With our ExPERT platform, we enable the advancements of premier cell therapy and gene-editing leaders such as Kite Pharma (a Gilead Company), CRISPR Therapeutics, Precision BioSciences, Editas Medicine and Allogene Therapeutics. Of the first five US clinical trials with a CRISPR gene-editing approach for *ex vivo* gene modified cell therapy, four are using MaxCyte's technology to create new treatments for cancer and inherited genetic diseases. This demonstrates the value of MaxCyte's enablement of CRISPR/Cas9 therapies as a new class of transformative medicines to treat serious diseases.

There have been some notable examples of progress in recent months. In November 2019, MaxCyte partners, CRISPR Therapeutics and Vertex Pharmaceuticals, reported positive interim data at the American Society of Hematology (ASH) meeting from the first two patients enrolled in two Phase I/II trials assessing their CRISPR/Cas9 gene-edited therapy CTX001 for beta thalassaemia and sickle cell disease.

In December 2019, Precision BioSciences presented updated interim clinical data on its lead programme, PBCAR0191, a novel CD19-targeted allogeneic CAR-T therapy candidate. In January, Precision announced the acceptance of an investigational new drug application ("IND") by the US Food and Drug Administration (FDA) for a BCMA-targeted genome edited allogeneic CAR-T therapy candidate for multiple myeloma that is scheduled to begin dosing patients in 2020. With this IND approval, Precision BioSciences now has three genome edited allogeneic therapies in clinical-stage development.

An additional MaxCyte partner, Editas Medicine, also presented data at the ASH meeting in December 2019 on its EDIT-301 programme, an *ex vivo* gene editing-based asset for sickle cell disease. The data showed a clean off-target editing profile and robust (50%) fetal haemoglobin (HbF) induction upon engraftment in mice. The Company continues to rapidly advance this lead programme through IND-enabling activities.

All three of the above programmes are enabled by MaxCyte technology.

Value of licensing deals

MaxCyte licences have been granted to 100+ cell therapy programmes, 70+ for clinical use. Among the nine MaxCyte clinical and commercial licensing deals, seven were signed within the 14 months ending in December 2019. Our partnerships are structured for optimal benefit to both parties, with licenses - and relationships - that may last for 20 years and longer. Under the terms of our enabling-technology license agreements, the biological and cellular therapies our partners are developing deliver a series of milestone payments as those programmes enter the clinic and continue through clinical development and into the commercialisation of the therapy. For MaxCyte, milestone revenue streams have expanded significantly since our first commercial gene editing license in 2017, and are expected to continue to increase rapidly as our fastest-growing revenue stream. Of particular note, MaxCyte is set to receive significant milestones as anticipated clinical progress is made for the programmes of MaxCyte partners. Overall, MaxCyte has the

potential to receive more than $800m in pre-commercial milestones, plus a share of commercial value.

Expertise and understanding

MaxCyte continues to meet and support the unique needs of each of our partners as they develop therapies from the research stage to commercialisation to transform patient lives. Partners depend on our best-in-class suite of technology and capabilities, from the next generation ExPERT brand series of commercially-oriented instruments and disposables, to comprehensive field support, regulatory know-how, process control and more. We offer deep knowledge of what it takes to bring valuable and unique therapies to market. Because of our technology, expertise, and commitment, our partners have confidence that we can help them reduce risk and timelines, increase efficiency, and optimise the success of the therapies they are dedicated to delivering.

CARMA: Proprietary therapeutic platform

MaxCyte technology also drives our own therapeutic development programmes through CARMA, our proprietary therapeutic platform for next-generation CAR-based cancer treatments. At the start of 2020, MaxCyte established CARMA Cell Therapies as a wholly-owned subsidiary to facilitate independent investment and new partnerships to advance the CARMA platform. In support of this initiative, MaxCyte has retained Locust Walk, a global life science strategic advisory and transaction firm. The Company expects CARMA to be self-funded by end of 2020.

The fourth dosing cohort of the Phase I trial of MCY-M11 trial commenced in March 2020 as expected. CARMA Cell Therapies remains fully committed to the MCY-M11 clinical development programme, however timelines may be impacted due to global COVID-19 pandemic and the current deprioritisation of non-COVID-19 clinical trials and restrictions on patient recruitment at the two clinical trial sites. We currently anticipate preliminary clinical results in H2 2020.

We have great belief in the potential of MCY-M11 as a new, effective therapeutic in solid tumors, especially for individuals with limited treatment options. The clinical trial of MCY-M11 is designed to establish CARMA as a new autologous cell therapy platform for next-generation targeted cell-based immune therapies and, crucially, demonstrates the feasibility of our rapid clinical manufacturing process. We are enthusiastic about the overall potential of the CARMA programme to address some of the most significant issues with current CAR-T therapies, including challenging side effects as well as the complex, expensive, and time-consuming manufacturing processes found in viral-based CAR therapies.

During 2019, we made important additions to our CARMA team. In December, Shruti Abbato joined the Company as Executive Vice President, Business Development for CARMA Cell Therapies.

Ms. Abbato is leading the development of new partnerships for the Company's CARMA platform programmes. We were also pleased to welcome Dr. Dhana Chinnasamy, as Vice President, Non-Clinical and Translational Studies in July. Dr. Chinnasamy, an expert in the research and translation of gene and immunotherapies with more than 20 years of experience in the field, oversees all non-clinical and translational activities for MaxCyte's CARMA platform working closely with the clinical, regulatory, manufacturing, and business development teams in support of MaxCyte's clinical-stage therapeutic development.

COVID-19

MaxCyte's key priority in the current COVID-19 global pandemic is to ensure the health and safety of its employees, and to continue supporting its customers and partners. Since February 2020, we have successfully implemented business continuity plans, by adapting working protocols and shifts at our labs and facilities, as well as focusing on essential production and shipping activities to safeguard our employees and their dependents while maintaining service and support for customers.

Due to the unprecedented restrictions put in place around COVID-19, including global lockdowns, we have noted the potential negative impact on operations, as defined in our recent COVID-19 Business Update. This includes a potential impact on revenues for the Life Sciences business, and possible delays to the progress of our CARMA MCY-M11 Phase I clinical trial. However, we remain confident that, notwithstanding the emerging global slowdown in customer and hospital operations, MaxCyte has a resilient business model supported by a high proportion of recurring revenues and continuing opportunities for growth.

The opportunities to drive a new generation of cell therapies

We believe in the power of reprogramming cells to create therapies to revolutionise medical treatment and ultimately save lives. We are on the cusp of a new world of cell-based and gene-edited therapies, with a burgeoning of drug candidates in this space in the last two years alone. As the inventors of the premier cell engineering enabling technology, we are humbled by the opportunity to work in such an important area of human health with the leading scientists and clinicians in the world. Clearly, we are poised to continue our mission of helping to drive a new generation of cell therapies, bringing the promise of transformative treatments to life.

Outlook

In light of the global COVID-19 pandemic, we are working diligently to keep our team, partners and their families safe, while continuing to support our customers to enable important medical advancements with the potential to make significant impact on the lives of patients. Despite the current pandemic disruption we are well positioned, through a resilient business model delivering strong recurring revenues through licenses and consumables, to deliver revenue growth in the Life Sciences business in 2020. We have demonstrated our position as the non-viral transfection delivery platform of choice for the world's leading cell therapy companies in their development of commercial treatments. For all our markets, we believe there will continue to be opportunities to invest in and pursue expansion of our products and technologies within the Life Sciences business. In the coming period management will remain focused on delivering the potential of our CARMA

programme as we advance a new generation of CAR-based cancer treatments through the clinic and continue our plan to secure independent funding for the CARMA platform. MaxCyte's Board remains highly optimistic for the future.

Doug Doerfler
President and Chief Executive Officer

J. Stark Thompson, PhD
Non-Executive Chairman
21 April 2020

FINANCIAL REVIEW

The Company reported revenues of $21.6m in 2019, representing a 30% increase over the previous year and including 36% growth in the second half of 2019 compared to H2 2018. That growth extended our run of double-digit revenue growth, yielding a compound average revenue growth of 25% since 2014.

Gross margins remained stable at approximately 88% and EBITDA loss in 2019 remained in line with expectations at $10.1m. EBITDA before CARMA expenses and non-cash stock-based compensation was $1.3m, the Company's first positive operating result for the Life Sciences business. This significant improvement over prior years (2018 EBIDTA before CARMA loss of $0.8m) was driven by strong overall revenue growth, particularly from growth in milestone payments, which have no associated costs, and disciplined control of expenses.

Operating expenses increased to $31.5m reflecting the maturation of the CARMA programme, which accounted for $11.7m of 2019 operating expenses, compared to $6.5M in 2018, as the Company's first CARMA candidate MCY-M11 advanced in a Phase 1 trial through multiple patient cohorts. Operating expenses excluding CARMA increased 19% (compared to 30% revenue growth) to $19.8m compared to $16.7m in 2018 as the Company invested in field application scientist and product design and manufacturing staff, sales and marketing team, and marketing expenses. Hiring was weighted towards the second half of 2019, lessening cost increases in 2019, and which will have a full-year impact in 2020. The outlook for controlling costs to allow for breakeven EBITDA before CARMA in the coming year remains positive.

At year end 2019, total assets of the Company were $30.0m, compared to $24.3m in 2018. The increase in total assets was principally associated with a) the adoption of accounting guidance that requires the fair value of leases be presented on the balance sheet as offsetting Right-of-Use Asset and Lease Liability accounts, b) capital investments including those related to development of the ExPERT branded instruments and consumables, c) the associated increase in inventory for those new offerings, and d) proceeds from the March 2019 capital raise.

Cash and cash equivalents, including short-term investments, totalled $16.7m in 2019, compared

to $14.4m in 2018. The Company successfully raised £10.0m (before expenses) through a placing of new shares which completed on 01 March 2019.

Ron Holtz
Chief Financial Officer

21 April 2020

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
MaxCyte, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of MaxCyte, Inc. (the "Company") as of 31 December 2019 and 2018, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/CohnReznick LLP

We have served as the Company's auditor since 2018.

Tysons, Virginia

21 April 2020

MaxCyte, Inc.
Balance Sheets
(amounts in US dollars, except share amounts)

	31 December 2019	31 December 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 15,210,800	$ 11,248,000
Short-term investments, at amortised cost	1,497,800	3,191,000
Accounts receivable, net	3,244,500	4,904,500
Inventory	3,701,800	2,242,800
Other current assets	797,100	863,700
Total current assets	**24,452,000**	**22,450,000**
Property and equipment, net	3,280,100	1,817,900
Right-of-use assets	2,253,300	-
Total assets	**$ 29,985,400**	**$ 24,267,900**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,089,400	$ 1,032,100
Accrued expenses and other	3,551,600	3,091,200
Lease liability, current	508,900	-
Deferred revenue	3,193,200	2,449,300
Total current liabilities	**9,343,100**	**6,572,600**
Note payable, net of discount and deferred fees	4,895,300	5,056,300
Lease liability, net of current portion	1,807,100	-
Other liabilities	338,100	357,300
Total liabilities	**16,383,600**	**11,986,200**
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.01 par; 200,000,000 shares authorised, 57,403,583 and 51,332,764 shares issued and outstanding at 31 December 2019 and 2018, respectively.	574,000	513,300
Additional paid-in capital	96,433,700	82,279,300
Accumulated deficit	(83,405,900)	(70,510,900)
Total stockholders' equity	**13,601,800**	**12,281,700**
Liabilities and stockholders' equity	**$ 29,985,400**	**$ 24,267,900**

See accompanying notes to the financial statements.

MaxCyte, Inc.
Statements of Operations
For the Years Ended 31 December,
(amounts in US dollars, except share amounts)

	2019	2018
Revenue	**$ 21,620,700**	**$ 16,667,000**
Costs of goods sold	2,499,200	1,840,000
Gross profit	**19,121,500**	**14,827,000**
Operating expenses:		
Research and development	17,601,200	11,244,000
Sales and marketing	7,852,100	6,723,700
General and administrative	6,088,200	5,284,200
Total operating expenses	**31,541,500**	**23,251,900**
Operating loss	**(12,420,000)**	**(8,424,900)**
Other income (expense):		
Interest and other expense	(681,100)	(614,600)
Interest and other income	206,100	170,300
Total other income (expense)	**(475,000)**	**(444,300)**
Net loss	**$ (12,895,000)**	**$ (8,869,200)**
Basic and diluted net loss per common share	**$ (0.23)**	**$ (0.17)**
Weighted average common shares outstanding, basic and diluted	**56,397,524**	**51,182,402**

See accompanying notes to the financial statements.

MaxCyte, Inc.
Statement of Changes in Stockholders' Equity
For the Years Ended 31 December,
(amounts in US dollars)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance 01 January 2018	**50,896,376**	**$ 509,000**	**$80,729,400**	**$ (61,641,700)**	**$ 19,596,700**
Stock-based compensation expense	-	-	1,324,200	-	1,324,200
Exercise of stock options	436,388	4,300	225,700	-	230,000
Net loss	-	-	-	(8,869,200)	(8,869,200)
Balance 31 December 2018	**51,332,764**	**$ 513,300**	**$ 82,279,300**	**$ (70,510,900)**	**$ 12,281,700**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance 01 January 2019	**51,332,764**	**$ 513,300**	**$ 82,279,300**	**$ (70,510,900)**	**$ 12,281,700**
Issuance of stock in public offering	5,908,319	59,100	12,271,200	-	12,330,300
Stock-based compensation expense	-	-	1,752,100	-	1,752,100
Exercise of stock options	162,500	1,600	131,100	-	132,700
Net loss	-	-	-	(12,895,000)	(12,895,000)
Balance 31 December 2019	**57,403,583**	**$ 574,000**	**$ 96,433,700**	**$ (83,405,900)**	**$ 13,601,800**

See accompanying notes to the financial statements.

MaxCyte, Inc.
Statements of Cash Flow
For the Years Ended 31 December,
(amounts in US dollars)

	2019	2018
Cash flows from operating activities:		
Net loss	$ (12,895,000)	$ (8,869,200)
Adjustments to reconcile net loss to net cash used in operating activities:		

Depreciation and amortisation	613,500	344,000
Net book value of consigned equipment sold	25,000	45,600
Loss on disposal of fixed assets	1,700	-
Fair value adjustment of liability classified warrant	14,000	-
Stock-based compensation	1,752,100	1,324,200
Bad debt expense	54,200	164,000
Amortisation of discounts on short-term investments	(32,600)	(67,600)
Non-cash interest expense	51,900	29,100
Changes in operating assets and liabilities:		
Accounts receivable	1,592,000	(1,947,900)
Inventory	(1,890,200)	(1,289,700)
Other current assets	66,600	(197,900)
Right-of-use and other assets	474,600	-
Accounts payable and accrued expenses	1,160,200	(464,000)
Lease liability	68,600	-
Deferred revenue	795,900	469,200
Other liabilities	(655,000)	(27,200)
Net cash used in operating activities	(8,802,500)	(10,487,400)
Cash flows from investing activities:		
Purchases of short-term investments	(7,424,100)	(12,673,400)
Maturities of short-term investments	9,149,900	9,550,000
Purchases of property and equipment	(1,271,300)	(709,700)
Net cash provided by (used in) investing activities	454,500	(3,833,100)
Cash flows from financing activities:		
Net proceeds from sale of common stock	12,330,300	-
Borrowings under notes payable	4,953,300	283,700
Principal payments on notes payable	(5,105,500)	(283,700)
Proceeds from exercise of stock options	132,700	230,000
Principal payments on capital leases	-	(3,200)
Net cash provided by financing activities	12,310,800	226,800
Net (decrease) increase in cash and cash equivalents	3,962,800	(14,093,700)
Cash and cash equivalents, beginning of year	11,248,000	25,341,700
Cash and cash equivalents, end of year	$ 15,210,800	$ 11,248,000
Supplemental cash flow information:		
Cash paid for interest	$ 669,600	$ 784,400
Supplemental non-cash information:		
Property and equipment purchases included in accounts payable	$ 399,900	$ 256,300
Issuance of warrants in conjunction with debt transaction	$ 60,700	$ -

See accompanying notes to the financial statements.

1. Organization and Description of Business

MaxCyte, Inc. (the "Company" or "MaxCyte") was incorporated as a majority owned subsidiary of EntreMed, Inc. ("EntreMed") on 31 July 1998, under the laws and provisions of the state of Delaware, and commenced operations on 01 July 1999. In November 2002, MaxCyte was recapitalised and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company utilizing its proprietary cell engineering technology to enable the programmes of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, and in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and technology, and sells its consumables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing. In early 2020, the Company established a wholly owned subsidiary as part of its continued development of CARMA, MaxCyte's proprietary, mRNA-based, clinical-stage, immuno-oncology cell therapy.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Certain prior period amounts have been reclassified to conform with current period presentation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 amount of revenues and expenses during the reporting period. In the accompanying financial statements, estimates are used for, but not limited to, revenue recognition, stock-based compensation, allowance for doubtful accounts, allowance for inventory obsolescence, accruals for contingent liabilities, accruals for clinical trials, deferred taxes and valuation allowance, and the depreciable lives of fixed assets. Actual results could differ from those estimates.

Concentration

During the year ended 31 December 2019, one customer represented 10% of revenue and 1% of net accounts receivable at 31 December 2019. During the year ended 31 December 2018, one customer represented 11% of revenue and 14% of net accounts receivable at 31 December 2018.

During the year ended 31 December 2019, the Company purchased approximately 56% of its inventory from a single supplier. During the year ended 31 December 2018, the Company purchased approximately 73% of its inventory from two suppliers. As of 31 December 2019, and 2018, amounts payable to these suppliers totalled 25% and 26% of total accounts payable, respectively.

Foreign Currency

The Company's functional currency is the US dollar; transactions denominated in foreign currencies are transacted at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in foreign currency is consummated and the date on which it is either settled or at the reporting date are recognised in the Statements of Operations as general and

administrative expenses. The Company recognised $24,700 and $8,000 of foreign currency transaction losses for the years ended 31 December 2019 and 2018, respectively.

Fair Value

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. US GAAP establishes a hierarchical disclosure framework which prioritises and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1-Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2-Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.

- Level 3-Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

See Note 6 for additional information regarding fair value.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of financial instruments including money market funds and commercial paper with original maturities of less than 90 days. Short-term investments consist of commercial paper with original maturities greater than 90 days and less than 1 year. All money market funds, and commercial paper are recorded at amortised cost unless they are deemed to be impaired on an other-than-temporary basis, at which time they are recorded at fair value using Level 2 inputs.

The following table summarises the Company's investments at 31 December 2019:

Description	Classification	Amortised cost	Gross unrecognised holding gains	Gross unrecognised holding losses	Aggregate fair value
		$	$	$	$
Money market funds	Cash equivalents	10,037,000	-	-	10,037,000
Commercial Paper	Cash equivalents	1,399,700	-	-	1,399,700
Commercial Paper	Short-term investments	1,497,800	400	-	1,498,200
		$	$	$	
Total Investments		12,934,500	400	-	$ 12,934,900

The following table summarises the Company's investments at 31 December 2018:

Description	Classification	Amortised cost	Gross unrecognised holding gains	Gross unrecognised holding losses	Aggregate fair value
		$	$	$	$
Money market funds	Cash equivalents	5,945,200	-	-	5,945,200

Commercial Paper	Cash equivalents	3,455,700	500	-	3,455,700
Commercial Paper	Short-term investments	3,191,000	500	-	3,191,000
		$	$	$	$
Total Investments		12,591,900	1,000	-	12,592,900

At times the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk.

Inventory

The Company sells or licenses products to customers. The Company uses the average cost method of accounting for its inventory and adjustments resulting from periodic physical inventory counts are reflected in costs of goods sold in the period of the adjustment. Inventory consisted of the following at:

	31 December 2019	31 December 2018
		$
Raw materials inventory	$ 1,318,600	884,200
Finished goods inventory	2,383,200	1,358,600
		$
Total Inventory	$ 3,701,800	2,242,800

The Company determined no allowance for obsolescence was necessary at 31 December 2019 or 2018.

Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The Company recorded an allowance of $117,200 and $239,000 at 31 December 2019 and 2018, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method. Office equipment (principally computers) is depreciated over an estimated useful life of three years. Laboratory equipment is depreciated over an estimated useful life of five years. Furniture is depreciated over a useful life of seven years. Leasehold improvements are amortised over the shorter of the estimated lease term or useful life. Instruments represent equipment held at a customer's site that is typically leased to customers on a short-term basis and is depreciated over an estimated useful life of five years.

Property and equipment includes capitalised costs to develop internal-use software. Applicable costs are capitalised during the development stage of the project and include direct internal costs, third-party costs and allocated interest expenses as appropriate.

Property and equipment consist of the following:

	31 December 2019	31 December 2018
Furniture and equipment	$ 2,311,800	$ 1,743,200
Instruments	1,223,700	735,600
Leasehold improvements	635,100	280,600
Internal-use software under development	30,300	666,700
Internal-use software	1,277,300	28,300
Accumulated depreciation and amortisation	(2,198,100)	(1,636,500)
Property and equipment, net	$ 3,280,100	$ 1,817,900

For the years ended 31 December 2019 and 2018, the Company transferred $571,000 and $393,900, respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the years ended 31 December 2019 and 2018, the Company incurred depreciation and amortisation expense of $613,500 and $344,000 respectively. Maintenance and repairs are charged to expense as incurred.

In the years ended 31 December 2019 and 2018, the Company capitalised approximately $13,800 and $17,300, respectively, of interest expense related to capitalised software development projects.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Company recognised no impairment in either of the years ended 31 December 2019 or 2018.

Revenue Recognition

The Company analyses contracts to determine the appropriate revenue recognition using the following steps: (i) identification of contracts with customers, (ii) identification of distinct performance obligations in the contract, (iii) determination of contract transaction price, (iv) allocation of contract transaction price to the performance obligations and (v) determination of revenue recognition based on timing of satisfaction of the performance obligations.

In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

The Company recognises revenue upon the satisfaction of its performance obligation (generally upon transfer of control of promised goods or services to its customers) in an amount that reflects the consideration to which it expects to be entitled in exchange for

those goods or services.

The Company defers incremental costs of obtaining a customer contract and amortises the deferred costs over the period that the goods and services are transferred to the customer. The Company had no material incremental costs to obtain customer contracts in any period presented.

Deferred revenue results from amounts billed in advance to customers or cash received from customers in advance of services being provided.

Research and Development Costs

Research and development costs consist of independent proprietary research and development costs and the costs associated with work performed by third parties. Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company grants stock-based awards in exchange for employee, consultant and non-employee director services. The value of the award is recognised as expense on a straight-line basis over the requisite service period.

The Company utilises the Black-Scholes option pricing model for estimating fair value of its stock options granted. Option valuation models, including the Black-Scholes model, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant-date fair value of an award. These assumptions include the expected volatility, expected dividend yield, risk-free rate of interest and the expected life of the award. A discussion of management's methodology for developing each of the assumptions used in the Black-Scholes model is as follows:

Expected volatility

Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company does not currently have sufficient history with its common stock subsequent to its 2016 initial public offering to determine its actual volatility. The Company has been able to identify several public entities of similar size, complexity and stage of development; accordingly, historical volatility has been calculated at between 48% and 50% for the year ended 31 December 2019 and between 47% and 48% for the year ended 31 December 2018 using the volatility of these companies.

Expected dividend yield

The Company has never declared or paid common stock dividends and has no plans to do so in the foreseeable future. Additionally, the Company's long-term debt agreement restricts the payment of cash dividends.

Risk-free interest rate

This approximates the US Treasury rate for the day of each option grant during the year, having a term that closely resembles the expected term of the option. The risk-free interest rate was between 1.6% and 2.6% for the year ended 31 December 2019 and 2.7% and 3.0% for the years ended 31 December 2018.

Expected term

This is the period that the options granted are expected to remain unexercised. Options granted have a maximum term of ten years. The Company estimates the expected term of the options to be 6.25 years for options with a standard four-year vesting period, using the simplified method. Over time, management intends to track estimates of the expected term of the option

term so that estimates will approximate actual behaviour for similar options.

Expected forfeiture rate
The Company records forfeitures as they occur.

Income Taxes
The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that all or a portion of the deferred tax asset will not be realised.

Management uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognised, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognises interest and penalties accrued on any unrecognised tax exposures as a component of income tax expense. The Company has not identified any uncertain income tax positions that could have a material impact to the financial statements.

The Company is subject to taxation in various jurisdictions in the United States and abroad and remains subject to examination by taxing jurisdictions for 2015 and all subsequent periods. The Company had a Federal Net Operating Loss ("NOL") carry forward of $48.9m as of 31 December 2019, which was generally available as a deduction against future income for US federal corporate income tax purposes, subject to applicable carryforward limitations. As a result of the March 2016 initial public offering, the Company's NOLs are limited on an annual basis, subject to certain carryforward provisions, pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a greater than 50% change in ownership that occurred in the three-year period ending at the time of the March AIM IPO. The Company has calculated that for the period ending 31 December 2022, the cumulative limitation amount exceeds the NOLs subject to the limitation.

Leases
Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. In transactions where the Company is the lessee, at the inception of a contract, the Company determines if the arrangement is, or contains, a lease. Operating lease ROU assets and liabilities are recognised at commencement date based on the present value of lease payments over the lease term. Rent expense is recognised on a straight-line basis over the lease term.

The Company has made certain accounting policy elections for leases where it is the lessee whereby the Company (i) does not recognise ROU assets or lease liabilities for short-term leases (those with original terms of 12-months or less) and (ii) combines lease and non-lease elements of its operating leases. Operating lease liabilities are included in other current and non-current liabilities in the Company's balance sheet at 31 December 2019. As of 31 December 2019, the Company did not have any finance leases. See Note 9 for further discussion.

All transactions where the Company is the lessor are short-term (one year or less) and have been classified as operating leases. All leases require upfront payments covering the full period of the lease and thus, there are no future payments expected to be received from existing leases. See Note 3 for details over revenue recognition related to lease agreements.

Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options and stock purchase warrants using the treasury stock method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares, consisting of stock options and stock purchase warrants, which has been excluded from the computation of diluted loss per share, was 10.4m and 8.4m for the years ended 31 December 2019 and 2018, respectively.

Recent Accounting Pronouncements

Recently Adopted

On 01 January 2019, the Company adopted new guidance addressing the accounting for leases. The Company adopted this guidance using a modified retrospective method. The Company elected certain practical expedients including retaining the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date. Additionally, the Company made ongoing accounting policy elections whereby the Company does not recognise ROU assets or lease liabilities for short-term leases (those with original terms of 12-months or less) and combines lease and non-lease elements of its operating leases. As a result of the adoption, the Company recognised ROU assets of $518,700 and lease liabilities of $565,500 on the date of adoption. The adoption did not have any effect on the Company's equipment leases where it is the lessor.

On 01 January 2019, the Company adopted new guidance simplifying the accounting for nonemployee stock-based compensation awards. The guidance aligned the measurement and classification for employee stock-based compensation awards to nonemployee stock-based compensation awards. Under the guidance, nonemployee awards will be measured at their grant date fair value. Upon transition, the existing nonemployee awards were measured at fair value as of the adoption date. The adoption did not have a material effect on the Company's financial statements.

Unadopted

In June 2016, the FASB issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognising a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions.

The guidance is effective for fiscal years beginning after 15 December 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years

beginning after 15 December 2018, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

In August 2018, the FASB issued guidance addressing the accounting for implementation, setup and other upfront costs paid by a customer in a cloud computing or hosting arrangement. The guidance aligns the accounting treatment of these costs incurred in a hosting arrangement treated as a service contract with the requirements for capitalisation and amortisation costs to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after 15 December 2019. The guidance can be adopted either retrospectively or prospectively. Early adoption is permitted. The Company is currently evaluating the impact, if any, that this guidance will have on the financial statements.

In August 2018, the FASB issued guidance addressing the disclosure requirements for fair value measurements. The guidance intends to improve the effectiveness of the disclosures relating to recurring and nonrecurring fair value measurements. The guidance is effective for fiscal years beginning after 15 December 2019. Portions of the guidance are to be adopted prospectively while other portions are to be adopted retrospectively. Early adoption is permitted. The Company is currently evaluating the impact, if any, that this guidance will have on the financial statements.

The Company has evaluated all other issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its results of operations, financial position, or cash flows.

3. Revenue

Revenue is principally from the sale or lease of instruments and processing assemblies, as well as from extended warranties. In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

Revenue is recognised at the time control is transferred to the customer and the performance obligation is satisfied. Revenue from the sale of instruments and processing assemblies is generally recognised at the time of shipment to the customer, provided no significant vendor obligations remain and collectability is reasonably assured. Revenue from equipment leases are recognised ratably over the contractual term of the lease agreement and when specific milestones are achieved by a customer. Licensing fee revenue is recognised ratably over the licence period. Revenue from fees for research services is recognised when services have been provided.

Disaggregated revenue for the year ended 31 December 2019 is as follows:

	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue

Product Sales	$ 12,917,800	$ -	$ 12,917,800
Leased Elements	-	8,363,500	8,363,500
Other	339,400	-	339,400
Total	$ 13,257,200	$ 8,363,500	$ 21,620,700

Disaggregated revenue for the year ended 31 December 2018 is as follows:

	Revenue from Contracts with Customers	**Revenue from Lease Elements**	**Total Revenue**
Product Sales	$ 0,459,200	$ -	$ 10,459,200
Leased Elements	-	5,884,100	5,884,100
Other	264,500	59,200	59,200
Total	$ 10,723,700	$ 5,943,300	$16,667,000

Additional disclosures relating to Revenue from Contracts with Customers
Changes in deferred revenue for the year ended 31 December 2019 were as follows:

Balance at 01 January 2019	$2,770,100
Revenue recognised in the current period from amounts included in the beginning balance	2,435,000
Current period deferrals, net of amounts recognised in the current period	3,117,700
Balance at 31 December 2019	$ 3,452,800

Changes in deferred revenue for the year ended 31 December 2018 were as follows:

Balance at 01 January 2018	$2,222,900
Revenue recognised in the current period from amounts included in the beginning balance	2,051,100
Current period deferrals, net of amounts recognised in the current period	2,598,200
Balance at 31 December 2018	$2,770,100

Remaining contract consideration for which revenue has not been recognised due to unsatisfied performance obligations with a duration greater than one year was approximately $363,600 at 31 December 2019 of which the Company expects to recognise approximately $104,100 in 2020, $104,000 in 2021, $50,900 in 2022, $36,700 in 2023, and $67,900 thereafter.

In the years ended 31 December 2019 and 2018, the Company did not incur, and therefore did not defer, any material incremental costs to obtain contracts or costs to fulfill contracts.

4. Debt

The Company originally entered into a credit facility with Midcap Financial SBIC, LP ("MidCap") in March 2014. In February 2019, the Company paid off the MidCap credit facility in full in accordance with its terms and conditions.

In November 2019, the Company entered into a new credit facility with MidCap. The credit facility provided for a $5m-term loan maturing on 1 November 1 2024. The term loan provides for (i) an interest rate of one-month Libor plus 6.5% with a 1.5% Libor floor, (ii) monthly interest payments, (iii) 30 monthly principal payments of approximately $166,700 beginning June 2022 and (iv) a 3% final payment fee. The Company used the proceeds from the credit facility for general operating purposes. The debt is collateralised by substantially all assets of the Company.

In conjunction with the credit facility the Company issued the lender a warrant to purchase 71,168 shares of Common Stock at a price of £1.09081. The warrant is exercisable at any time through the tenth anniversary of issuance (see Note 5). In connection with the credit facility, the Company also incurred expenses of approximately $47,300. The warrant and expenses resulted in recording a debt discount which is amortised as interest expense over the term of the loan. At 31 December 2019, the term loan had an outstanding principal balance of $5m and $104,700 of unamortised debt discount.

5. Stockholders' Equity

Common Stock

In March 2019, the Company completed an equity capital raise issuing approximately 5.9m shares of Common Stock at a price of £1.70 (or approximately $2.25) per share. The transaction generated gross proceeds of approximately £10m (or approximately $13.3m). In conjunction with the transaction, the Company incurred costs of approximately $1.0m which resulted in the Company receiving net proceeds of approximately $12.3m.

During the year ended 31 December 2019, the Company issued 162,500 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $132,700. During the year ended 31 December 2018, the Company issued 436,388 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $230,000.

Warrant

In connection with the November 2019 credit facility the Company issued the lender a warrant to purchase 71,168 shares of common stock at an exercise price of £1.09081. The warrant is exercisable at any time through the tenth anniversary of issuance. The warrant is classified as a liability as its strike price is in a currency other than the Company's functional currency. The warrant is recorded at fair value each reporting period with changes going through the statement of operations (see Note 6).

Stock Options

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the "Plan") in January of 2016 to amend and restate the MaxCyte 2000 Long-Term Incentive Plan to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards to employees, officers, and Directors of the Company and to other individuals as determined by the Board of Directors. Under the Plan, as amended, the maximum number of shares of Common Stock of the Company that the Company may issue is (a) 6,264,682 shares plus (b) ten percent (10%) of the shares that are issued and outstanding at the time awards are made under the Plan.

On 21 February 2018 and 10 December 2019, the Company's Board resolved to increase the number of stock options under the Plan by 2,000,000 and 3,000,000, respectively to provide sufficient shares to allow competitive equity compensation in its primary markets for staff and consistent with practices of comparable companies.

The Company has not issued any restricted stock, incentive shares, or performance awards under the Plan. Stock options granted under the Plan may be either incentive stock options as defined by the Internal Revenue Code or non-qualified stock options. The Board of Directors determines who will receive options under the Plan and determines the vesting period. The options can have a maximum term of no more than ten years. The exercise price of options granted under the Plan is determined by the Board of Directors and must be at least equal to the fair market value of the Common Stock of the Company on the date of grant.

A summary of stock option activity for the years ended 31 December 2019 and 2018 is as follows:

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	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at 01 January 2018	7,241,219	$ 1.01	7.8	$ 16,266,800
Granted	1,983,200	$ 3.24		
Exercised	(436,388)	$ 0.52		$ 1,266,300
Forfeited	(399,531)	$ 2.49		
Outstanding at 31 December 2018	8,388,500	$ 1.49	7.4	$ 10,354,900
Granted	2,538,500	$ 2.17		
Exercised	(162,500)	$ 0.82		$ 217,600
Forfeited	(465,215)	$ 2.48		
Outstanding at 31 December 2019	10,299,285	$ 1.63	7.0	$ 6,471,500
Exercisable at 31 December 2019	6,689,402	$ 1.13	6.1	$ 6,371,600

The weighted-average fair values of the options granted during 2019 and 2018 were estimated to be $1.08 and $1.60, respectively.

As of 31 December 2019, total unrecognised compensation expense was $4,551,000 which will be recognised over the following four years.

Stock-based compensation expense for the years ended 31 December was as follows:

	2019	2018
General and administrative	$ 827,500	$ 458,200
Sales and marketing	325,700	194,100
Research and development	598,900	671,900
Total	$1,752,100	$ 1,324,200

6. Fair Value

The Company's Balance Sheets include various financial instruments (primarily cash and cash equivalents, short-term investments, accounts receivable and accounts payable) that are carried at cost, which approximates fair value due to the short-term nature of the instruments. Notes payable are reflective of fair value based on market comparable instruments with similar terms.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

At 31 December 2019, the Company had a warrant originally issued in connection with the November 2019 debt financing (see Note 4) that is accounted for as a liability whose fair value is determined using Level 3 inputs. The following table identifies the carrying amounts of this warrant at 31 December 2019:

	Level 1	Level 2	Level 3	Total
Liabilities				
Liability classified warrant	$ -	$ -	$ 74,700	$ 74,700
Total at 31 December 2019	$ -	$ -	$ 74,700	$ 74,700

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the year ended 31 December 2019:

	Mark-to-market liabilities - warrant
Balance at 31 December 2018	$ -
Issuance	60,700
Change in fair value	14,000
Balance at 31 December 2019	$ 74,700

The gains and losses resulting from the changes in the fair value of the liability classified warrant are classified as other income or expense in the accompanying statements of operations. The fair value of the Common Stock purchase warrants is determined based on the Black-Scholes option pricing model or other option pricing models as appropriate and includes the use of unobservable inputs such as the expected term, anticipated volatility and expected dividends. Changes in any of the assumptions related to such unobservable inputs identified above may change the embedded conversion options' fair value. For example, increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in these unobservable inputs generally result in decreases in fair value.

The Company has no other financial assets or liabilities measured at fair value on a recurring basis.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis
Money market funds and commercial paper classified as held-to-maturity are measured at fair value on a non-recurring basis when they are deemed to be impaired on an other-than-temporary basis. No such fair value impairment was recognised during the years ended 31 December 2019 or 2018.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis
The Company has no non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis
The Company measures its long-lived assets, including property and equipment, at fair value on a non-recurring basis. These assets are recognised at fair value when they are deemed to be impaired. No such fair value impairment was recognised during the years ended 31 December 2019 or 2018.

7. Retirement Plan

The Company sponsors a defined-contribution 401(k) retirement plan covering eligible employees. Participating employees may voluntarily contribute up to limits provided by the Internal Revenue Code. The Company matches employee contributions equal to 50% of the salary deferral contributions, with a maximum Company contribution of 3% of the employees' eligible compensation. In the years ended 31 December 2019 and 2018, Company matching contributions amounted to $277,700 and $199,900, respectively.

8. Income Taxes

The Company did not recognise a provision (benefit) for income taxes in 2019 or 2018. Based on the Company's historical operating performance, the Company has provided a full valuation allowance against its net deferred tax assets.

Net deferred tax assets as of 31 December are presented in the table below:

	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 12,842,100	$ 10,431,600
Research and development credits	875,400	875,400
Stock-based compensation	1,146,200	666,400
Deferred revenue	965,800	746,000
Lease liability	647,800	-
Accruals and other	652,700	124,200
Deferred tax liabilities:		
ROU asset	(630,300)	
		-
Depreciation		(45,700))
	(25,200)	
		12,797,900
	16,474,500	
Valuation allowance	(16,474,500)	(12,797,900))
Net deferred tax assets	$ -	$ -

The Federal net operating loss carryforwards ("NOL") of approximately $48.9m as of 31 December 2019 will begin to expire in various years beginning in 2025. The use of NOL carryforwards is limited on an annual basis under Internal Revenue Code Section 382 when there is a change in ownership (as defined by this code section). Based on changes in Company ownership in the past, the Company believes that the use of its NOL carryforwards generated prior to the date of the change is limited on an annual basis; NOL carryforwards generated subsequent to the date of change in ownership can be used without limitation. The use of the Company's net operating loss carryforwards may be restricted further if there are future changes in Company ownership. Additionally, despite the net operating loss carryforwards, the Company may have a future tax liability due to state tax requirements.

Income tax expense reconciled to the tax computed at statutory rates for the years ended 31 December is as follows:

	2019	2018
Federal income taxes (benefit) at statutory rates	$ (2,707,900)	$ (1,862,500)
State income taxes (benefit), net of Federal benefit	(898,800)	(526,100)
Windfall tax benefits	(40,200)	
		(314,900)
Permanent differences, rate changes and other	(29,700)	(188,900)
Change in valuation allowance	3,676,600	2,892,400
Total Income Tax Expense	$ -	$ -

9. Commitments and Contingencies

The Company entered into a five-year, non-cancelable operating lease agreement for office and laboratory space in February 2009 with an initial expiration of 31 January 2014 which was subsequently extended to January 2020. In April 2017, the Company entered into leases for additional office and laboratory space. In September 2019, the Company entered into agreements to increase the amount of space leased and to extend the expiration date on all its operating leases to October 2023. A member of the Company's Board of Directors is the CEO and Board member of the lessor of certain of these operating leases for which the rent payments totalled $416,800 and $371,600 in 2019 and 2018, respectively.

All the Company's office and laboratory leases expire in October 2023 and provide for annual increases to the base rent of between 3% and 5%. The current monthly base lease payment for all leases is approximately $54,300. In addition to base rent, the Company pays a pro-rated share of common area maintenance ("CAM") costs for the entire building, which is adjusted annually based on actual expenses incurred. None of the Company's current operating leases contain any renewal provisions.

As of 31 December 2019, all the Company's existing leases are classified as operating leases. The Company used a discount rate of 8% in calculating its lease liability under its operating leases. The September 2019 lease agreements resulted in the Company establishing approximately $2,209,200 of ROU assets and $2,247,400 of lease liabilities.

At 31 December 2019, the Company had a $2,253,300 ROU asset, a $508,900 short-term lease liability and $1,807,100 long-term lease liability.

Total rent expense, including base rent and CAM for the years ended 31 December 2019 and 2018, was $768,800 and $692,300, respectively. Rent expense is recognised on a straight-line basis in the accompanying financial statements.

Lease costs for the year ended 31 December 2019, consisted of the following:

Operating lease cost	$ 551,100
Variable lease costs	217,700
Total	$ 768,800

Estimated future minimum payments at 31 December 2019 under the operating leases are as follows:

Total	$ 2,703,900
Discount factor	(387,900)
Lease liability	2,316,000
Current lease liability	(508,900)
Non-current lease liability	$1,807,100

Estimated future minimum payments at 31 December 2019 are $675,400 for 2020, $696,300 for 2021, $717,400 for 2022, and $614,800 for 2023.

10. Subsequent Events

The COVID-19 pandemic has disrupted economic markets and the economic impact, duration and spread of related effects is uncertain at this time and difficult to predict. It is not possible to ascertain the overall impact of COVID-19 on the Company's business and, depending upon the extent and severity of such effects, the pandemic could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.