

**IMAGIN MEDICAL INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2023**

**and**

**March 31, 2022**

**(Expressed in Canadian Dollars)**

**Corporate Head Office**  
Suite 600, 890 West Pender St.  
Vancouver, BC V6C 1L9

## **NOTICE**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31, 2023	September 30, 2022
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	4,570	40,323
Amounts receivable and prepaids (Note 4)	124,181	145,203
	128,751	185,526
<b>Intangible assets (Note 5)</b>	1,013,487	1,165,311
	1,142,238	1,350,837
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 6 and 8)	1,766,585	1,230,345
Deposit (Note 7)	10,000	332,500
Convertible notes (Note 7)	13,540,366	13,123,054
	15,316,951	14,685,899
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 9)	18,141,300	18,141,300
Share-based payment reserve	3,159,056	3,141,421
Deficit	(35,475,069)	(34,617,783)
	(14,174,713)	(13,335,062)
	1,142,238	1,350,837
<b>Nature and continuance operations (Note 1)</b>		
<b>Basis of presentation (Note 2)</b>		

**Approved on behalf of the Board of Directors:**

“James Hutchens”, Director

“Kayvon Namvar”, Director

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**For the Six Months Ended March 31, 2023 and 2022**

	<b>Three Months Ended March 31, 2023</b>	<b>Three Months Ended March 31, 2022</b>	<b>Six Months Ended March 31, 2023 \$</b>	<b>Six Months Ended March 31, 2022 \$</b>
<b>General and administrative expenses:</b>				
Amortization of intangible asset	46,330	7,650	92,660	15,300
Bank charges and interest	1,441	1,740	3,724	3,432
Consulting fees	28,130	42,649	47,254	62,039
Convertible note expense (Note 7)	509,144	364,841	(176,938)	900,601
Corporate and administration fees	6,101	4,500	11,453	11,865
Directors' fees (Note 8)	6,000	6,000	12,000	11,500
Filing and transfer agent fees	9,542	7,459	15,091	14,321
Legal & accounting fees (Note 8)	102,713	232,143	206,099	374,070
Management fees (Note 8)	118,105	110,320	236,997	220,928
Office, rent and insurance	23,363	45,586	52,788	74,113
Product development	553	335,035	299,539	767,135
Shareholders' communication, & promotion	670	1,255	7,345	16,899
Travel, meals & entertainment	12,091	5,039	32,768	9,353
	(864,183)	(1,164,217)	(840,780)	(2,481,556)
<b>Other items:</b>				
Interest income	-	-	-	-
Foreign exchange	(270)	15,941	1,129	10,796
Stock-based compensation	(8,818)	-	(17,635)	-
	(873,271)	(1,148,276)	(857,286)	(2,470,760)
<b>Net loss and comprehensive loss</b>	<b>(873,271)</b>	<b>(1,148,276)</b>	<b>(857,286)</b>	<b>(2,470,760)</b>
<b>Basic and diluted loss per share</b>	<b>(0.08)</b>	<b>(0.12)</b>	<b>(0.08)</b>	<b>(0.25)</b>
<b>Weighted average – number of shares outstanding</b>	<b>10,830,116</b>	<b>9,996,876</b>	<b>10,830,116</b>	<b>9,806,488</b>

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended March 31, 2023 and 2022**

	2023	2022
	\$	\$
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss for the period	(857,286)	(2,470,760)
Adjustments which do not affect cash:		
Amortization of intangible assets	92,660	15,300
Convertible note (recovery) expense	(176,938)	900,601
Stock-based compensation	17,635	-
	(923,929)	(1,554,859)
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	17,622	(15,503)
Accounts payable and accrued liabilities	190,283	(68,091)
	(716,024)	(1,638,453)
<b>Investing activities</b>		
Purchase of intangible assets (refund)	86,021	(6,835)
	86,021	(6,835)
<b>Financing activities</b>		
Convertible note proceeds	594,250	2,191,785
Issue of share capital, net	-	13,707
	594,250	2,205,492
<b>Increase (decrease) in cash</b>	(35,753)	(560,204)
<b>Cash and cash equivalents - beginning of period</b>	40,323	265,664
<b>Cash and cash equivalents - end of period</b>	4,570	825,868

**Supplementary disclosures:**

Note 10 – Non-cash transactions

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY Six**  
**Three Months Ended March 31, 2023 and 2022**

	Issued Share Capital	Share-Based Payment Reserve	Deficit	Total	
	#	\$	\$	\$	
<b>Balance, September 30, 2021</b>	<b>9,259,629</b>	<b>17,539,590</b>	<b>3,045,307</b>	<b>(32,125,576)</b>	<b>(11,540,679)</b>
Conversion of debt	709,870	355,418	-	-	355,418
Shares issued for cash	27,377	13,707	-	-	13,707
Loss for the period	-	-	-	(2,470,760)	(2,470,760)
<b>Balance, March 31, 2022</b>	<b>9,996,876</b>	<b>17,908,715</b>	<b>3,045,307</b>	<b>(33,448,060)</b>	<b>(12,494,038)</b>
Conversion of debt	83,240	37,585	-	-	37,585
Acquisition of intangible asset	750,000	195,000	-	-	195,000
Fair value of options granted	-	-	96,114	-	96,114
Loss for the year	-	-	-	(21,447)	(21,447)
<b>Balance, September 30, 2022</b>	<b>10,830,116</b>	<b>18,141,300</b>	<b>3,141,421</b>	<b>(34,617,783)</b>	<b>(13,335,062)</b>
Fair value of options granted	-	-	17,365	-	17,365
Loss for the period	-	-	-	(857,286)	(857,286)
<b>Balance, March 31, 2023</b>	<b>10,830,116</b>	<b>18,141,300</b>	<b>3,158,786</b>	<b>(35,475,069)</b>	<b>(14,174,713)</b>

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Imagin Medical Inc. was incorporated in the Province of British Columbia on February 9, 2016, the Company completed the acquisition of BSS Life Sciences Inc. (“BSS”). BSS holds the intellectual property rights to a proprietary imaging technology developed for extremely accurate visualization of cancers. In connection with the acquisition, the Company changed its name to Imagin Medical Inc. and focuses on the research, development and commercialization of medical devices in the bio-chemistry industry.

On July 14, 2022, the Secretary of State of the State of Delaware approved the certification of formation of IME Acquisition Sub LLC, a 100% full-owned subsidiary of the Company. The registered office is located at 251 Little Falls Drive, Wilmington, Delaware.

On August 22, 2022, IME Acquisition Sub LLC entered into an Asset Purchase Agreement with TROD Medical NV (“TROD Medical”), a Belgian company, to acquire the enCAGE Coil™ Precision Ablation System. The total acquisition cost is US\$2,500,000, payable pursuant to certain milestones if and when achieved (See Note 5).

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The ability of the Company to continue as a going-concern depends upon its capacity in the near-term to raise additional equity financing and ultimately to develop profitable commercial operations.

There can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt as to the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. It has adversely affected global workforces, economies, and financial markets, triggering an economic downturn. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the outbreak nor its effects on the Company’s business or operations.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Company’s condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of **May 24, 2023** the date the Board of Directors approved the condensed interim consolidated financial statements.

These condensed interim consolidated financial statements are presented in the Company’s functional currency (which is the Canadian dollar) on a historical cost basis.

**Adoption of new and revised standards and interpretations**

The Company did not adopt any new or revised standards or interpretations during the year ended September 30, 2022 and during the six months ended March 31, 2023.

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are carried at subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings using the effective interest method.

Fees paid to establish loan facilities are recognized as transaction costs of the loan and are deferred and recognized as an adjustment to the effective interest rate on the loan once drawn.

Compound financial instruments issued by the Company include convertible notes that can be converted at a fixed conversion rate to share capital at the option of the holder. The liability component of convertible notes is recognized initially at fair value of a similar liability that does not have an equity conversion option. The conversion component is considered to be the residual amount after having determined the fair value of the liability component.

If convertible notes are denominated in a currency that is different from the borrower's functional currency, both the liability and conversion components are carried as borrowings. Subsequent to initial recognition, the liability component of a convertible note is measured at subsequently measured at amortized cost. The conversion component of the convertible note is re-measured to fair value at each reporting period using the period end foreign exchange rate and changes in value are recognized as a component of convertible note expense. The fair value of the conversion component is determined using the Black-Scholes option pricing model.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability, or a portion of the liability, for at least 12 months after the reporting date.

**Statement of compliance to International Financial Reporting Standards**

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2022.

**3. CASH AND CASH EQUIVALENTS**

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	<b>March 31, 2023</b>	<b>September 30, 2022</b>
	<b>\$</b>	<b>\$</b>
Canadian chartered bank		
- Deposits in Canadian banks *	4,570	40,323
	<b>4,570</b>	<b>40,323</b>

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\* Included in this amount above is US\$2,316 converted to Canadian dollars at the year-end rate of 1.3534.



**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**4. AMOUNTS RECEIVABLE AND PREPAIDS**

	<b>March 31, 2023</b>	<b>September 30, 2022</b>
	\$	\$
GST receivable	2,693	1,923
Trust account	-	1,700
Prepaid expenses	121,488	141,580
	<b>124,181</b>	<b>145,203</b>

**5. INTANGIBLE ASSETS**

a) Patent License

On June 22, 2015, BSS and Lawrence Livermore National Security (“LLNS”) entered into a license agreement, whereby the Company has exclusive right to develop, manufacture and sell a medical imaging device designed to complement white light endoscopy by adding fluorescent imaging for more accurate detection and treatment of various conditions, including the detection and treatment of cancer.

As consideration for the license agreement, BSS is required to pay a non-refundable license issue fee of US\$100,000 due on the effective date and payable as follows:

- US\$10,000 (paid) due on execution of the agreement;
- US\$30,000 (paid) due within five months after the effective date;
- US\$30,000 (paid) due within seven months after the effective date; and
- US\$30,000 (paid) due within nine months after the effective date.

In addition, BSS is required to pay to LLNS a non-refundable US Maintenance Patent Fee of US\$45,000 as follows:

- US\$15,000 (paid) to be paid on or before February 28, 2016;
- US\$15,000 (paid) to be paid on or before February 28, 2019; and
- US\$15,000 to be paid on or before February 28, 2023.

In addition, BSS is required to pay to LLNS minimum annual royalty payments as follows:

- US\$5,000 (paid) to be paid on or before February 28, 2017;
- US\$10,000 (paid) to be paid on or before February 28, 2018;
- US\$10,000 (paid) to be paid on or before February 28, 2019; and
- US\$5,000 (paid) to be paid on or before February 28, 2020;
- US\$5,000 (paid) to be paid on or before February 28, 2021.
- US\$5,000 (paid) to be paid on or before February 28, 2022.
- US\$5,000 (paid) to be paid on or before February 28, 2023.
- US\$5,000 to be paid on or before February 28, 2024 (as per January 19, 2023 Letter of Amendment).
- US\$25,000 to be paid on or before February 28, 2025, and every February 28<sup>th</sup> thereafter.

In the event that the Company grants a sublicense to a third party, the Company will pay to LLNS 50% of any issue fee from this sublicensing. The sublicensing fee charged by the Company to the third party must be equal to or greater than the license issue fee disclosed above (US\$100,000).

In addition, the Company will pay LLNS an earned royalty of 3% on net sales.

The license agreement will remain in effect until the expiration or abandonment of the last of the patent rights and are being depreciated on a straight-line basis over the remaining life of the patent rights.

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**5. INTANGIBLE ASSET** *(continued)*

b) enCAGE Coil™

On August 22, 2022, IME Acquisition Sub LLC entered into an Asset Purchase Agreement with TROD Medical to acquire the enCAGE Coil™ Precision Ablation System (the “Transaction”).

Upon the closing of the Transaction, the Company paid US\$350,000 and issued 750,000 common shares (at a fair value of \$195,000).

Pursuant to the terms of the agreement, the following post-closing payments will become payable pursuant to the certain milestones, as follows:

1. Upon 510(k) approval having been achieved for the Encage 2.0 Device:
  - US\$150,000 within 30 days of such approval; and
  - US\$350,000 worth of the Company’s common shares (calculated based on the average trading price over the 10 days prior to such approval).
2. Upon receipt of FDA de novo approval for prostate cancer having been achieved for the Encage 2.0 Device:
  - US\$150,000 within 30 days of such approval; and
  - US\$850,000 worth of the Company’s common shares (calculated based on the average trading price over the 10 days prior to such approval).
3. Upon achieving sales of 1,000 Benign Prostate Hyperplasia (“BPH”) cases following 510(k) approval of the Encage 2.0 Device:
  - US\$75,000 within 30 days of such approval; and
  - US\$175,000 worth of the Company’s common shares (calculated based on the average trading price over the 10 days prior to such approval).
4. Upon achieving sales of 500 Prostate Cancer Cases post-de novo approval:
  - US\$75,000 within 30 days of such approval; and
  - US\$175,000 worth of the Company’s common shares (calculated based on the average trading price over the 10 days prior to such approval).

The Company has the option to complete the milestone payments with less or no common shares, provided the amount not paid in common shares is paid in cash.

Continuity of the intangible assets is as follows:

	Patent License	enCAGE Coil	Total
<b>Cost</b>			
Balance, September 30, 2021	\$ 247,839	\$ -	\$ 247,839
Additions for the year	6,350	1,083,063	1,089,413
Balance, September 30, 2022	254,189	1,083,063	1,089,413
Additions (refunds) for the period	-	(86,021)	(86,021)
<b>Balance, March 31, 2023</b>	<b>\$ 254,189</b>	<b>\$ 997,042</b>	<b>\$ 1,251,231</b>
<b>Accumulated depreciation</b>			
Balance, September 30, 2021	\$ 124,809	\$ -	\$ 124,809
Depreciation for the year	30,600	-	30,600
Balance, September 30, 2022	154,809	16,532	171,941
Depreciation for the period	7,650	77,360	85,010
<b>Balance, March 31, 2023</b>	<b>\$ 163,059</b>	<b>\$ 93,892</b>	<b>\$ 256,951</b>
<b>Carrying amounts</b>			
Balance, September 30, 2022	\$ 98,780	\$ 1,066,531	\$ 1,165,311
<b>Balance, March 31, 2023</b>	<b>\$ 91,130</b>	<b>\$ 903,150</b>	<b>\$ 994,280</b>

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2023</b>	<b>September 30, 2022</b>
	\$	\$
Trade accounts payable	1,014,245	725,583
Accrued liabilities	55,482	87,450
Due to related parties	706,859	417,312
	<b>1,776,586</b>	<b>1,230,345</b>

**7. CONVERTIBLE NOTES**

a) Convertible note #1:

During the year ended September 30, 2021, the Company issued convertible notes (the “Notes”) in the aggregate of US\$2,900,500. The notes bear interest at 10% annually, payable semi-annually in arrears, and mature 18 months following the date of issue, unless repurchased, redeemed or converted. Any Notes outstanding beyond the maturity date bear interest at 20% annually. The Notes are convertible at the holder’s discretion into common shares at a conversion price of US\$0.40 per share. In connection with the issuance of the Notes, the Company issued 3,625,625 warrants exercisable at US\$0.50 and 3,625,625 warrants exercisable at US\$0.60. All warrants are exercisable for five years from the date of issue.

During the year ended September 30, 2022, certain holders converted an aggregate of US\$60,000 (2021 - US\$133,000) in Note principal into common shares (See Note 9). In addition, the Company had received a deposit of \$332,500 (US\$250,000) related to Notes not yet issued.

b) Convertible note #2:

On September 3, 2021, the Company arranged a second convertible note offering totaling US\$3,000,000, with warrants attached to the convertible notes. This offering was to be received in three tranches, subject to certain milestones being achieved, with the first tranche of US\$500,000 having been received during the year ended September 30, 2021. The convertible note matures 24 months following the date of issue, unless earlier repurchased or converted, and bears interest at the rate of 10% per annum, payable on maturity or conversion. The outstanding principal balance, plus any unpaid interest, will automatically convert into common shares of the Company upon the completion of not less than US\$2,000,000 in financings by the Company, at a conversion price of US\$0.40.

Upon receiving the first tranche of US\$500,000, the Company issued to the note holder 15,775,000 warrants, exercisable at US\$0.40 per share, and expiring five years from the date of issue. As the convertible notes and associated warrants are denominated in \$US, and the functional currency of the Company is the Canadian \$, the convertible notes have been accounted for as a financial liability (debt host) with an embedded derivative (\$USD warrants).

On August 22, 2022, the Company announced the closing of Convertible Note #2 for a total of US\$2,250,000. Since the original commitment of \$3,000,000 was not completed, the Company had to subsequently adjust the original 15,775,000 warrants issued. The warrants were reduced by 3,943,750 warrants, which resulted in the note holder receiving a total of 11,831,250 warrants.

c) Convertible note #3:

On August 22, 2022, the Company announced the opening of a new \$7,250,000 Convertible Note to support the acquisition of the engage Coil and all relate product development. As of the period ended March 31, 2023, the Company has recorded US\$950,000 of Convertible Notes and has issued 6,650,000 warrants at US\$0.40 and expiring January 5, 2028 as per the agreement.

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**7. CONVERTIBLE NOTES** *(continued)*

The carrying value of the convertible notes is as follows at March 31, 2023:

	<b>Debt</b>	<b>Embedded Derivative</b>	<b>Total</b>
<b>Balance, October 1, 2020</b>	\$ -	\$ -	\$ -
Convertible note proceeds	1,321,309	3,017,598	4,338,907
Convertible note converted to common shares	(172,874)	-	(172,874)
Convertible note expense	1,328,736	6,226,329	7,555,065
<b>Balance, September 30, 2021</b>	<b>\$ 2,477,171</b>	<b>\$ 9,243,927</b>	<b>\$ 11,721,098</b>
Convertible note proceeds	2,836,300	-	2,836,300
Convertible note converted to common shares	(393,003)	-	(393,003)
Convertible note recovery	2,561,832	(3,603,173)	(1,041,341)
<b>Balance, September 30, 2022</b>	<b>\$ 7,482,300</b>	<b>\$ 5,640,754</b>	<b>\$ 13,123,054</b>
Convertible note proceeds	208,197	386,053	594,250
Convertible note converted to common shares	-	-	-
Convertible note recovery	469,737	(645,675)	(176,938)
<b>Balance, March 31, 2023</b>	<b>\$ 8,159,234</b>	<b>\$ 5,381,132</b>	<b>\$ 13,540,366</b>

**8. RELATED PARTY TRANSACTIONS**

During the six months ended March 31, 2023, the Company paid or accrued \$418,235 (September 30, 2022 - \$417,312) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, directors and consulting fees incurred by the Company.

During the previous fiscal year, the Company granted 433,641 stock options to directors, a former director and officers, all exercisable at \$0.35 for a period of 5 years. As at September 30, 2022, only 166,086 of these stock options were fully vested. An additional 48,662 vested during the six months ended March 31, 2023. The unvested options (218,891) will vest in future years, as follows:

- September 30, 2023 – 40,544
- September 30, 2024 – 89,186
- September 30, 2025 – 89,161

Included in accounts payable are fees and expenses due to directors and officers in the amount of \$706,858 (September 30, 2022 - \$417,312), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**9. SHARE CAPITAL**

- a) Authorized: Unlimited number of common shares
- b) Issued:

As at March 31, 2023, the Company reported issued and outstanding shares of 10,830,116.

No shares were issued during the six months ended March 31, 2023.

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**9. SHARE CAPITAL** *(continued)*

In the previous fiscal year, the Company issued the following shares were:

- 793,110 common shares were issued pursuant to the conversion of Note principal balance plus accrued interest in the amount of \$398,369 (US\$310,000).
- 27,377 common shares were issued for aggregate proceeds of \$13,707.
- 750,000 common shares as per the terms of the Asset Purchase Agreement between the Company and Trod Medical, valued at \$195,000 (US\$150,000).

c) Stock options:

A summary of the Company's stock option activity is presented below:

	Number of options	Weighted average exercise price
<b>Outstanding at September 30, 2021</b>	<b>542,500</b>	<b>\$ 4.36</b>
Options granted	472,187	0.35
Options cancelled	(15,000)	3.00
<b>Outstanding at September 30, 2022</b>	<b>999,687</b>	<b>\$ 2.48</b>
Options cancelled	(212,500)	6.00
<b>Outstanding at March 31, 2023</b>	<b>787,187</b>	<b>\$ 1.53</b>

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	30-Sep-22	Granted	Exercised	Expired	31-Mar-23
26-Oct-22	3.60	67,500	-	-	(67,500)	-
30-Oct-22	3.80	5,000	-	-	(5,000)	-
28-Nov-22	5.00	35,000	-	-	(35,000)	-
17-Jan-23	8.00	105,000	-	-	(105,000)	-
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
10-Jan-25	1.20	30,000	-	-	-	30,000
19-Jan-24	0.62	100,000	-	-	-	100,000
19-May-26	0.66	25,000	-	-	-	25,000
22-Apr-27	0.35	472,187	-	-	-	472,187
		<b>999,687</b>	-	-	<b>(212,500)</b>	<b>787,187</b>
<b>Weighted average exercise price</b>	<b>\$ 2.48</b>	-	-	-	<b>6.01</b>	<b>\$ 1.53</b>

The continuity of share purchase options for the previous fiscal year is as follows:

Expiry Date	Exercise Price	30-Sep-21	Granted	Exercised	Expired	31-Mar-22
14-Dec-21	3.00	15,000	-	-	(15,000)	-
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
10-Jan-25	1.20	30,000	-	-	-	30,000
19-Jan-24	0.62	100,000	-	-	-	100,000
19-May-26	0.66	25,000	-	-	-	25,000
		<b>542,500</b>	-	-	<b>(15,000)</b>	<b>527,500</b>
<b>Weighted average exercise price</b>	<b>\$ 4.36</b>	-	-	-	<b>\$ 3.00</b>	<b>\$ 4.39</b>

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**9. SHARE CAPITAL** *(continued)*

d) Share purchase warrants:

A summary of the Company's share purchase warrant activity is presented below:

	Number of warrants	Average price
<b>Outstanding at September 30, 2021</b>	<b>24,993,040</b>	<b>\$ 0.76</b>
Finance warrants expired	(1,914,000)	3.00
Finders' warrants expired	(52,790)	3.00
<b>Outstanding at September 30, 2022</b>	<b>23,026,250</b>	<b>\$ 0.56</b>
Adjustment to Finance warrants	(3,943,750)	0.50
Finance warrants re Convertible Note #3	6,650,000	0.54
<b>Outstanding at March 31, 2023</b>	<b>25,732,500</b>	<b>\$ 0.56</b>

During the six months ended March 31, 2023, the Company reduced the previously issued 15,775,000 warrants attached to Convertible Note #2 by 3,943,750 warrants (See Note 7).

The continuity of share purchase warrants for the previous fiscal year is as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30-Sep-22</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expiry</b>	<b>31-Mar-23</b>
20-Oct-25	0.64	25,000	-	-	-	25,000
20-Oct-25	0.76	25,000	-	-	-	25,000
22-Oct-25	0.64	875,000	-	-	-	875,000
22-Oct-25	0.76	875,000	-	-	-	875,000
09-Nov-25	0.64	37,500	-	-	-	37,500
09-Nov-25	0.76	37,500	-	-	-	37,500
15-Jan-26	0.64	175,000	-	-	-	175,000
15-Jan-26	0.76	175,000	-	-	-	175,000
19-Jan-26	0.64	62,500	-	-	-	62,500
19-Jan-26	0.76	62,500	-	-	-	62,500
22-Jan-26	0.64	50,000	-	-	-	50,000
22-Jan-26	0.76	50,000	-	-	-	50,000
25-Jan-26	0.64	62,500	-	-	-	62,500
25-Jan-26	0.76	62,500	-	-	-	62,500
27-Jan-26	0.64	37,500	-	-	-	37,500
27-Jan-26	0.76	37,500	-	-	-	37,500
28-Jan-26	0.64	25,000	-	-	-	25,000
28-Jan-26	0.76	25,000	-	-	-	25,000
29-Jan-26	0.64	125,000	-	-	-	125,000
29-Jan-26	0.76	125,000	-	-	-	125,000
01-Feb-26	0.64	393,750	-	-	-	393,750
01-Feb-26	0.76	393,750	-	-	-	393,750
04-Feb-26	0.64	12,500	-	-	-	12,500
04-Feb-26	0.76	12,500	-	-	-	12,500
05-Feb-26	0.64	784,375	-	-	-	784,375
05-Feb-26	0.76	784,375	-	-	-	784,375
08-Feb-26	0.64	6,250	-	-	-	6,250
08-Feb-26	0.76	6,250	-	-	-	6,250
12-Feb-26	0.64	28,750	-	-	-	28,750
01-Feb-26	0.76	28,750	-	-	-	28,750
16-Feb-26	0.64	6,250	-	-	-	6,250
16-Feb-26	0.76	6,250	-	-	-	6,250
30-Jun-26	0.64	668,750	-	-	-	668,750
30-Jun-26	0.76	668,750	-	-	-	668,750

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**9. SHARE CAPITAL** *(continued)*

d) Share purchase warrants *(continued)*:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30-Sep-22</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled</b>	<b>31-Mar-23</b>
02-Jul-26	0.64	62,500	-	-	-	62,500
02-Jul-26	0.76	62,500	-	-	-	62,500
17-Aug-26	0.64	187,500	-	-	-	187,500
17-Aug-26	0.76	187,500	-	-	-	187,500
03-Sep-26	0.51	15,775,000	-	-	(3,943,750)	11,831,250
05-Jan-28	0.54	-	6,650,000	-	-	6,650,000
		<b>23,026,250</b>	<b>6,650,000</b>	-	<b>(3,943,750)</b>	<b>25,732,500</b>
<b>Weighted average exercise price</b>		<b>\$ 0.56</b>	<b>\$ 0.54</b>	<b>\$ -</b>	<b>\$ 0.50</b>	<b>\$ 0.56</b>

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30-Sep-21</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>31-Mar-22</b>
21-Jan-22	3.00	1,966,790	-	-	(1,966,790)	-
20-Oct-25	0.64	25,000	-	-	-	25,000
20-Oct-25	0.76	25,000	-	-	-	25,000
22-Oct-25	0.64	875,000	-	-	-	875,000
22-Oct-25	0.76	875,000	-	-	-	875,000
09-Nov-25	0.64	37,500	-	-	-	37,500
09-Nov-25	0.76	37,500	-	-	-	37,500
15-Jan-26	0.64	175,000	-	-	-	175,000
15-Jan-26	0.76	175,000	-	-	-	175,000
19-Jan-26	0.64	62,500	-	-	-	62,500
19-Jan-26	0.76	62,500	-	-	-	62,500
22-Jan-26	0.64	50,000	-	-	-	50,000
22-Jan-26	0.76	50,000	-	-	-	50,000
25-Jan-26	0.64	62,500	-	-	-	62,500
25-Jan-26	0.76	62,500	-	-	-	62,500
27-Jan-26	0.64	37,500	-	-	-	37,500
27-Jan-26	0.76	37,500	-	-	-	37,500
28-Jan-26	0.64	25,000	-	-	-	25,000
28-Jan-26	0.76	25,000	-	-	-	25,000
29-Jan-26	0.64	125,000	-	-	-	125,000
29-Jan-26	0.76	125,000	-	-	-	125,000
01-Feb-26	0.64	393,750	-	-	-	393,750
01-Feb-26	0.76	393,750	-	-	-	393,750
04-Feb-26	0.64	12,500	-	-	-	12,500
04-Feb-26	0.76	12,500	-	-	-	12,500
05-Feb-26	0.64	784,375	-	-	-	784,375
05-Feb-26	0.76	784,375	-	-	-	784,375
08-Feb-26	0.64	6,250	-	-	-	6,250
08-Feb-26	0.76	6,250	-	-	-	6,250
12-Feb-26	0.64	28,750	-	-	-	28,750
01-Feb-26	0.76	28,750	-	-	-	28,750
16-Feb-26	0.64	6,250	-	-	-	6,250
16-Feb-26	0.76	6,250	-	-	-	6,250
30-Jun-26	0.64	668,750	-	-	-	668,750
30-Jun-26	0.76	668,750	-	-	-	668,750
02-Jul-26	0.64	62,500	-	-	-	62,500
02-Jul-26	0.76	62,500	-	-	-	62,500

**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

**9. SHARE CAPITAL** *(continued)*

d) Share purchase warrants *(continued)*:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30-Sep-21</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>31-Mar-22</b>
17-Aug-26	0.64	187,500	-	-	-	187,500
17-Aug-26	0.76	187,500	-	-	-	187,500
03-Sep-26	0.51	15,775,000	-	-	-	15,775,000
		<b>24,993,040</b>	-	-	<b>(1,966,790)</b>	<b>23,026,250</b>
<b>Weighted average exercise price</b>		<b>\$ 076</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.56</b>

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30-Sep-21</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>31-Dec-21</b>
17-Aug-26	0.64	187,500	-	-	-	187,500
17-Aug-26	0.76	187,500	-	-	-	187,500
03-Sep-26	0.51	15,775,000	-	-	-	15,775,000
		<b>24,993,040</b>	-	-	-	<b>24,993,040</b>
<b>Weighted average exercise price</b>		<b>\$ 0.76</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.76</b>

**10. NON-CASH TRANSACTIONS**

The following non-cash transactions were recorded:

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Financing activities:		
Common shares issued upon conversion of note	-	369,125

**11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

Capital Management:

The Company considers the components of shareholders' equity, as well as its cash as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt. The Board of Directors has not established quantitative capital structure criteria management but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize



**IMAGIN MEDICAL INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2023 and 2022**

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liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the year ended September 30, 2022 and the six months ended March 31, 2023.

Financial Instruments:

The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instruments from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3—Inputs that are not based on observable market data.

The Company did not have any financial instruments measured at fair value as at March 31, 2023 and 2022.

**12. SUBSEQUENT EVENT**

Subsequent to the period ended March 31, 2023, the Company entered into an original issue discount, unsecured, non-interest bearing promissory note with Bigger Capital Fund, LP. The purpose of the note is to maintain its corporate existence and operating business for the next four months as it seeks new financial partners. The note consisted of 4 payments of \$10,000.00 USD per month for 4 months starting in April 2023 with a maturity date of December 20, 2023. The note will be converted into five times the original amount.

In addition, 137,500 incentive stock options with an exercise price of \$6.20, expired on April 18, 2023.