

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: IMAGIN MEDICAL INC. (the "Issuer").

Trading Symbol: IME

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

[Attached.](#)

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. **Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to Note 8 of the attached Financial Statements and Section 1.9 of the attached Management Discussion and Analysis.

2. **Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period. **NONE**

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds			

(b) summary of options granted during the period: [See below](#)

Date	Number	Name of Optionee	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
22-Apr-22	231,275	Jim Hutchens	C.E.O	\$0.35	22-Apr-27	\$0.34
22-Apr-22	106,001	John Vacha	C.F.O.	\$0.35	22-Apr-27	\$0.34
22-Apr-22	24,395	Kevin Slawin	Director	\$0.35	22-Apr-27	\$0.34
22-Apr-22	24,001	Kayvon Namvar	Director	\$0.35	22-Apr-27	\$0.34
22-Apr-22	19,273	Chris Bleck	Director	\$0.35	22-Apr-27	\$0.34
22-Apr-22	19,273	Ken Daignault	Director	\$0.35	22-Apr-27	\$0.34
22-Apr-22	38,546	Michael Vergano	Service Provider	\$0.35	22-Apr-27	\$0.34
22-Apr-22	9,423	Robin Atlas	Service Provider	\$0.35	22-Apr-27	\$0.34
Total	472,187					

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

[Please refer to Notes 7 and 9 of the attached Financial Statements and Section 1.13 of the attached Management Discussion and Analysis.](#)

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Directors:

- Chris Bleck
- Ken Daignault
- Jim Hutchens
- Kayvon Namvar
- Kevin Slawin

Officers:

- Jim Hutchens (President & CEO)
- John Vacha (CFO and Secretary)

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Attached.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated **August 29, 2022**

John Vacha,
Name of Director or Senior Officer

(sgd.) "John Vacha"
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer	For Quarter Ended	Date of Report YY/MM/D
Imagin Medical Inc	June 30, 2022	August 29, 2022
Issuer Address		
600 – 890 West Pender St		
City/Province/Postal Code	Issuer Fax No. ()	Issuer Telephone No.
Vancouver, BC V6C 2J9	N/A	(833) 246-2446
Contact Name	Contact Position	Contact Telephone No.
John Vacha	CFO	Same as above
Contact Email Address	Web Site Address	
jvacha@imaginmedical.com	www.imaginmedical.com	

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

and

June 30, 2021

(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

	June 30, 2022	September 30, 2021
	\$	\$
A S S E T S		
Current assets		
Cash and cash equivalents (Note 3)	145,666	265,664
Amounts receivable and prepaids (Note 4)	<u>208,847</u>	<u>385,821</u>
	354,513	651,485
Intangible asset (Note 5)	<u>106,430</u>	<u>123,030</u>
	<u><u>460,943</u></u>	<u><u>774,515</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 8)	439,399	594,096
Convertible notes (Note 7)	<u>8,945,632</u>	<u>11,721,098</u>
	9,385,031	12,315,194
Shareholders' equity		
Share capital (Note 9)	17,908,715	17,539,590
Share-based payment reserve	3,117,195	3,045,307
Deficit	<u>(29,949,998)</u>	<u>(32,125,576)</u>
	<u>(8,942,088)</u>	<u>(11,540,679)</u>
	<u><u>460,943</u></u>	<u><u>774,515</u></u>
Nature and continuance operations (Note 1)		
Basis of presentation (Note 2)		
Subsequent events (Note 13)		

Approved on behalf of the Board of Directors:

“James Hutchens”, Director & CEO

“Kayvon Namvar”, Director

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS June 30, 2022 and 2021

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022 \$	Nine Months Ended June 30, 2021 \$
General and administrative expenses:				
Amortization of intangible asset	7,650	7,347	22,950	22,040
Bank charges and interest	2,214	1,472	5,646	5,228
Consulting fees	21,938	50,298	83,977	145,782
Convertible note recovery (Note 7)	(5,511,949)	(562,039)	(4,611,348)	715,976
Corporate and administration fees	4,825	4,500	16,690	16,380
Directors' fees (Note 8)	6,000	4,500	17,500	13,500
Filing and transfer agent fees	3,452	3,796	17,773	29,990
Legal & accounting fees (Note 8)	183,235	123,612	557,305	318,744
Management fees (Note 8)	112,172	138,131	333,100	426,782
Office, rent and insurance	27,500	35,544	101,613	100,392
Product development	384,106	489,166	1,151,241	1,038,489
Shareholders' communication, & promotion	35,367	93,239	52,266	302,780
Travel, meals & entertainment	14,825	9,131	24,178	24,519
	4,708,665	(398,697)	2,227,109	(3,160,602)
Other items:				
Foreign exchange	9,561	(21,405)	20,357	(58,672)
Stock-based compensation	(71,888)	(14,686)	(71,888)	(90,598)
Net income (loss) and comprehensive income (loss)	4,646,338	(434,788)	2,175,578	(3,309,872)
Basic and diluted income (loss) per share	0.47	(0.05)	0.22	(0.37)
Weighted average – number of shares outstanding	9,996,876	9,075,254	9,869,951	9,027,429

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2022 and 2021

	2022	2021
	\$	\$
Cash provided by (used for):		
Operating activities		
Net income (loss) for the period	2,175,578	(3,309,872)
Adjustments which do not affect cash:		
Amortization of intangible asset	22,950	17,325
Convertible note recovery	(4,611,348)	715,976
Stock-based compensation	71,888	90,589
	<u>(2,340,932)</u>	<u>(2,485,973)</u>
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	176,974	(363,121)
Accounts payable and accrued liabilities	(154,697)	92,622
	<u>(2,319,770)</u>	<u>(2,756,472)</u>
Investing activities		
Purchase of intangible asset	(6,835)	(6,835)
	<u>(6,835)</u>	<u>(6,835)</u>
Financing activities		
Convertible note proceeds	2,205,492	3,462,701
	<u>2,205,492</u>	<u>3,462,701</u>
Increase (decrease) in cash	(119,998)	699,394
Cash and cash equivalents - beginning of period	265,664	27,618
Cash and cash equivalents - end of period	<u>145,666</u>	<u>727,012</u>

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
For the Six Months Ended March 31, 2022 and 2021

	Issued Share #	Capital \$	Share-Based Payment Reserve \$	Deficit \$	Total \$
Balance, September 30, 2020	8,917,008	17,366,716	2,954,709	(20,652,164)	(330,739)
Conversion of debt	290,710	105,462	-	-	105,462
Fair value of options granted	-	-	90,598	-	90,598
Loss for the period	-	-	-	(3,309,872)	(3,309,872)
Balance, June 30, 2021	9,126,718	17,472,178	3,045,307	(23,962,036)	(3,444,551)
Conversion of debt	132,911	67,412	-	-	67,412
Fair value of options granted	-	-	-	-	-
Loss for the year	-	-	-	(8,163,540)	(8,163,540)
Balance, September 30, 2021	9,259,629	17,539,590	3,045,307	(32,125,576)	(11,540,679)
Conversion of debt	737,247	369,125	-	-	369,125
Fair value of options granted	-	-	71,888	-	71,888
Loss for the year	-	-	-	2,175,578	2,175,578
Balance, June 30, 2022	9,996,876	17,908,715	3,117,195	(29,949,998)	(8,924,088)

Note: On October 27, 2020, the Company consolidated the share capital on the basis of 20 pre-consolidation shares for 1 post-consolidation share. All figures have been adjusted to reflect this consolidation.

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagin Medical Inc. was incorporated in the Province of British Columbia and its previous principal business activity was the acquisition and exploration of resource properties. 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 now focuses on the research, development, and commercialization of medical devices in the bio-chemistry industry. For accounting purposes, the acquisition of BSS was treated as a reverse asset acquisition as the shareholders of BSS acquired control of the consolidated entity. BSS is considered the acquiring and continuing entity, and Imagin Medical Inc. was the acquired entity.

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 **August 29, 2022**, the date the Board of Directors approved the 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, 2021 and the nine months ended June 30, 2022.

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.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2021.

3. CASH AND CASH EQUIVALENTS

	June 30, 2022	September 30, 2021
	\$	\$
Canadian chartered bank		
- Deposits in Canadian banks *	145,666	265,664
	145,666	265,664

* Included in this amount above is US\$108,613 converted to Canadian dollars at the year-end rate of 1.2887.

4. AMOUNTS RECEIVABLE AND PREPAIDS

	June 30, 2022	September 30, 2021
	\$	\$
GST receivable	1,538	1,256
Trust account	1,700	1,700
Prepaid expenses	205,609	382,865
	208,847	385,821

5. INTANGIBLE ASSET

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 to be paid on or before February 28, 2023.
- US\$25,000 to be paid on or before February 28, 2024, and every February 28th 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 nine months ended June 30 2022 and 2021

5. INTANGIBLE ASSET *(continued)*

Continuity of the intangible asset is as follows:

	Patent License
Cost	
Balance, September 30, 2020	241,004
Additions for the year	6,835
Balance, September 30, 2021	\$ 247,839
Additions for the period	6,350
Balance, June 30, 2022	\$ 254,189
Accumulated depreciation	
Balance, September 30, 2020	95,422
Depreciation for the year	29,387
Balance, September 30, 2021	\$ 124,809
Additions for the period	22,950
Balance, June 30, 2022	\$ 147,759
Carrying amounts	
Balance, September 30, 2020	\$ 145,582
Balance, September 30, 2021	\$ 123,030
Balance, June 30, 2022	\$ 106,430

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022 \$	September 30, 2021 \$
Trade accounts payable	53,112	231,602
Accrued liabilities	48,745	28,745
Due to related parties (See Note 8)	337,542	333,749
Convertible Debt	8,945,632	11,721,098
	9,385,031	12,315,194

7. CONVERTIBLE NOTES

Convertible note #1:

During the previous fiscal 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. 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.

Certain holders converted an aggregate of US\$133,000 in Note principal into common shares during the previous fiscal year (see Note 9).

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

7. CONVERTIBLE NOTES *(continued)*

Convertible note #2:

The Company completed a second convertible note offering totaling US\$3,000,000. This offering will be received in three tranches, with the first tranche of US\$500,000 having been received during the previous fiscal year. This 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.

During the nine months ended June 30, 2022, the Company received US\$500,000 as full payment of the second tranche of the US\$3,000,000 convertible note and US\$1,250,000 as part of Tranche 3 of the Convertible Note #2.

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 (US\$ warrants).

The carrying value of the convertible notes is as follows at September 30, 2021 and June 30, 2022:

		Debt	Embedded Derivative	Total
Balance, October 1, 2020	\$	-	\$ -	\$ -
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
Balance, September 30, 2021	\$	2,477,171	\$ 9,243,927	\$ 11,721,098
Convertible note proceeds		2,205,492	-	2,205,492
Convertible note converted to common shares		(369,610)	-	(369,610)
Convertible note expense		1,809,778	(6,421,126)	(4,611,348)
Balance, June 30, 2022	\$	6,122,831	\$ 2,822,801	\$ 8,945,632

8. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2022, the Company paid or accrued \$588,419 (2021 - \$653,759) to directors and officers for management, accounting, and directors' fees incurred by the Company.

Included in accounts payable are fees and expenses due to directors and officers in the amount of \$337,542 (September 30, 2021 - \$333,749), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

During the period, the Company granted 424,218 incentive stock options to directors and officers. The options have an exercise price of US\$0.28 (Cdn\$0.35) and will expire September 30, 2025. As at June 30, 2022, 191,169 were fully vested. There are different vesting periods, but all options will be fully vested by fiscal September 2025 (See Note 9c).

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

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

9. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued:

As at June 30, 2022, the Company reported issued and outstanding shares of 9,996,876 (September 30, 2021 – 9,259,629).

On November 16, 2021, 737,247 common shares were issued pursuant to the conversion of Note principal balance in the amount of Cdn\$369,125.

c) Stock options:

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

	Number of options	Weighted average exercise price
Outstanding at September 30, 2020	535,000	\$ 4.93
Options granted	125,000	0.63
Options cancelled	(117,500)	3.00
Outstanding at September 30, 2021	542,500	\$ 4.36
Options granted	472,187	0.35
Options cancelled	(15,000)	3.00
Outstanding at June 30, 2022	999,687	\$ 2.48

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	30-Sep-21	Granted	Exercised	Expired	30-Jun-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
22-Apr-25	0.35	-	472,187	-	-	472,187
		542,500	472,187	-	(15,000)	999,687
Weighted average exercise price		\$ 4.36	\$ 0.35	-	\$ 3.00	\$ 2.48

The Company granted 424,218 incentive stock options to directors and officers, and 47,969 to key service providers for total options of 472,187. All options have an exercise price of \$0.35. At the date of grant (April 17, 2022), 141,119 were fully vested. As at the nine months ended June 30, 2022, only 214,079 of the total options granted had vested. The remaining balance of 258,108 options will vest as follows:

- 72,144 options will vest during the period July 1, 2022 to September 30, 2022;
- 105,033 options will vest during the period October 1, 2022 to September 30, 2023;
- 56,609 options will vest during the period October 1, 2023 to September 30, 2024;
- 24,322 options will vest during the period October 1, 2024 to September 30, 2025.

As at June 30, 2022, the Company reported stock-based compensation expense of \$71,888.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

9. SHARE CAPITAL *(continued)*

c) Stock options: *(continued)*

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	30-Jun-21
09-Feb-21	3.00	60,000	-	-	(60,000)	-
30-Jun-21	3.00	57,500	-	-	(57,500)	57,500
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	-	-	-
		535,000	125,000	-	(117,500)	542,500
Weighted average exercise price		\$ 4.93	\$ 0.63	-	\$ 3.00	\$ 4.36

d) Share purchase warrants:

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

	Number of warrants	Weighted average exercise price
Outstanding at September 30 and December 31, 2021	24,993,040	\$ 0.76
Finance Warrants expired	(1,914,000)	3.00
Finders' Warrants expired	(52,7990)	3.00
Outstanding at June 30, 2022	23,026,250	\$ 0.56

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	30-Sep-21	Granted	Exercised	Expired/ Cancelled	30-Jun-22
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

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

9. SHARE CAPITAL *(continued)*

d) Share purchase warrants:

Expiry Date	Exercise Price	30-Sep-21	Granted	Exercised	Expired/ Cancelled	30-Jun-22
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
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
		24,993,040	-	-	(1,966,790)	23,026,250
Weighted average exercise price		\$ 076	\$ -	\$ -	\$ -	\$ 0.56

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	30-Jun-21
21-Jan-22	3.00	1,966,790	-	-	-	1,966,790
20-Oct-25	0.63	-	25,000	-	-	25,000
20-Oct-25	0.76	-	25,000	-	-	25,000
22-Oct-25	0.63	-	875,000	-	-	875,000
22-Oct-25	0.76	-	875,000	-	-	875,000
09-Nov-25	0.63	-	37,500	-	-	37,500
09-Nov-25	0.76	-	37,500	-	-	37,500
15-Jan-26	0.63	-	175,000	-	-	175,000
15-Jan-26	0.76	-	175,000	-	-	175,000
19-Jan-26	0.63	-	62,500	-	-	62,500
19-Jan-26	0.76	-	62,500	-	-	62,500
22-Jan-26	0.63	-	50,000	-	-	50,000
22-Jan-26	0.76	-	50,000	-	-	50,000
25-Jan-26	0.63	-	62,500	-	-	62,500
25-Jan-26	0.76	-	62,500	-	-	62,500
27-Jan-26	0.63	-	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

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

9. SHARE CAPITAL *(continued)*

d) Share purchase warrants:

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	30-Jun-21
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
		1,966,790	6,751,250	-	-	8,718,040
Weighted average exercise price		\$ 3.00	\$ 0.69	\$ -	\$ -	\$ 1.21

10. NON-CASH TRANSACTIONS

The following non-cash transactions were recorded:

	June 30, 2022	June 30, 2021
	\$	\$
Financing activities:		
Common shares issued upon conversion of note	369,610	26,377

11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

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 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.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended June 30 2022 and 2021

11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

here were no changes in the Company's approach to capital management during the nine months ended June 30, 2022.

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 following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2022.

		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	145,166	\$ —	\$ —	\$ 145,166

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2021.

		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	265,644	\$ —	\$ —	\$ 265,644

12. SUBSEQUENT EVENTS

Subsequent to the nine months ended June 30, 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 8, 2022, a debt holder converted US\$30,000 plus interest into shares, which resulted in the issuance of 83,240 shares at US\$0.40 (Cdn\$0.516).

On August 22, 2022, IME Acquisition Sub LLC announced the acquisition of the enCAGE Coil™ Precision Ablation System for soft tissue (to be followed by Prostate Cancer) from TROD Medical, a Belgian company. The total acquisition cost is US\$2,500,000 payable under certain milestones.

Concurrent with the acquisition, the Company closed the previously announced convertible note for US\$3,000,000. In addition, the Company announced the opening of a new US\$7,250,000 Convertible Note to support the above acquisition.

For details on all the above, please refer to the Management Discussion and Analysis attached to this Financial Statements.

IMAGIN MEDICAL INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Nine Months Ended June 30, 2022

Directors and Officers as of August 29, 2022

Directors:	Chris Bleck Ken Daignault Jim Hutchens Kayvon Namvar Kevin Slawin
Officers:	President & C.E.O. – Jim Hutchens C.F.O. & Secretary – John Vacha
Contact Names:	Jim Hutchens John Vacha
Telephone Number:	833-246-2446

IMAGIN MEDICAL INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Nine Months Ended June 30, 2022

1.1 Date of This Report

August 29, 2022

This Management's Discussion & Analysis ("MD&A") of Imagin Medical Inc. for the nine months ended June 30, 2022 has been prepared based on information available to us as of May 25, 2022. This discussion should be read in conjunction with the Condensed Interim Consolidated Financial Statements of the Company and notes attached thereto for the nine months ended June 30, 2022 included herewith, all of which are available at the SEDAR website at www.sedar.com.

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include product development timing, government regulatory approvals, hospital reimbursement, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Reported currency is stated in Canadian dollars.

1.2 Overall Performance

Description of Business

Imagin Medical Inc. is 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 now focuses on research, development and commercialization in the device/instrumentation medical technology industry.

On December 23, 2021, the shareholders approved the plan of pursuant to Division 5 of Part 9 of the British Columbia Business Corporations Act whereby the Company will continue from the jurisdiction of the BCBCA and become domesticated in Delaware

pursuant to the General Corporation Law of the State of Delaware. As of the date of this report, the Company is still in the process of completing this transition.

License Agreement

By way of a Licence Agreement dated May 20, 2015, BSS was granted an exclusive, nontransferable, royalty-bearing license by Lawrence Livermore National Security, LLC (LLNS), to use LLNS's patents and intellectual property rights to manufacture and sell products and services pertaining to *in vivo* imaging applications.

Under the License Agreement, BSS must:

- complete a commercial prototype by December 31, 2016 (first prototype completed);
- complete submissions for United States Food and Drug Administration ("FDA") approval by March 31, 2023;
- achieve first commercial sales ("FCS") in the United States within one year of achieving the FDA approval; and
- achieve gross cumulative sales revenues from the sales of licensed products of at least \$10,000,000 within the first three years of achieving FCS.

The sales requirements may be amended and/or extended at the written request of BSS to LLNS, based upon legitimate business reasons specified in reasonable detail in such written request.

BSS must pay certain fees to LLNS for the licence, being (all amounts are in US dollars):

- (i) a nonrefundable issue fee of \$100,000 payable as follows:
 - \$10,000 upon the date of execution of the Agreement (June 22, 2015; paid);
 - \$30,000 by November 22, 2015 (paid);
 - \$30,000 by January 22, 2016 (paid); and
 - \$30,000 by March 22, 2016 (paid).
- (ii) an earned royalty of 3% of net sales, subject to minimum annual royalties of:

Calendar year	Minimum annual royalty	Due date
2017	\$5,000	February 28, 2017 (paid)
2018	\$10,000	February 28, 2018 (paid)
2019	\$10,000	February 28, 2019 (paid)
2020	\$5,000	February 28, 2020 (paid)
2021	\$5,000	February 28, 2021 (paid)
2022	\$5,000	February 28, 2022 (paid)
2023	\$5,000	February 28, 2023
2024 and thereafter	\$25,000	February 28, 2024

(iii) a nonrefundable U.S. Maintenance Patent Fee of \$45,000 to be paid as follows:

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

The Technology

Imagin Medical is a surgical imaging company focused on establishing a new standard of care in visualizing cancer during minimally invasive surgeries (MIS). The Company's first product, the i/Blue Imaging™ System, is based on advanced optics and light sensors and employs patented ultrasensitive imaging technology. The Company believes the i/Blue System, with easy-to-use imaging options, will significantly improve surgeons' ability to visualize cancerous cells for more accurate resection. The Company's initial focus is bladder cancer.

The i/Blue Imaging System is a device external to the body that attaches to an endoscope to emit both white and blue light during MIS. When used in combination with contrast agents, cancerous cells, including premalignant lesions and tumor tissue along the margins, begin to fluoresce within an hour or less. The i/Blue Imaging System provides the option to display, in real-time, the white and blue light images side-by-side. This advancement eliminates the surgeon's need to switch back and forth between the white and blue light images when locating and then resecting the cancer as needed with current technology.

Imagin's i/Blue Imaging System is comprised of two key, state-of-the-art components:

- The i/Blue Control Unit: contains a dual wave-length light source, a two-channel camera control unit, data recorder and power supply modules that allow simultaneous displays of white and blue light illumination in the interior of the bladder.
- Dual View Camera Handpiece: includes sophisticated optical filters that split the image into white and blue light channels, allowing simultaneous display of corresponding images on the surgical monitor. This patented technology compatible with most endoscopes on the market today and offers multiple real-time viewing options/images that better enable the surgeon to visualize and resect the cancer.

Benefits of the i/Blue Imaging System

- Simultaneous side-by-side white and blue light images
- No toggling back and forth between images
- Shows cancer in context within the bladder
- Enables surgeons to better visualize cancerous cells for more accurate resection
- Compatible with most endoscopes on the market
- Appropriate for physicians' offices

Future Development - Disruptive Technology /Multiple Markets

Imagin intends to build on the i/Blue technology, which currently works with hexaminolevulinate hydrochloride (HAL), and adapt it to other U.S. Food and Drug Administration (FDA) approved contrast agents, such as Indocyanine green (ICG). These additional products will expand Imagin's market potential, facilitating entry into multiple endoscopic procedures, such as laparoscopic (general and gynecology), colorectal and thoracic.

Imagin is actively pursuing opportunities to acquire or distribute additional products such as disposable scopes, cancer biopsy devices and other products to complement its portfolio.

The Strategy

Imagin Medical will differentiate the bladder cancer imaging market by improving surgical technique that will lead to improved resections. This will be accomplished by the providing white and blue light images simultaneously, side-by-side on the monitor. Additionally, Imagin will be the low-cost producer and allow the company to make solid margin and price the i/Blue System at a significant discount from current products.

Imagin will continue to strengthen relationships with urologists and key opinion leaders, as well as engage in market development activities through virtual meeting, events, and demonstrations over the coming months. Imagin demonstrated the pre-production units in private meetings at the American Urology Association (AUA) Annual Meeting in May 12-14, in New Orleans. We met with more than ten key opinion leaders.

It remains Imagin's plan to differentiate the MIS surgical imaging market by focusing on state-of-the-art, easy-to-use, practical and cost-effective cancer visualization systems.

Once the i/Blue Imaging System is commercially available for urological indications, Imagin will focus on expanding the product platform from bladder cancer to laparoscopic (abdominal), thoracic and other minimally invasive procedures. The Company will partner with manufacturers of contrast agents that are already FDA-approved or in their final phase (Phase III) of FDA approval.

Imagin plans to add complementary products to expand its product portfolio. Because the i/Blue technology is adaptable to most endoscopes currently on the market, the Company will be of strategic interest to existing dominant endoscope manufacturers.

The Company will continue to plan for commercialization via initial marketing programs, future participation in trade shows and focus groups with key opinion leaders, along with the development of physician champions to establish three Centers of Excellence.

Intellectual Property

The Company, through its wholly owned subsidiary (BSS Life Sciences) has secured an exclusive license from Lawrence Livermore National Security, LLC (LLNS) to commercialize the technology invented by Dr. Stavros Demos. This license agreement includes three issued patents and one pending patent application on technology related to exclusive spectroscopic imaging for cancer and other medical applications. These include:

1. Issued U.S. Patent 7,149,567 - Near-Infrared Spectroscopic Tissue Imaging for Medical Applications.
2. Issued U.S. Patent 7,257,437 - Autofluorescence Detection and Imaging of Bladder Cancer Realized Through a Cystoscope.
3. Issued U.S. Patent 8,285,015 - Simultaneous Acquisition of Differing Image Types.
4. Issued U.S. Patent 10,182,708 - Simultaneous Acquisition of Differing Image Types.

Based on product refinement and development since the completion of the University of Rochester study and the innovative work being completed at Lighthouse Imaging, Imagin intends to file additional patent that the Company anticipates will broaden its intellectual property portfolio.

Product Development and Regulatory Approval

The i/Blue imaging System has entered the pre-production phase. The design and development phase of the i/Blue Imaging System has been completed and resulted in a final device configuration that surpasses the required performance verification testing and confirms that the required design inputs are fulfilled.

The pre-production phase includes numerous engineering, manufacturing, and quality related objectives focused upon final preparations for pilot manufacturing runs. These include design freeze, complete design history and device master record documentation, procurement of production tooling for component parts, establishing documented manufacturing procedures and additional verification testing.

Once the pre-production phase is completed late this year, the pilot build phase will begin. The validation testing data obtained from the i/Blue devices manufactured during the pilot build will be submitted for FDA approval.

The Company intends to conduct the first-in-human usability studies to demonstrate fluorescence now that medical institutions have resumed clinical trials and products have become available. The Company's showcased an i/Blue Imaging System with the new optics design too a select group of key urologists during the American Urology Association meeting in New Orleans this May.

Imagin believes that the imaging quality and cost reduction goals for the i/Blue Imaging System will be achieved and make blue light cystoscopy more accessible to hospitals and patients. The product will be highly manufacturable with a modular design that will become a basic platform for Imagin's current and future applications.

As previously reported, the Company met with the FDA twice to proactively discuss the i/Blue System's regulatory path. The content and feedback from these meetings have been instrumental as the Company continues to refine its regulatory strategy and complete the formal FDA Pre-Market Approval (PMA) submission. Imagin will ensure that the i/Blue System will be in compliance with FDA and international requirements, i.e., Quality System Regulation ISO 13485:2016 and Quality Management System (QMS).

Highlights from September 1, 2021 up to the date of this report

The Company announced the following:

- Announced a new \$7,250,000 Convertible Note to support the above-mentioned acquisition and the product's development (See Subsequent Events).
- Announced the acquisition of the enCAGE Coil™ Precision Ablation System for Prostate Cancer from TROD Medical NV, a Belgian company (See Subsequent Events).
- Announced it closed the final tranche of the previously announced convertible note (See Subsequent Events).
- Announced that, pursuant to the Company's Stock Option Plan, an aggregate of 427,187 options have been granted to certain employees, board members and consultants as incentive stock options at an exercise price of \$0.28 USD per share. The options are exercisable for a period of five years, ending on April 22, 2027.
- Announced that Kayvon Namvar joined Imagin's Board of Directors as Chair of the Audit Committee. Mr. Namvar serves as a Principal at RNA Capital Advisors, a financial and strategic advisory firm, and as Vice President, Finance & Strategic Analysis at Hawthorne Effect, Inc., a healthcare technology company focused on clinical trials. He has expertise in forecasting, valuation, and transaction advisory support in the life sciences, healthcare, and technology industries. Kayvon holds a Bachelor of Science degree in Business Administration from the University of Southern California.
- Announced that Kevin Slawin, M.D. joined Imagin's Board in August 2021, has assumed the role of Chairman. Dr. Slawin, a leading uro-oncologist, is the founder of Rapha Capital Management, LLC, a venture capital firm focused on identifying and managing strategic investments in early-stage biotechnology companies. Dr. Slawin brings knowledge of bladder and prostate cancer to Imagin as the Company advances the i/Blue Imaging System for bladder cancer visualization to commercialization.
- Announced it closed a new convertible note offering totaling US\$3 million in three tranches by Rapha Capital BioVentures Fund I, LP (RCBVFI) to support the clinical development of Imagin's lead product, the *i/Blue™ Imaging System*.

As at the date of this report, the Company reported a share structure as follows:

- Issued and Outstanding – 10,830,116
- Options granted – 999,687
- Finance warrants – 23,026,250

1.3 Selected Annual Information

The highlights of financial data for the Company for the two most recently completed financial years are as follows:

	30-Sep-21	30-Sep-20
(a) Loss before other items		
(i) Total loss	\$11,345,197	\$4,352,095
(ii) Loss per share – basic	\$1.26	\$0.53
(iii) Loss per share – diluted	\$1.26	\$0.53
(b) Net loss		
(i) Total loss	\$11,473,412	\$4,376,849
(ii) Loss per share – basic	\$1.27	\$0.53
(iii) Loss per share – diluted	\$1.27	\$0.53
(c) Total assets	\$774,515	\$219,400

Loss per share was calculated using the post-consolidated weighted average of 9,049,948 in the year ended 2021 and 8,927,096 in the year ended 2020.

1.4 **Results of Operations**

Discussion of Operations and Financial Condition

The following should be read in conjunction with the condensed interim consolidated financial statements for the nine months ended June 30, 2022, and notes attached hereto.

During the nine months ended June 30, 2022, the Company reported a net income of \$2,175,578 (June 30, 2021 – net loss of \$3,309,872). The decrease in the net loss, which resulted in net income, is related to the issuance of convertible notes during the year, and the related revaluation of the fair value of the embedded derivative and interest expense. For the current period, the Company recorded a convertible note recovery of \$4,611,348 compared to convertible note expense \$715,976 for the comparative period.

The Company incurred the following major expenditures:

1. Legal & accounting – Total \$557,305 (June 30, 2021 – \$318,744) increase by \$238,561. The increase is related to legal fees incurred in connection with the convertible debt and other potential financings and/or acquisitions.
2. Management fees – Total \$333,100 (June 30, 2021 - \$426,782). The decrease of \$93,682 is related to the decrease in compensation of the CFO effective September 1, 2021.
3. Product Development – Total \$1,151,241 (June 30, 2021 – \$1,038,489); increased by \$112,752. These expenses are primarily related to the work performed by outsourced design and engineering, regulatory, FDA, legal and quality consultants for the design and development of the i/Blue system and associated FDA & regulatory plans.

The Company also reported receivables and prepaids for a total amount of \$208,847 (September 30, 2021 – \$385,821). The amount is broken down as follows:

	30-Jun-22	30-Sep-21
GST Receivable	\$ 1,538	1,256
Trust account	1,700	1,700
Prepaid expenses *	205,609	382,865
	\$ 208,847	385,821

* The Company was billed in advance for services ranging from six months to a year with respect to services primarily related to raising capital and public relations. In addition, the Company had to make a deposit of US\$275,000 (Cdn\$357,972) to Lighthouse Imaging, the contract manufacturer for the Company's i/Blue Imaging System. The current balance of the deposit to Lighthouse Imagin is US\$125,118 (Cdn\$163,574).

Shareholders Communication and Travel

For the nine months ended June 30, 2022, the Company reported shareholder communication and travel expenses totaling \$76,444 (June 30, 2021 – \$327,299) and is broken down as follows:

	30-Jun-22	30-June-21
Communication & information	\$ 31,961	\$ 281,357
Conferences	15,843	9,915
Press releases	1,563	2,018
Telephone & website	2,899	9,490
Travel & entertainment	24,178	24,519
	\$ 76,444	\$ 327,299

Communication & information expenses relate to an increase in investor outreach to promote investor awareness of the progress the Company has made towards bringing the i/Blue System to market. This included digital marketing campaigns, technical articles and investor outreach.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	<u>Q3 30-Jun-22</u>	<u>Q2 31-Mar-22</u>	<u>Q1 31-Dec-21</u>	<u>Q4 30-Sep-21</u>
	IFRS	IFRS	IFRS	IFRS
Net income	4,646,338	(1,148,276)	(1,322,484)	(8,163,540)
(loss)				
Per Share	0.47	(0.12)	(0.13)	(0.90)
	<u>Q3 30-Jun-21</u>	<u>Q2 31-Mar-21</u>	<u>Q1 31-Dec-20</u>	<u>Q4 30-Sep-20</u>
	IFRS	IFRS	IFRS	IFRS
Net loss	(434,788)	(2,312,824)	(562,260)	(689,057)
Per Share	(0.05)	(0.26)	(0.06)	(0.08)

Income (Loss) per share was calculated using the post-consolidated weighted average for the above eight quarters.

1.5 Liquidity

The Company has no current operating income or cash flow. In management's view, given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency, and planned expenditures. The Company's financial success will be dependent on continuing to raise operating capital and successful

clinical trials that validate the Company's technology. Such activities may take time to complete, and the amount of resulting income is difficult to determine.

Convertible Note #1:

During the previous fiscal year, 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. 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.

Convertible Note #2:

Also, during the previous fiscal year, the Company closed a second convertible note offering totaling US\$3,000,000. This offering will be received in three tranches, with the first tranche of US\$500,000 having been received during the year. This 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.

During the nine months ended June 30, 2022, the Company an additional US\$1,750,000 as partial payment of the US\$3,000,000 convertible note. Subsequent to the period, the final balance of US\$750,000 was received, completing the US\$3,000,000 convertible note.

Cash and cash equivalents

	30-Jun-22	30-Sep-21
Cash deposits	\$ 143,166	\$ 265,664
Total cash and cash equivalents	\$ 143,166	\$ 265,664

Included in the June 30, 2022 cash deposit is US\$108,163 converted to Canadian dollars and quarter end rate of 1.2887.

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with Canadian and US banks.

Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company faces certain foreign exchange risks related to expenses incurred in U.S. dollars, a currency which may appreciate against the Canadian dollar, the Company's reporting currency. Additionally, net working capital balances denominated in non-reporting currencies are also subject to fluctuations in value. The Company mitigates these threats by limiting its exposure to such balances where their expenditure in the same non-reporting currency is not imminent.

Commitments

The Company has certain commitments related to the license agreement with Lawrence Livermore National Security. Please refer to Sections 1.2 Overall Performance – License Agreement.

1.6 Capital Resources

The Company has no capital resources.

1.7 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.8 Third Quarter

The third quarter result does not differ significantly from other the previous quarter.

1.9 Transactions with Related Parties

During the nine months ended June 30, 2022, the Company paid and/or accrued \$588,419 (June 30, 2021 – \$653,759) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, and directors' fees incurred by the Company.

		30-Jun-22	30-Jun-21
Management fees	\$	333,100	426,782
Accounting fees		237,819	213,477
Directors fees		17,500	13,500
Total	\$	588,419	653,759

Included in accounts payable as of June 30, 2022 are fees due to directors and officers in the amount of \$337,542 (September 30, 2021 – \$333,749), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

		30-Jun-22	30-Sep-21
Unpaid Management fees (CEO)	\$	254,569	254,569
Unpaid Accounting fees (CFO)		30,973	44,680
Directors' fees		52,000	34,500
Total	\$	337,542	333,749

During the nine ended June 30, 2022, the Company granted 472,187 incentive stock options to directors, officers, and key service providers at a price of \$0.35 for a period of 5 years. 424,218 of these incentive stock options were granted to related parties.

As at June 30, 2020, only 191,169 incentive stock options granted to related parties were fully vested. The unvested options (233,048) are scheduled to vest as follows:

- July 1, 2022 to September 30, 2022 – 70,218
- October 1, 2022 to September 30, 2023 – 97,239
- October 1, 2023 to September 30, 2024 – 48,896
- October 1, 2024 to September 30, 2025 – 16,605

Effective September 1, 2021, the Company reduced the annual compensation of the CEO from US\$450,000 to US\$350,000 and increased the annual compensation of the CFO from US\$225,000 to US\$250,000. Both executive officers will receive 6 months of severance in the event of a change of control, severance, termination, or constructive dismissal.

1.10 Proposed Transactions

See Subsequent Events.

1.11 Critical Accounting Estimates

In preparing financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

1.12 Financial and Other Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debt (debt host) approximate their fair values due to the short maturity of those instruments. The embedded derivative within the convertible note is carried measured at fair value.

1.13 Other

As of the date of this report, the Company reported the following:

Common Shares	<u>10,830,116</u>
Disclosure of Outstanding Stock Options:	
Incentive Stock Options	<u>999,687</u>
Disclosure of Outstanding Share Purchase Warrants:	
Warrants	<u>23,026,250</u>
Fully diluted	<u>34,856,053</u>

Disclosure Controls and Procedures

It should be noted that pursuant to Multilateral Instrument 52-511 (adopted by the British Columbia Securities Commission on November 23, 2007), that the officers of the Company are no longer required to certify the effectiveness of disclosure controls and procedures used by the Company, as was required in previous filings under National Instrument 52-109. Accordingly, the new forms of certificate to be signed by the Company's Chief Executive Officer and Chief Financial Officer contain the following Note to Reader:

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation;
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of and annual filings and other reports provided under securities legislation.

Subsequent Events

Acquisition

Subsequent to the nine months ended June 30, 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 8, 2022, a debt holder converted US\$30,000 plus interest into shares, which resulted in the issuance of 83,240 shares at US\$0.40 (Cdn\$0.516).

On August 22, 2022 IME Acquisition Sub LLC announced the acquisition of the enCAGE Coil™ Precision for Ablation System for soft tissue (to be followed by Prostate Cancer) from TROD Medical, a Belgian company. The total acquisition cost is US \$2,500,000 payable under the following milestones:

1. The initial payment, on closing, will be US\$350,000 and US\$150,000 of the Company's shares (based on a 10-day average price as of the date of closing). Of this, US\$200,000 and all of the shares will be held in escrow pending transfer of all intellectual property to Imagin.
2. The first milestone payment of US\$500,000 will be made upon receipt of FDA 510(k) approval, through the payment of cash or issuance of Imagin shares, at Imagin's election.
3. The second milestone payment of US\$1,000,000 will be made upon receipt of FDA de novo approval, through the payment of cash or issuance of Imagin shares, at Imagin's election.
4. The third milestone payment of US\$250,000 will be made upon achieving sales of 1,000 BPH (Benign Prostate Hyperplasia) cases following 510(k) approval, through the payment of cash or issuance of Imagin shares, at Imagin's election.
5. The fourth and final milestone payment of US\$250,000 will be made upon achieving sales of 500 BPH (Benign Prostate Hyperplasia) cases following de novo approval, through the payment of cash or issuance of Imagin shares, at Imagin's election. All share issuances will be based on a 10-day average price as of the time of issuance.

Concurrent with the acquisition, the Company closed the previously announced convertible note announced in its press release of August 26, 2021. In addition, the Company announced the opening of a new US \$7,250,000 Convertible note to support the acquisition and future development.

Convertible Note Financing

Concurrent with this acquisition, the Company has opened a new convertible note offering totaling US \$7,250,000 to support the clinical development of the enCAGE Coil™ technology. The Convertible Note is being led by Rapha Capital BioVentures Fund I, LP (RCBVFI), managed by Rapha Capital and Dr. Slawin, M.D., and Bigger Capital, and has the following terms:

1. The principal will be advanced in multiple tranches with an initial tranche of US\$750,000 upon closing, followed by multiple tranches for the remaining US\$6,500,000 million.
2. The principal will bear interest at the rate of 10% per annum, payable on maturity or conversion.
3. The principal and interest will be fully secured against the assets of the Company.
4. The note will mature 24 months following the date of issue, unless earlier repurchased or converted.
5. The principal and interest will automatically convert into common shares of the Company ("Shares") at US\$0.40 per Share, upon the Company completing an equity financing of at least US\$2,000,000.
6. Note purchasers will receive an aggregate 50,750,000 warrants (2.8X coverage) to acquire Shares of the Company, exercisable at US \$0.40 per Share for five years from the date of issue.

Additional information relating to the Company is on SEDAR at www.sedar.com.