

# **Conavi Medical Inc.**

Consolidated Financial Statements  
**September 30, 2024**



## Independent auditor's report

To the Shareholders of Conavi Medical Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Conavi Medical Inc. and its subsidiary (together, the Company) as at September 30, 2024 and September 30, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2024 and September 30, 2023;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of the 18% and 10% secured convertible notes (the secured convertible notes)

*Refer to note 3 – Material accounting policies, note 26 – 18% secured convertible notes and note 27 – 10% secured convertible notes to the consolidated financial statements.*

During the year, the Company issued secured convertible notes with a maturity date of May 13, 2025. The secured convertible notes have been classified as a financial liability measured at fair value through profit or loss. Management has determined the fair values at the initial recognition date and as at September 30, 2024 using valuation models with significant unobservable inputs classified as level 3 in the fair value hierarchy. Management has used the following key inputs and assumptions: probability that the transaction with Titan will close, nature of the concurrent financing and the related share price of the concurrent financing and volatility rates.

The fair value of the 18% secured convertible notes at the initial recognition date and September 30, 2024 was \$10.2 million and \$19.1 million, respectively. The fair value of the 10% secured convertible notes at the initial recognition date and September 30, 2024 was \$1.7 million and \$2.2 million, respectively.

Our approach to addressing the matter included the following procedures, among others:

- Read the contracts and other information relating to the secured convertible notes to develop an understanding of the terms and conditions associated with them.
- With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed independent point estimates of the fair values of the secured convertible notes, including:
  - Evaluated the reasonableness of the probability used by management that the transaction with Titan will close, nature of the concurrent financing and the related share price of the concurrent financing, by agreeing to supporting documentation, minutes of Board meetings and discussions with management.
  - Developed an independent expectation for volatility rates.
  - Tested the underlying data used in developing the independent point estimates.



### Key audit matter

### How our audit addressed the key audit matter

We considered this a key audit matter due to the significant judgement applied by management in determining the key inputs and assumptions used in the fair values of the secured convertible notes. This has resulted in a high degree of auditor judgement and effort in performing procedures to test key inputs and assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

- Compared the independent point estimates to management's estimates to evaluate the reasonableness of management's fair values of the secured convertible notes.
- Assessed the related disclosure included in the consolidated financial statements.

### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Grant Redpath.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
December 17, 2024

**CONAVI MEDICAL INC.**

Consolidated statements of financial position

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	September 30, 2024	September 30, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash	436	14,169
Accounts receivable and other receivables	670	730
Inventory (Note 4)	1,610	2,799
Prepaid expenses and supplier deposits	545	1,176
Investment tax credits recoverable	268	290
<b>Total Current Assets</b>	<b>3,529</b>	<b>19,164</b>
Property and equipment (Note 5)	1,687	2,058
Intangible assets (Note 6)	2,296	2,291
Right-of-use assets (Note 7)	1,049	1,307
<b>Total Assets</b>	<b>8,561</b>	<b>24,820</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	5,998	3,551
18% secured convertible notes (Note 26)	19,082	—
10% secured convertible notes (Note 27)	2,205	—
Current portion of deferred revenue (Note 8)	135	355
Current portion of loans payable (Note 9)	513	1,046
Lease liabilities (Note 7)	261	231
<b>Total Current Liabilities</b>	<b>28,194</b>	<b>5,183</b>
Deferred revenue (Note 8)	5,085	5,220
Loans payable (Note 9)	24,564	22,121
Preferred shares liability (Note 11)	35,549	29,744
Lease liabilities (Note 7)	1,002	1,263
<b>Total Liabilities</b>	<b>94,394</b>	<b>63,531</b>
<b>Shareholders' Deficiency</b>		
Common shares (Note 12)	17,552	17,543
Preferred shares (Note 12)	18,408	18,408
Warrant reserve (Note 13)	4,173	4,173
Contributed surplus (Note 11 & 14)	20,691	24,228
Cumulative translation adjustment	(172)	(193)
Deficit	(146,485)	(102,870)
<b>Total Shareholders' Deficiency</b>	<b>(85,833)</b>	<b>(38,711)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>8,561</b>	<b>24,820</b>

Going concern (Note 2)

The accompanying notes are an integral part of these consolidated financial statements.

**CONAVI MEDICAL INC.**

Consolidated statements of loss and comprehensive loss

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Licensing and R&D services revenue (Note 8, 11 and 18)	135	1,954
Product revenues	2,026	410
	<u>2,161</u>	<u>2,364</u>
Cost of sales	2,108	964
<b>Gross profit</b>	<b>53</b>	<b>1,400</b>
<b>Operating expenses (Note 19)</b>		
Research and development	17,940	15,204
General and administrative	7,073	6,303
Depreciation and amortization (Notes 5, 6 and 7)	987	1,291
Other expenses	286	227
<b>Total operating expenses</b>	<b>26,286</b>	<b>23,025</b>
<b>Operating loss</b>	<b>26,233</b>	<b>21,625</b>
Net finance costs (Note 20)	8,079	4,462
Change in fair value of 18% secured convertible note	8,835	—
Change in fair value of 10% secured convertible note	468	—
<b>Net loss</b>	<b>43,615</b>	<b>26,087</b>
<b>Other comprehensive (income) loss</b>		
Foreign currency translation adjustment - net of tax	(21)	(39)
<b>Net loss and comprehensive loss for the year</b>	<b>43,594</b>	<b>26,048</b>
<b>Loss per share common (Note 21)</b>		
Basic and diluted loss per common share	(7.08)	(4.24)

The accompanying notes are an integral part of these consolidated financial statements.

**CONAVI MEDICAL INC.**

Consolidated statements of changes in equity

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	<b>Common A</b>		<b>Preferred Shares</b>		<b>Warrant Reserve</b>	<b>Contributed Surplus</b>	<b>Cumulative Translation Adjustment</b>	<b>Deficit</b>	<b>Totals</b>
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>					
<b>Balance at October 1, 2022</b>	6,155,650	17,541	4,555,769	19,619	3,482	12,409	(232)	(76,783)	(23,964)
Stock options exercised	468	2	—	—	—	(1)	—	—	1
Preferred shares issued (Note 13)	—	—	262,712	723	—	—	—	—	723
Initial recognition of preferred share liability (Note 13)	—	—	—	—	—	11,197	—	—	11,197
Warrants issued (Note 13)	—	—	—	—	691	—	—	—	691
Preferred shares canceled (Note 18)	—	—	(379,260)	(1,934)	—	—	—	—	(1,934)
Stock-based compensation (Note 14)	—	—	—	—	—	623	—	—	623
Cumulative translation adjustment	—	—	—	—	—	—	39	—	39
Net loss for the year	—	—	—	—	—	—	—	(26,087)	(26,087)
<b>Balance at September 30, 2023</b>	6,156,118	17,543	4,439,221	18,408	4,173	24,228	(193)	(102,870)	(38,711)

The accompanying notes are an integral part of these consolidated financial statements.

**CONAVI MEDICAL INC.**

Consolidated statements of changes in equity

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	<b>Common A</b>		<b>Preferred Shares</b>		<b>Warrant Reserve</b>	<b>Contributed Surplus</b>	<b>Cumulative Translation Adjustment</b>	<b>Deficit</b>	<b>Totals</b>
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>					
<b>Balance at September 30, 2023</b>	6,156,118	17,543	4,439,221	18,408	4,173	24,228	(193)	(102,870)	(38,711)
Stock options exercised	5,955	9	—	—	—	(3)	—	—	6
Initial recognition of 18% secured convertible notes (Note 26)	—	—	—	—	—	(3,400)	—	—	(3,400)
Initial recognition of 10% secured convertible notes (Note 27)	—	—	—	—	—	(390)	—	—	(390)
Stock-based compensation (Note 14)	—	—	—	—	—	256	—	—	256
Cumulative translation adjustment	—	—	—	—	—	—	21	—	21
Net loss for the year	—	—	—	—	—	—	—	(43,615)	(43,615)
<b>Balance at September 30, 2024</b>	<b>6,162,073</b>	<b>17,552</b>	<b>4,439,221</b>	<b>18,408</b>	<b>4,173</b>	<b>20,691</b>	<b>(172)</b>	<b>(146,485)</b>	<b>(85,833)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CONAVI MEDICAL INC.**

Consolidated statements of cash flows

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Cash flows from (used in) operating activities:</b>		
Loss for the year	(43,615)	(26,087)
<b>Items not affecting cash:</b>		
Depreciation of property and equipment (Note 5)	461	749
Amortization of intangible assets (Note 6)	268	284
Depreciation of right-of-use assets (Note 7)	258	258
Interest accrued and accretion expense (Note 20)	8,016	5,641
Stock-based compensation (Note 14)	256	623
Gain on sale of investment	—	(133)
Impairment of property and equipment (Note 5)	89	33
Net loss on disposal of property and equipment (Note 5)	197	194
Unrealized foreign exchange gain	659	(710)
Fair value adjustment on government assistance	(233)	—
Change in fair value of 18% secured convertible note (Note 26)	8,835	—
Change in fair value of 10% secured convertible note (Note 27)	468	—
Non-cash licensing and R&D services revenue (Note 18)	(135)	(1,934)
	<u>(24,476)</u>	<u>(21,082)</u>
<b>Changes in working capital accounts:</b>		
Inventories (Note 4)	1,389	(41)
Accounts receivable and other receivables	60	(504)
Investment tax credits recoverable	22	176
Accounts payable and accrued liabilities	2,447	1,922
Current portion of deferred revenue related to customers' deposits	(220)	177
Prepaid expenses and supplier deposits	631	(625)
<b>Net cash used in operating activities</b>	<u>(20,147)</u>	<u>(19,977)</u>
<b>Cash flows from (used in) investing activities:</b>		
Purchase of property and equipment (Note 5)	(576)	(686)
Purchase of intangible assets (Note 6)	(273)	(138)
Proceeds from sale of investment	—	133
<b>Total cash used in investing activities</b>	<u>(849)</u>	<u>(691)</u>

**CONAVI MEDICAL INC.**

Consolidated statements of cash flows (continued)

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities (Note 7)	(321)	(289)
Payment of loans payable (Note 9)	(616)	(1,141)
Proceeds from promissory note (Note 10)	—	407
Proceeds from preferred shares classified as liability (Note 11)	—	29,858
Proceeds from preferred shares classified as equity (Note 12)	—	1,415
Proceeds from issuance of 18% secured convertible notes (Note 26)	6,847	—
Proceeds from issuance of 10% secured convertible notes (Note 27)	1,347	—
Proceeds from exercise of stock options	6	1
<b>Total cash from financing activities</b>	<b>7,263</b>	<b>30,251</b>
<b>(Decrease) increase in cash</b>	<b>(13,733)</b>	<b>9,583</b>
Cash at beginning of the year	14,169	4,586
<b>Cash as at end of year</b>	<b>436</b>	<b>14,169</b>
<b>Non-cash investing and financing activities</b>		
Class E preferred shares repurchased for \$nil consideration (Note 12 and 18)	—	1,934

The accompanying notes are an integral part of these consolidated financial statements.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **1 Nature of operations**

Conavi Medical Inc. was federally incorporated in Canada on November 7, 2007, and continued under the laws of the Province of Ontario on April 13, 2012 and subsequently, in 2015, Conavi Medical US Inc. was incorporated as a US wholly owned subsidiary for distribution purposes (together the "Company"). The Company develops image guidance technologies for use in minimally invasive medical procedures with an initial focus in cardiology. The head office of the Company is located at 293 Lesmill Rd, North York, ON M3B 2V1, Canada.

### **2 Going concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they come due and in the normal course of business for the foreseeable future.

The Company incurred a net loss of \$43,615 for the year ended September 30, 2024 (2023 \$26,087) and reported a deficit of \$146,485 (2023 \$102,870) as at that date. In addition, cash used in operating activities was \$20,147 for the year ended September 30, 2024 (2023 \$19,977). The Company had \$436 in cash and cash as at September 30, 2024 (2023 \$14,169). Subsequent to year-end, the Company raised \$10,636 through issuance of equity securities to new and existing investors concurrent with the closing of the Titan transaction (see Note 28).

The Company will still need to secure additional financing in order to meet its requirements for funding its planned research, development and operating activities. These circumstances lead to significant doubt about the ability of the Company to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. The Company is developing a next-generation version of its Novasight Hybrid System, which it anticipates commercially launching in the United States the first half of fiscal year 2026 subject to regulatory approval. This system is anticipated to have a much lower cost of goods sold than the first generation system, which, if achieved, would contribute to operating cash flow. In addition, management is working towards obtaining additional financing from new and existing strategic partners and shareholders in order to continue to develop and bring the Company's products to market, so as to generate revenue and achieve positive cash flows from operations. However, there is no assurance these initiatives will be successful or sufficient.

The success of the Company is dependent on developing and bringing its products to market and obtaining adequate funding through a combination of financing activities and profitable commercial operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities to their recoverable amounts or the reported expenses and consolidated balance sheet classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies**

#### **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards.

The consolidated financial statements have been prepared using the accrual basis of accounting at historical cost except for embedded derivatives, which are measured at fair value.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on December 17, 2024 .

#### **Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following areas require significant estimates or judgement by management:

#### Preferred shares classified as a financial liability

Under IFRS Accounting Standards, certain of the Company's preferred shares are a financial liability as there are multiple holder conversion options into other classes of preferred shares or non-voting shares which result in an obligation to deliver a variable number of shares on exercise of the conversion options. Therefore, the preferred shares with multiple holder conversion options have been classified as financial liabilities and recognized at their initial fair value and subsequently at amortized cost using the effective interest method. The difference between the fair value of the preferred shares classified as liabilities and the initial proceeds represents a contribution from shareholders and has been recognized in equity as contributed surplus (Note 11). The conversion option rights have been determined not to have significant economic value at origination and the preferred share liability will be accreted to its face value over the estimated term with any significant changes in the value of the embedded derivative recorded in the consolidated statements of loss and comprehensive loss as a change in the value of the option feature. The initial measurement of the preferred shares at fair value and the resulting effective interest rate of the preferred shares liability and the estimated term over which the preferred shared liability will be accreted to their face value represent significant accounting estimates. Management has

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### 3 Material accounting policies (continued)

#### Use of estimates and judgements (continued)

determined the effective interest rate and the estimated term based on analysis of probability weighted estimated future settlement scenarios and assigned probabilities of potential exit scenarios in future years based on the strategic outlook of the Company. Management used the following key inputs and assumptions:

- Assumption that exit through initial public offering is more likely than cash repurchase;
- Assumption that the exit will most likely happen by December 31, 2026.

Based on the above, management estimated the effective interest rate of the instrument at 18% and the estimated term is in the range of 40 - 70 months. The effective interest rate and term is subject to significant estimation uncertainty, depending on assumptions about future business performance and management plans regarding timing and means of exit. The effective interest rate was determined by management partly through reference to interest rates of existing Company credit arrangements with third party lenders at the point of issuance of these instruments.

18% secured convertible notes measured at fair value

Under IFRS Accounting Standards, the Company's 18% secured convertible notes have been classified as a financial liability measured at fair value through profit or loss. Management has determined the fair value at the initial recognition date and at September 30, 2024 using a valuation model with significant unobservable inputs classified as level 3 within the fair value hierarchy. Management has used the following key inputs and assumptions:

- Probability that the proposed transaction with Titan (Note 26) will close
- Nature of the concurrent financing and the related share price of the concurrent financing
- Volatility rates

Subsequent to the initial recognition of the 18% secured convertible notes the expected nature of the concurrent financing and the timing of closing the Titan transaction changed. During the period the change in the probability of the financial instruments issuable on conversion has been accounted for as part of the overall change in fair value of the convertible notes.

10% secured convertible note measured at fair value

Under IFRS Accounting Standards, the Company's 10% secured convertible notes have been classified as a financial liability measured at fair value through profit or loss. Management has determined the fair value at the initial recognition date and at September 30, 2024 using a valuation model with significant unobservable inputs

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Use of estimates and judgements (continued)**

classified as level 3 within the fair value hierarchy. Management has used the following key inputs and assumptions:

- Probability that the proposed transaction with Titan (Note 27) will close
- Nature of the concurrent financing and the related share price of the concurrent financing
- Volatility rates

Subsequent to the initial recognition of the 10% secured convertible notes the expected nature of the concurrent financing and the timing of closing the Titan transaction changed. During the period the change in the probability of the financial instruments issuable on conversion has been accounted for as part of the overall change in fair value of the convertible notes.

#### **Consolidation**

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it has the continuing power to determine its strategic operating, investing, and financing policies without the cooperation of others and has exposures to or rights to variable returns arising from its involvement with the investee. The wholly owned subsidiaries are consolidated from the date control is obtained.

The consolidated financial statements as at September 30, 2024 include the accounts of the Company and the operations of its wholly owned subsidiary: Conavi Medical US Inc.

All intercompany accounts and transactions are eliminated on consolidation.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the chief executive officer.

#### **Foreign exchange**

The Company's functional and presentation currency is the Canadian dollar. The functional currency of the Company's wholly-owned U.S. subsidiary is the U.S. dollar.

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Foreign exchange (continued)**

operations are translated to the presentation currency using the average rates of exchange during the period. All resulting exchange differences are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as cumulative translation adjustment.

#### Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company or its subsidiaries, using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of loss and comprehensive loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All recognized financial assets are measured subsequently at either amortized cost or fair value, depending on the classification of the financial asset.

#### a) Classification and measurement of financial assets

Financial assets at amortized cost are subsequently measured using the effective interest rate method and the carrying amount is adjusted by the effect of expected credit loss allowances for impairment. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any expected credit losses. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets measured at amortized cost include cash and cash equivalents and accounts receivable and other receivables.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Financial instruments (continued)**

Cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less or cashable without penalty.

For accounts receivable and other receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company estimates the expected credit loss allowance using its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the effects of the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### b) Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, lease liabilities, 18% secured convertible debentures, 10% secured convertible debentures and certain classes of preferred shares. All financial liabilities are recognized initially at fair value and, in the case of loans payable and preferred shares, net of directly attributable transaction costs.

After initial recognition, accounts payable and accrued liabilities, loans payable and preferred shares liability are subsequently measured at amortized cost using the effective interest rate method. The 18% secured convertible debentures and 10% secured convertible debentures are subsequently measured at fair value through profit or loss.

At origination, the Company makes an assessment if a financial liability contains an embedded component that is not closely related to the host liability contract. If such financial liabilities contain embedded derivatives, these are separated from the host liability contract and recognized at fair value at initial recognition as a liability or equity according to the applicable requirements for such embedded components. At initial recognition, the Company also determines whether financial instruments meet the definition of a liability, equity or if they have characteristics of both a liability and equity. Financial liability instruments are then separated into liability components and, if applicable, an equity component, based on the contractual terms.

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive income (loss).

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Financial instruments (continued)**

##### **c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

##### **Fair value measurement**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### **Government grants**

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in accounts receivable and other receivables on the consolidated statements of financial position. The Company recognizes government grants in the consolidated statements of loss and comprehensive loss in the same period as the expenses for which the grant is intended to compensate and nets the amount off the related expenses. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in profit or loss in the period in which it becomes receivable.

#### **Inventory**

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined by the first-in, first-out method.

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements  
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### 3 Material accounting policies (continued)

#### Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives as follows:

Leasehold improvements	Lease term
Lab equipment	7 years
Computers	3 years
Furniture and fixtures	5 years
Sales and marketing equipment	5 years
Demonstration units	18 months

#### Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment. Amortization is provided over the expected useful lives of the assets using the straight-line method as follows:

Patents	19 years
Software	2 - 8 years

#### Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability and lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease of 0.9 - 4.3 years (2023 1.9 - 5.3 years).

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Leases (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

#### **Impairment of long-lived assets**

Property and equipment, right-of-use of assets and intangible assets are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flow CGUs.

The recoverable amount is the higher of an asset's fair value, less costs of disposal and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

#### **Revenue recognition**

The Company is in the process of designing, manufacturing and marketing imaging technologies for use in common minimally invasive cardiovascular procedures. The Company has developed a patented Novasight Hybrid System and continues to work on development of its patented technology and next generation systems.

The Company is at an early stage in the generation of revenue from the Novasight Hybrid System in the form of product sales and from license and distribution agreements with customers. Goods and services in agreements with customers may include the grant of licenses for the use of the Company's technology and may provide for consideration to the Company in the form of milestone payments, reimbursement of certain costs and royalty payments on licensed products.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Revenue recognition (continued)**

When the Company enters into licensing and/or distribution agreements it assesses the nature of the products and services being delivered. Geographic, time or use-based restrictions are taken account of in determining the nature of the license provided. When the Company enters into a license it firstly reviews whether the license is distinct from products or manufacturing services provided under the contract. If the license is not distinct from other products or manufacturing services the Company accounts for the license and other products or manufacturing or other services as a single performance obligation. Where a license is distinct the Company assesses whether the license provides a right of access to patents and other intellectual property over the term or a right to use the patent and/or other intellectual property as it existed at the point-in-time the license is granted.

Where the Company enters into a distribution agreement whereby the distributor only has a license to enable it to resell goods manufactured by the Company in a particular market and where the distributor does not have a right to use the intellectual property to manufacture goods the license is not considered distinct from the other performance obligations in the contract. In such instances, deferred revenue for initial proceeds received is recognized over the expected term of the distribution agreement and earnings on product sales are recognized when the goods are shipped to the Company's distributor in instances where the distributor has no right of return for unsold products and overall revenue recognition criteria is met.

Where the Company has entered into a license agreement together with services, representing a single performance obligation, to assist the customer in obtaining the 'know-how' and related support to obtain regulatory approval in a particular market and to enable the customer to commence manufacturing of products the Company recognizes variable consideration related to milestones in the contract where the variable consideration related to the milestone achieved appropriately represents the progress-to-completion and where it is highly probable that the variable consideration is not subject to reversal. At the end of each subsequent reporting period, the Company re-evaluates the probability of achievement of all milestones and any related constraints, and, if necessary, adjusts the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis and are recorded as revenue and through earnings in the period of adjustment.

Royalties on product sales by licensees will be recognized when the sales occur in the future.

Product sales are recognized as revenue when goods are shipped to the Company's customers.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

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### **3 Material accounting policies (continued)**

#### **Research and development**

Any research and development expenditure incurred during the research phase of projects is expensed as incurred. Costs related with development activities are capitalized when:

- The Company has technical studies that demonstrate the feasibility of the production process;
- The Company has undertaken a commitment to complete production of the asset, to make it available for sale or internal use;
- The asset will generate sufficient future economic benefits; and,
- The Company has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

#### **Stock-based compensation**

The Company has a stock option plan as described in Note 14. Compensation expense is recognized for stock options based on the fair value of the stock options at the grant date. The fair value of the stock options is recognized over the vesting period of the stock options with a corresponding amount included in contributed surplus

The Company uses a fair value-based method to measure the fair value of stock options as at their grant date. The fair value is determined using the Black-Scholes option pricing model and is recognized in the consolidated statements of loss and comprehensive loss as a compensation expense and credited to the stock option plan reserve, using a graded vesting schedule over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognized in the consolidated statements of loss and comprehensive loss such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to the stock option plan reserve.

#### **Income taxes**

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for the differences between the tax basis and carrying amounts of assets and liabilities, for operating losses and for tax credit carry-forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws.

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **3 Material accounting policies (continued)**

#### **Accounting pronouncements adopted during the period**

Beginning on October 1, 2023, the Company adopted the following:

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. These amendments are applicable for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material impact on the consolidated financial statements.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Beginning on October 1, 2023, the Company adopted the amendments to IAS 1 Presentation of financial statements (IAS 1) and IFRS Practice Statement 2 Making Materiality Judgements. These amendments help companies provide useful accounting policy disclosures and requires the disclosure of material accounting policy information rather than disclosing significant accounting policies. The adoption of these amendments did not have a material impact on the consolidated financial statements.

#### **Future accounting pronouncements**

At the date of authorization of these consolidated financial statements, the Company had not applied the following new and revised IFRS Accounting Standards that are not yet effective.

- Amendments to International Accounting Standard (IAS) 1, Presentation of Financial Statements (IAS 1)

The amendments affect only the presentation of liabilities in the consolidated statements of financial position, not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least 12 months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The effective date of the amendments to IAS 1 is on or after January 1, 2024, earlier application is permitted. The Company plans to adopt the amendments on October 1, 2024 and has not yet evaluated the effects on its consolidated financial statements primarily in relation to the classification of its financial liabilities.

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements  
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### 3 Significant accounting policies (continued)

#### Future accounting pronouncements (continued)

- Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: Disclosures

The IASB has issued classification and measurement and disclosure amendments to IFRS 9 and IFRS 7 with an effective date for years beginning on or after January 1, 2026 with earlier application permitted. The amendments clarify the date of recognition and derecognition of some financial assets and liabilities and introduce a new exception for some financial liabilities settled through an electronic payment system. Other changes include a clarification of the requirements when assessing whether a financial asset meets the solely payments of principal and interest criteria and new disclosures for certain instruments with contractual terms that can change cash flows (including instruments where cash flows changes are linked to environment, social or governance (ESG) targets).

The Company has not yet commenced the evaluation of the impact of these amendments.

- New accounting standard IFRS 18, Presentation and disclosure in financial statements

IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18) will provide new presentation and disclosure requirements and replace IAS 1, Presentation of Financial Statements. IFRS 18 introduces changes to the structure of the income statement; provides required disclosures in financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and provides enhanced principles on aggregation and disaggregation in financial statements. Many other existing principles in IAS 1 have been maintained. IFRS 18 is effective for years beginning on or after January 1, 2027, with earlier application permitted.

The Company has not yet commenced the evaluation of the impact of the new standard.

### 4 Inventory

	September 30, 2024	September 30, 2023
Components and parts	1,254	2,307
Work-in-progress	203	55
Finished goods	153	437
	<u>1,610</u>	<u>2,799</u>

Included in inventory is an inventory provision due to estimated net realizable value below cost in the amount of \$263 (2023 - \$553). Inventory consumed in cost of sales amounted to \$1,733 (2023 – \$343).

Inventories consumed in research and development during the year ended September 30, 2024 amounted to \$440 (2023 – \$1,957).

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

**5 Property and equipment**

	<b>Leasehold Improvements</b>	<b>Lab Equipment</b>	<b>Computers</b>	<b>Furniture &amp; Fixtures</b>	<b>Sales &amp; Marketing Equipment</b>	<b>Demonstration Equipment</b>	<b>Total</b>
<b>Cost</b>							
Balance as at October 1, 2023	1,117	2,005	572	318	39	1,401	5,452
Additions	35	150	16	4	—	371	576
Disposals	—	—	—	—	—	(340)	(340)
Unit transfer to inventory	—	—	—	—	—	(200)	(200)
Unit transfer	—	249	—	—	—	(249)	—
Impairment	—	—	—	—	—	(89)	(89)
Balance as at September 30, 2024	<u>1,152</u>	<u>2,404</u>	<u>588</u>	<u>322</u>	<u>39</u>	<u>894</u>	<u>5,399</u>
<b>Accumulated depreciation</b>							
Balance as at October 1, 2023	657	1,326	471	219	38	683	3,394
Depreciation	76	167	64	20	1	133	461
Disposals	—	—	—	—	—	(143)	(143)
Balance as at September 30, 2024	<u>733</u>	<u>1,493</u>	<u>535</u>	<u>239</u>	<u>39</u>	<u>673</u>	<u>3,712</u>
<b>Net book value as at September 30, 2024</b>	<u><b>419</b></u>	<u><b>911</b></u>	<u><b>53</b></u>	<u><b>83</b></u>	<u><b>—</b></u>	<u><b>221</b></u>	<u><b>1,687</b></u>

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

**5 Property and equipment (continued)**

	<b>Leasehold Improvements</b>	<b>Lab Equipment</b>	<b>Computers</b>	<b>Furniture &amp; Fixtures</b>	<b>Sales &amp; Marketing Equipment</b>	<b>Demonstration Equipment</b>	<b>Total</b>
<b>Cost</b>							
Balance as at October 1, 2022	1,089	1,717	533	278	39	1,905	5,561
Additions	60	288	39	40	—	259	686
Disposals	(32)	—	—	—	—	(730)	(762)
Impairment	—	—	—	—	—	(33)	(33)
Balance as at September 30, 2023	<u>1,117</u>	<u>2,005</u>	<u>572</u>	<u>318</u>	<u>39</u>	<u>1,401</u>	<u>5,452</u>
<b>Accumulated depreciation</b>							
Balance as at October 1, 2022	590	1,161	405	195	37	825	3,213
Depreciation	86	165	66	24	1	407	749
Disposals	(19)	—	—	—	—	(549)	(568)
Balance as at September 30, 2023	<u>657</u>	<u>1,326</u>	<u>471</u>	<u>219</u>	<u>38</u>	<u>683</u>	<u>3,394</u>
<b>Net book value as at September 30, 2023</b>	<b><u>460</u></b>	<b><u>679</u></b>	<b><u>101</u></b>	<b><u>99</u></b>	<b><u>1</u></b>	<b><u>718</u></b>	<b><u>2,058</u></b>

Included in demonstration units is \$204 (2023 – \$578) of property and equipment not in use and no depreciation has been recorded on these assets. The Company expects these assets to be placed in use in the next fiscal year. During the year ended September 30, 2024, the Company recognized an impairment related to its demonstration units in the amount of \$89 (2023 – \$33).

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

**6 Intangible assets**

	<b>Patents</b>	<b>Software</b>	<b>Total</b>
<b>Cost</b>			
Balance as at October 1, 2023	3,237	2,037	5,274
Additions	135	138	273
Balance as at September 30, 2024	<u>3,372</u>	<u>2,175</u>	<u>5,547</u>
<b>Accumulated amortization</b>			
Balance as at October 1, 2023	1,149	1,834	2,983
Amortization	174	94	268
Balance as at September 30, 2024	<u>1,323</u>	<u>1,928</u>	<u>3,251</u>
<b>Net book value as at September 30, 2024</b>	<u>2,049</u>	<u>247</u>	<u>2,296</u>
<b>Cost</b>			
Balance as at October 1, 2022	3,103	2,033	5,136
Additions	134	4	138
Balance as at September 30, 2023	<u>3,237</u>	<u>2,037</u>	<u>5,274</u>
<b>Accumulated amortization</b>			
Balance as at October 1, 2022	982	1,717	2,699
Accumulated amortization	167	117	284
Balance as at September 30, 2023	<u>1,149</u>	<u>1,834</u>	<u>2,983</u>
<b>Net book value as at September 30, 2023</b>	<u>2,088</u>	<u>203</u>	<u>2,291</u>

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

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**7 Leases**

All the leases of the Company relate to building leases.

Effective May 2017, the Company entered into a lease agreement for units 293, 303, 305, 309 and 311 Lesmill Road, Toronto. The agreement has been extended through January 2029 and the Company has an option to extend for an additional 5-year period. This extension option for the period after 2029 is not considered reasonably certain and has therefore not been included in the lease liability and right-of-use asset amounts.

Effective August 2021, the Company entered into a lease agreement at unit 523, 161 Roehampton Avenue, Toronto. The agreement has been extended through July 2025. This lease agreement does not have any extension options.

**Right-of-Use Assets**

The following tables present changes in right-of-use assets for the Company for the years ended September 30, 2024 and 2023:

	<b>Buildings</b>
Balance, October 1, 2022	<b>1,565</b>
Depreciation of right-of-use assets	(258)
Balance, September 30, 2023	<u><b>1,307</b></u>
Depreciation of right-of-use assets	(258)
Balance, September 30, 2024	<u><u><b>1,049</b></u></u>

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

**7 Leases (continued)****Lease Liabilities**

The following tables present changes in lease liabilities for the Company for the years ended September 30, 2024 and 2023:

	<b>Buildings</b>	<b>Current</b>	<b>Long-term</b>
<b>Balance, October 1, 2022</b>	<b>1,679</b>	<b>185</b>	<b>1,494</b>
Accretion of interest	104		
Lease payments	(289)		
<b>Balance, September 30, 2023</b>	<b>1,494</b>	<b>231</b>	<b>1,263</b>
Accretion of interest	90		
Lease payments	(321)		
<b>Balance, September 30, 2024</b>	<b>1,263</b>	<b>261</b>	<b>1,002</b>

**8 Deferred revenue**

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Distribution agreement	2,542	2,677
Technology transfer and licensing agreement	2,678	2,678
Other deferred revenue	—	220
	<u>5,220</u>	<u>5,575</u>
Less: current portion	135	355
Non-current portion	<u>5,085</u>	<u>5,220</u>

On November 30, 2017, the Company and East Ocean Medical (Hong Kong) Company Limited ("EOM") entered into a distribution agreement giving EOM exclusive distribution rights (the "Distribution Agreement") to sell the Company's Canadian products in the Territory (as defined in Note 18). The term of the Distribution Agreement is 20 years following approval from the relevant regulator in China. Concurrent with the execution of the Distribution Agreement, EOM subscribed to purchase redeemable and convertible Class C preferred shares for US\$7,500,000 with a dividend rate of 5% per annum (Note 12). On initial recognition the Company recorded the preferred shares in equity at their estimated fair value of \$7,002 using a discount rate of 13% and recorded the difference from the initial proceeds of \$2,697 as deferred revenue attributable to the Distribution Agreement.

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

**8 Deferred revenue (continued)**

For the year ended September 30, 2024, the Company recognized \$135 (2023 - \$20) in licensing and R&D services revenue attributable to the distribution agreement.

On November 23, 2020, the Company and EOM signed a US\$ 5,000,000 promissory note (“EOM Promissory Note”) bearing an interest rate of 8% per annum and decreasing to 5% (subject to signing a technology transfer and licensing agreement (“TTLA”)). Concurrent with the execution of signing of the TTLA (Note 18), the Company and EOM amended the EOM Promissory Note liability (as defined in Note 9). On initial recognition the Company recorded the EOM Promissory Note at its estimated fair value of \$3,690 using a discount rate of 13% and recorded the difference from the initial proceeds of \$2,678 as deferred revenue attributable to the TTLA. For the year ended September 30, 2024, the Company has recognized \$nil (2023 -\$nil) licensing and R&D services revenue related to the TTLA. Upon approval of Licensed Products by the applicable regulatory authorities in China, the Company will recognize revenue over the estimated economic life of the TTLA.

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

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**9 Loans payable**

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
MaRS Investment Accelerator Fund Inc. (IAF) performance-based loan payable of \$250 bearing interest at 3.8%, repayable as described below in (i); included in this balance is \$16 (2023 – \$17) of accrued interest.	266	267
Japan Lifeline Co. revolving line of credit of \$7,929 (¥837,300,000) (2023 – \$7,578 (¥837,300,000)), bearing interest at 6.5% (2023 – 6.5%) ; accrued interest is compounded annually on June 30 of each year, with principal repayments due as described below in (ii); the loan is secured by a general security agreement; included in this balance is \$2,998 (2023 – \$2,225) of accrued interest.	10,927	9,803
Japan Lifeline Co. term loan of \$2,855 (¥301,428,000) (2023 – \$2,728 (¥301,428,000)), bearing interest at 6.5% (2023 – 6.50%); accrued interest is compounded annually on November 30 of each year, repayable as described below in (iii), and maturing on April 30, 2027; the loan is secured by a general security agreement; included in this balance is \$967 (2023 – \$701) of accrued interest.	3,822	3,429
Federal Economic Development Agency (FedDev) repayable loan of \$2,362 (2023 – \$2,672) with a stated interest of nil%, repayable as described below in (iv), maturing on March 1, 2029, net of unamortized fair value discount of \$637 (2023 – \$584) calculated using an effective interest rate of 25%.	1,725	2,088
Southern Ontario Fund for Investment in Innovation (SOFII) repayable loan of \$576 (2023 – \$689) bearing interest at 10% per annum, repayable as described below in (v), maturing on March 30, 2028; the loan is secured by a general security agreement. Included in this balance is \$5 (2023 – \$5) of accrued interest.	581	694
Regional Relief and Recovery Fund (RRRF) repayable contribution of \$628 (2023 – \$748) with a stated interest rate of nil%, repayable as described below in (vi), maturing on December 15, 2029, net of unamortized fair value discount of \$182 (2023 – \$204) calculated using an effective interest rate of 25%.	446	544
East Ocean Medical (Hong Kong) Company Ltd. (EOM) note payable of \$6,749 (US\$5,000,000) (2023 – \$6,760 (US\$5,000,000)) bearing interest at 5% per annum, repayable and maturing as described below in (vii), including accrued interest of \$1,161 (2023 – \$783) and net of unamortized fair value discount of \$600 (2023 – \$1,201) calculated using an effective interest rate of 13%.	7,310	6,342
	<u>25,077</u>	<u>23,167</u>
Less: Current portion of loans payable (i), (iv), (v) and (vi)	513	1,046
	<u>24,564</u>	<u>22,121</u>

## CONAVI MEDICAL INC.

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### 9 Loans payable (continued)

#### Repayment terms

The loans have been presented in the consolidated financial statements given the repayment terms noted below:

- i) The Company shall be required to make payments of the obligations as follows: (i) as at December 31, 2023, a payment of interest in the amount of \$10 and (ii) commencing the fiscal year immediately following a commercialization event and each fiscal year thereafter (until the obligations are repaid in full), a payment equal to 10% of the gross revenue for the preceding fiscal year shall be made by the Company to the lender concurrently with delivery by the Company to the lender of annual consolidated financial statements within 90 days of the end of each fiscal year.

The IAF loan stipulates alternative repayment requirements if the Company sells or licenses all or a portion of the technology being developed, which relates to the Foresight ICE system. This product is currently not commercially active. If the technology is licensed or sold, then 25% of the consideration received by the Company must be applied against the remaining unpaid obligation payable to IAF unless the remaining unpaid obligation is less than 25% of the consideration received, in which case the remaining loan balance would be repaid in full.

The IAF loan provides an option to convert all outstanding amounts into monetary rights of intellectual property developed by the Company if the Company is unable to complete milestones described in the loan agreement or the commercial prospects of technology do not materialize. This option is subject to a one-year waiting period, during which, if no change in circumstances has occurred, the lender is required to release the Company from all outstanding obligations. However, if the technology is sold or licensed, then 25% of the consideration received by the Company must be paid and applied against the otherwise remaining unpaid obligation payable to IAF

prior to conversion unless the remaining unpaid obligation was less than 25% of the consideration received, in which case the remaining loan balance would be deemed paid in full.

The agreement with IAF stipulates that the Company must maintain a specified asset to trade credit ratio. For the year ended September 30, 2024, the Company was in compliance with this covenant.

As at September 30, 2024, the current portion of this loan was \$nil (2023 – \$10) and the non-current portion of the loan was \$266 (2023 – \$257).

- ii) The Japan Lifeline Co. revolving line of credit advances of ¥837,300,000 (2023 – ¥837,300,000) are due April 30, 2027 and this credit arrangement is secured by a general security agreement over the assets of the Company. The general security interest grants a security interest in favour of the lender over all the assets of the Company. The revolving line of credit is callable following 90 days notice if the lender reasonably judges that the Company will be unable to pay any portion of the obligation due to the financial situation of the Company having dramatically deteriorated or if a material adverse event occurs. As at September 30, 2024, management assesses that these criteria have not been met.

## CONAVI MEDICAL INC.

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### 9 Loans payable (continued)

On February 26, 2021, Japan Lifeline Co. amended its agreement with the Company such that the interest rate was changed to 6.5%, compounded annually on the anniversary date, and matures on April 30, 2027 with all principal and interest due on maturity. For each fiscal year prior to maturity in which the Company generates positive cash flow from operations, it is required to repay one-half of that amount. The Company must, in good faith, use commercially reasonable efforts to refinance the indebtedness by December 1, 2025.

As at September 30, 2024, the non-current portion of loans payable was \$10,927 (2023 – \$9,803).

- iii) Japan Lifeline Co. term loan of ¥301,428,000 (2022 – ¥301,428,000) is due April 30, 2027 and payments of principal and accrued interest are due at maturity. This credit arrangement is secured by a general security agreement over the assets of the Company. The general security interest grants a security interest in favour of the lender over all the assets of the Company.

On February 26, 2021, Japan Lifeline Co. amended its agreement with the Company such that the interest rate was changed to 6.5%, compounded annually on the anniversary date, and matures on April 30, 2027 with all principal and interest due on maturity. For each fiscal year prior to maturity in which the Company generates positive cash flow from operations, it is required to repay one-half of that amount. The Company must, in good faith, use commercially reasonable efforts to refinance the indebtedness by December 1, 2025.

As at September 30, 2024, the non-current portion of loans payable was \$3,822 (2023 – \$3,429).

- iv) The Company was approved for a FedDev repayable contribution to receive a maximum of \$3,911 bearing interest at nil% per annum, to support project costs. As at September 30, 2024, the Company has received \$3,911 (2023 – \$3,911), repayable via fixed monthly principal payments of \$65 beginning on April 1, 2022 and ending on March 1, 2027. On January 9, 2024, the repayment terms were amended. The repayment period was extended by 2 years to March 1, 2029. The resulting monthly payment during the period from January 1, 2024, to December 1, 2025, was amended to be \$20, and for the period from January 1, 2026, to March 1, 2029, the monthly payment was amended to be \$53. The amendment resulted in a gain on fair value adjustment on government assistance of \$193.

As at September 30, 2024, the current portion was \$240 (2023 – \$717) and the non-current portion was \$1,485 (2023 – \$1,351).

The loan is non-interest bearing and, therefore, the Company has recorded adjustments using an effective interest rate of 25% per annum to calculate a fair value discount on government assistance of \$2,613.

- v) The SOFII loan is repayable in fixed monthly principal and interest payments of \$17 and matures on December 30, 2027. On July 24, 2024, SOFII approved the Company's payment relief request whereby only the interest

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements

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### 9 Loans payable (continued)

portion of the monthly payments are payable for the month of July, August, and September. As a result of this adjustment, the loan maturity has been updated to March 30, 2028. The SOFII loan is secured by way of a general security agreement against all assets of the Company, but this loan is subordinate to the security interest of Japan Lifeline Co. discussed above. The general security interest grants a security interest in favour of the lender over all the assets of the Company.

As at September 30, 2024, the current portion was \$153 (2023 – \$154) and the non-current portion was \$428 (2023 – \$540).

- vi) The RRRF repayable contribution of \$898 (2023 – \$898), bearing interest at nil% per annum, is repayable in fixed monthly payments of \$15 beginning on January 1, 2023 and ending on December 1, 2027. On January 9, 2024, the repayment terms were amended. The repayment period was extended by 2 years to December 1, 2029. The resulting monthly payment during the period from January 1, 2024, to December 1, 2029, was amended to be \$10. The amendment resulted in a fair value adjustment on government assistance of \$40.

As at September 30, 2024, the current portion was \$119 (2023 – \$165) and the non-current portion was \$327 (2023 – \$379).

The loan is non-interest bearing and, therefore, the Company has recorded adjustments using an effective interest rate of 25% per annum to calculate a fair value discount on government assistance of \$568.

- vii) On November 23, 2020, the Company and EOM signed a US\$ 5,000,000 promissory note (“EOM Promissory Note”) bearing an interest rate of 8% per annum and decreasing to 5% (upon the signing of the TTLA). The Company received an initial advance of US\$2,000,000 on November 27, 2020.

Under terms of the EOM Promissory Note arrangement, upon signing of the TTLA, EOM shall forgive the indebtedness following either (a) the approval of certain products by relevant regulator in China being received prior to the later of (i) September 30, 2025, (ii) mutually agreed-upon date by both parties, or (iii) April 1, 2026; or (b) the approval of certain products by relevant regulator in China is not received by the dates above, but the Company remains compliant with its obligations under the terms of the EOM Promissory Note (the "EOM Promissory Note Forgiveness").

On June 17, 2021, the Company and EOM signed the TTLA which authorizes EOM to manufacture and sell certain products in China. Subsequent to the execution of the TTLA, the Company received the balance of US\$3,000,000 under the EOM Promissory Note on July 15, 2021.

As a condition precedent to the TTLA, the parties amended the EOM Promissory Note. EOM will repurchase any outstanding indebtedness owed to it, less amounts paid by Conavi, as additional consideration in exchange for being granted the License pursuant to the TTLA. The conditions around the forgiveness of the indebtedness remained the same.

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements

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### 9 Loans payable (continued)

EOM Promissory Note's interest rate of 5% was considered below fair market value. Accordingly, on initial recognition, the Company recorded a fair value adjustment of \$2,678 using an effective interest rate of 13% per annum (Note 8). For the year ended September 30, 2024, the Company recorded interest expense totaling \$979 (2023 - \$1,477).

As at September 30, 2024, the non-current portion was \$7,310 (2023 – \$6,342).

#### Schedule of loan repayments

Assuming normal repayment terms, the undiscounted future principal repayments of loans payable are as follows:

	<b>Amount</b>
2025	513
2026	7,569
2027	11,719
2028	837
2029	437
Thereafter	280
	<u>21,355</u>

### 10 Bridge loan

On August 18, 2023, the Company received a promissory note in the amount of \$407 (US \$300,000) at a fixed annual rate of interest equal to six percent (6%) per annum with all interest coming due and payable on the maturity date. On August 31, 2023, the principal and accrued interest in the total amount of \$407 (US \$300,740) were converted to Class F-2 preferred shares (Note 11).

### 11 Preferred shares liability

On February 26, 2021, the Company issued 2,664,500 Class A-2 non-voting preferred shares for cash proceeds of \$13,790 (US\$10,871,162). The Class A-2 non-voting preferred shares are convertible, in whole or in part, at the option of the holder without payment of additional consideration into Class A-1 voting preferred shares provided following such conversion, the holder (together with its affiliates) will hold less than 15% of the votes attached to the issued and outstanding shares of the Company. The holder of Class A-2 non-voting preferred shares can also at their option without any payment of additional consideration convert into non-voting common shares without any conversion restrictions.

On November 10, 2022, the Company issued 2,450,980 Class B-3 non-voting preferred shares and 1,225,490 warrants to purchase Class B-3 non-voting preferred shares for cash proceeds of \$13,370 net of financing cost

## CONAVI MEDICAL INC.

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### 11 Preferred shares liability (continued)

(US\$10,000,000). The Class B-3 non-voting preferred shares are convertible, in whole or in part, at the option of the holder without payment of additional consideration into Class B-1 voting preferred shares provided following such conversion, the holder (together with its affiliates) will hold less than 50% of the votes attached to the issued and outstanding shares of the Company. The holder of Class B-3 non-voting preferred shares can also at their option without any payment of additional consideration convert into non-voting common shares without any conversion restrictions.

During August, 2023 the Company issued 5,203,995 Class F-2 non-voting preferred shares for cash proceeds of \$16,488 net of financing cost (US\$12,199,260) and conversion of bridge loan plus accrued interests of \$407 (US\$300,740). Dividends on Class F-2 non-voting preferred shares shall be payable only when, as and if declared by the Board of Directors. Such dividends that are not paid shall accumulate at a rate of 8% per annum.

The Class F-2 non-voting preferred shares are convertible, in whole or in part, at the option of the holder without payment of additional consideration into Class F-1 voting preferred shares provided following such conversion, the holder (together with its affiliates) will hold less than 50% of the votes attached to the issued and outstanding shares of the Company. The holder of Class F-2 non-voting preferred shares can also at their option without any payment of additional consideration convert into non-voting common shares without any conversion restrictions.

The Class A-2 non-voting preferred shares, the Class B-3 non-voting preferred shares and the Class F-2 non-voting preferred shares are classified as financial liabilities as there are multiple holder conversion options which may result in the Company having to deliver a variable number of shares. On initial recognition as financial liabilities the preferred shares were recognized at fair value using an effective interest rate of 18%. At issuance the conversion options were determined not to have significant economic value. The difference between the cash proceeds received and the initial fair value of the preferred share liability is recognized in contributed surplus as a contribution from shareholders. Subsequent to initial recognition, the initial fair value of the preferred share liability is accreted to its face value plus accrued dividends using an estimated term which involves judgements about the timing and likelihood of conversion into other classes of shares.

**CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements  
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**11 Preferred shares liability (continued)**

The following tables present changes in preferred shares liability for the Company for the years ended September 30, 2024 and 2023:

	Preferred shares			Total
	Class A-2	Class B-3	Class F-2	
<b>Balance, October 1, 2022</b>	<b>7,568</b>	—	—	<b>7,568</b>
Shares issued	—	6,735	9,725	16,460
Accretion of interest	1,462	1,422	224	3,108
Accrued dividends	—	—	2,608	2,608
<b>Balance, September 30, 2023</b>	<b>9,030</b>	<b>8,157</b>	<b>12,557</b>	<b>29,744</b>
Accretion of interest	1,466	1,606	2,155	5,227
Accrued dividends	—	—	578	578
<b>Balance, September 30, 2024</b>	<b>10,496</b>	<b>9,763</b>	<b>15,290</b>	<b>35,549</b>

In conjunction with the issuance of the Class B-3 non-voting preferred shares, 612,745 warrants were issued with a nominal exercise price of \$0.0001, an expiry date of December 31, 2024 and exercisable into Class B-1 non-voting preferred shares. Given the nominal exercise price, these warrants were considered to be additional non-voting preferred shares issued as part of the transaction and have not been accounted for separately. At September 30, 2024, these warrants have not been exercised.

**CONAVI MEDICAL INC.**

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**12 Share capital**

The Company is authorized to issue an unlimited number of common shares and preferred shares.

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Common shares</b>		
6,162,073 (2023 - 6,156,118) Class A voting common shares.	17,552	17,543
<b>Preferred shares classified as equity</b>		
4,181,894 (2023 – 4,181,894) Class B-1 shares, voting, non-redeemable, non-retractable, convertible at the option of the holder into Class A voting common shares.	17,480	17,480
247,327 (2023 – 247,327) Class B-2 shares, voting, non-redeemable, non-retractable, convertible at the option of the holder into Class A voting common shares.	896	896
10,000 (2023 – 10,000) Class F-1 shares, dividends 8% per annum, voting, non-redeemable, non-retractable, convertible at the option of the holder into Class A voting common shares.	32	32
	<u>18,408</u>	<u>18,408</u>

**Class B-1 preferred shares**

On February 26, 2021, the Company issued 1,225,490 Class B-1 preferred shares in exchange for \$6,343 (US\$5,000,000), comprised of cash \$3,698 (US\$2,915,380), and loan payable and accrued interest \$2,644 (US\$2,084,620).

On November 18, 2021, the Company issued 2,450,980 Class B-1 preferred shares and 612,745 warrants to purchase Class B-1 preferred shares for cash proceeds of \$12,615 (US\$10,000,000).

On November 29, 2021, the Company issued 122,548 Class B-1 preferred shares and 30,637 warrants to purchase Class B-1 preferred shares for cash proceeds of \$638 (US\$499,996).

On multiple dates up until February 7, 2022, the Company issued 130,164 Class B-1 preferred shares and 32,541 warrants to purchase Class B-1 preferred shares for cash proceeds of \$675 (US\$531,069).

**Class B-1 preferred shares**

On multiple dates up until December 8, 2022, the Company issued 252,712 Class B-1 preferred shares and 126,356 warrants to purchase Class B-1 preferred shares for cash proceeds of \$1,383 (US\$1,031,065).

## CONAVI MEDICAL INC.

Notes to the Consolidated Financial Statements

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### 12 Share capital (continued)

#### Class B-2 preferred shares

On February 26, 2021, the Company issued 247,327 Class B-2 preferred shares in exchange for \$896 (US\$706,394) as a qualified financing event (described above) triggering the conversion of an obligation for future equity to most senior ranking security issued, comprised of the SAFE instruments and accrued interest.

#### Class F-1 preferred shares

On September 26, 2023, the Company issued 10,000 Class F-1 preferred shares for cash proceeds of \$32 (US\$24,020). The Class F preferred shares rank pari passu with each other, and senior to other classes of preferred shares. Class A preferred shares and Class B preferred shares rank pari passu with each other. Dividends on Class F-1 preferred shares shall be payable only when, as and if declared by the Board of Directors.

### 13 Warrants

In relation to the issuance of Class B-1 preferred shares (Note 12) and Class B-3 preferred shares (Note 11), a total of 1,351,846 warrants were issued during the year ended September 30, 2023. The fair value of the Class B-1 preferred share warrants was determined using the Black-Scholes option pricing model with the following assumptions: volatility of 47% on the underlying shares, a risk-free interest rate of 3.84%, expected life of two years and an expected dividend of nil%.

During the year ended September 30, 2022, in relation to the issuance of Class B-1 preferred shares (Note 12), a total of 675,923 warrants were issued. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: volatility of 45% on the underlying shares, a risk-free interest rate of 1.05%, expected life of three years and an expected dividend of nil%.

Related issuance	Expiry date	Number of Class A common shares entitlements	Exercise price
2023 Class B-1 preferred shares	December 31, 2024	126,356	0.0001
2023 Class B-3 preferred shares	December 31, 2024	1,225,490	0.0001
2022 Class B-1 preferred shares	December 31, 2024	675,923	0.0001
		<u>2,027,769</u>	

### 14 Stock-based compensation

The Company may grant stock options to key employees, directors and consultants determined on an individual basis. A stock option's term may not exceed ten years and can only be settled with the Company's equity. The stock options typically vest in stages annually, on the anniversary date the stock options are granted, provided

**CONAVI MEDICAL INC.**

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**14 Stock-based compensation (continued)**

that the stock option holder is still with the Company, or on the basis of specific performance-based milestones. If a stock option holder leaves the Company, the holder has thirty days to elect whether or not to exercise their vested stock options, after which time the stock options expire. As a condition of exercising stock options, holders are required to sign the unanimous shareholders' agreement of the Company.

The following summarizes information about stock options granted that were outstanding as at September 30, 2024:

	<b>2024</b>		<b>2023</b>	
	<b>Number of stock options outstanding</b>	<b>Weighted average exercise price</b>	<b>Number of stock options outstanding</b>	<b>Weighted average exercise price</b>
Beginning of year	2,240,401	2.47	1,863,260	2.92
Granted	36,500	0.89	464,467	0.89
Exercised	(5,955)	0.93	(468)	2.35
Expired/forfeited	(285,528)	1.26	(86,858)	3.73
End of year	<u>1,985,418</u>	<u>2.62</u>	<u>2,240,401</u>	<u>2.47</u>

Stock-based compensation expense for the year was \$256 (2023 – \$623).

The fair value of the stock options granted during the 2024 year was determined using the Black-Scholes option pricing model with the following assumptions: historical volatility of 45%, a risk-free interest rate of 3.45%, expected life of ten years and an expected dividend of nil%.

The fair value of the stock options granted during the 2023 year was determined using the Black-Scholes option pricing model with the following assumptions: historical volatility of 42%, a risk-free interest rate of 3.24%, expected life of ten years and an expected dividend of nil%.

Due to the absence of volatility rates specific to the Company, the Company chose comparable companies in a similar industry.

**CONAVI MEDICAL INC.**

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**14 Stock-based compensation (continued)**

The following table summarizes the options outstanding as at September 30, 2024:

<b>Remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options vested</b>	<b>Number of options unvested</b>
1-2	20,000	20,000	—
2-3	11,000	11,000	—
3-4	14,375	14,375	—
4-5	109,333	109,333	—
5-6	12,000	12,000	—
7-8	1,548,210	1,150,511	397,699
8-9	232,000	99,614	132,386
9-10	38,500	12,969	25,531
7.09	1,985,418	1,429,802	555,616

**15 Government assistance**

On March 31, 2022, the Company entered into an agreement with the Province of Ontario for a grant of up to \$2,500 to support ongoing scale-up of manufacturing. Of this, \$1,000 was received during the year ended September 30, 2022. An additional amount of \$850 was received during the year ended September 30, 2024 recorded as an offset to research and development expense in fiscal year 2024, the project has been closed out and no additional funding is outstanding.

**16 Income Tax**

Income tax recovery differs from the amounts that would be obtained by allying the statutory income tax rate to the respective year's net loss as follows:

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Net loss for the year before income taxes	(43,615)	(26,087)
Income tax recovery based on combined federal and provincial statutory rate of 26.5%	(11,558)	(6,913)
Permanent differences and other	4,875	1,357
Change in deferred tax assets not recognized	6,683	5,556
	—	—

**CONAVI MEDICAL INC.**

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**16 Income Tax (continued)**

Deferred tax assets (liabilities) and unrecognized deductible temporary differences at September 30, 2024 and September 30, 2023 are comprised of the following:

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Deferred Tax Assets</b>		
Lease liabilities	335	396
Property and equipment and intangible assets	477	471
Investment tax credits from SR&ED expenditures	19	555
<b>Deferred Tax Liabilities</b>		
Right-of-use assets	(278)	(347)
Tax liability on investment tax credits	(553)	(434)
Unrealized foreign exchange gains or losses	—	(641)
<b>Net deferred tax asset (liability)</b>	<u>—</u>	<u>—</u>
<b>Unrecognized deferred tax assets</b>		
Unrealized foreign exchange gains or losses	171	—
Investment tax credits from SR&ED expenditures	2,067	1,081
Pool balance of deductible SR&ED expenditures to be carried forward to future years	6,180	5,385
Financing fees	87	58
Ontario Research and Development	220	220
Other	25	53
Non-capital losses carried forward	23,431	17,206
<b>Total unrecognized deferred tax assets</b>	<u><b>32,181</b></u>	<u><b>24,003</b></u>

**CONAVI MEDICAL INC.**

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**16 Income Tax (continued)**

The Company has non-capital income tax loss carry-forwards, which may be carried forward to apply against future income for Canadian income tax purpose, subject to the final determination by tax authorities, expiring in the following years:

<b>Expiry date</b>	<b>Amount</b>
2028	1
2029	11
2030	127
2031	493
2032	1,035
2033	1,303
2034	2,017
2035	3,125
2036	4,630
2037	7,271
2038	6,754
2039	7,025
2040	2,419
2041	1,266
2042	8,030
2043	19,384
2044	23,489
	<u>88,380</u>

**17 Commitments and contingencies***License Agreement*

The Company has entered into technology license agreement with Sunnybrook Health Sciences Centre ("Sunnybrook") under which it licenses certain intellectual property and has the right to develop and commercialize certain intellectual property. The agreement requires the Company to pay a minimum annual royalty of \$50, and a royalty of 1% on direct sales and 2% on sales through a third party distributors. In addition, in the event of a sub-licensing transaction, there are sub-licensing fees payable to Sunnybrook of 25% based on the consideration received as part of a sub-licensing transaction.

*Claims and legal actions*

In the normal course of operations, the Company may be subject to litigation. When appropriate, management will record a provision while it actively pursues its position. When it is the opinion of management that the

## CONAVI MEDICAL INC.

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### 17 Commitments and contingencies (continued)

likelihood and measurability of the potential liability are not determinable, no provision will be recorded. As at September 30, 2024, \$nil was recorded in relation to legal claims (2023 - \$nil).

#### *Indemnifications*

All directors of the Company are indemnified by the Company for various items including, but not limited to, all costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is the maximum extent permitted by applicable law, but is limited to events for the period during which the indemnified party served as a director or officer of the Company. In the event of a claim, the maximum amount of any potential future payment cannot be reasonably estimated but could have a material adverse effect on the Company.

The Company has also indemnified certain third parties in relation to certain debt and equity offerings and their respective affiliates and directors, officers, employees, shareholders, partners, advisers and agents and each other person, if any, controlling any of the third parties or their affiliates against certain liabilities.

### 18 Revenue recognition

On June 17, 2021, the Company and EOM entered into the TTLA, which enables EOM to commercialize the EOM Intravascular Imaging System and its improvements, which is a local version of Conavi's Canadian developed and manufactured product, and derivative products (the "Licensed Products") within China, Hong Kong, Macau and Taiwan (the "Territory") by granting to EOM a royalty-bearing license of its rights in respect of the technology (i.e. software, data, information, know-how) necessary to commercialize the Licensed Products (the "License"). The TTLA also grants to EOM certain patent rights that are controlled by Conavi.

In consideration for the Distribution Agreement and TTLA, EOM agreed to pay to Conavi certain milestone payments in accordance with the completion of certain events. Further, EOM agreed to pay to Conavi certain tiered royalty payments, ranging from 6.5%-10% of 75% of amounts invoiced to customers by EOM from the commercialization of the Licensed Products (the "Royalties"), provided that EOM shall pay a minimum non-refundable annual royalty of \$250,000, which shall be creditable against the royalties otherwise due pursuant to the TTLA.

The Company also agreed, via the TTLA, to create a new class of preferred shares (called "Class E preferred shares") and to convert all pre-existing Class C preferred shares held by EOM under the Distribution Agreement into the Class E preferred shares. The Class E preferred shares will be repurchased for \$nil cash consideration by the Company upon achieving certain milestones as discussed below.

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### 18 Revenue recognition (continued)

Under the TTLA, the parties agreed to the following four milestones:

Milestone 1 – Providing the Company's documents to EOM related to the Novasight Hybrid System. This milestone was completed in August 2021 and the Company repurchased 1,348,039 Class E preferred shares for \$nil cash consideration.

Milestone 2 – Submission of regulatory materials to the relevant regulator in China for the marketing approval of the Novasight Hybrid System. This milestone was completed in August 2022 and the Company repurchased 367,647 Class E preferred shares for \$nil cash consideration.

Milestone 3 – Obtaining marketing approval of the Novasight Hybrid System by the relevant regulator in China. This milestone was completed in August 2023 and the Company repurchased 379,260 Class E preferred shares for \$nil cash consideration.

Milestone 4 – Either (a) the approval of Licensed Products by relevant regulator in China being received prior to the later of (i) September 30, 2025, (ii) mutually agreed-upon date by both parties, or (iii) April 1, 2026; or (b) the approval of Licensed Products by relevant regulator in China is not received by the dates above, but the Company remains compliant with its obligations under the terms of the EOM Promissory Note. As at September 30, 2024 and the date of these financial statements, these events have not occurred.

The Company concluded that EOM is a customer for purposes of the TTLA. Further, the Company concluded that the TTLA and the EOM Promissory Note shall be combined and accounted for as a single contract. The Company identified one promised good and service under the TTLA—namely, the grant of the license of intellectual property and know-how related to the Licensed Products, which has been identified as the sole distinct performance obligation. In order to evaluate which promised goods and services were capable of being distinct and distinct within the context of the TTLA, management considered the TTLA's exclusivity provisions and the ability for EOM to benefit from the License on its own or together with other readily available resources.

The total transaction price associated with the TTLA as of September 30, 2024 is \$10,684. All contractual consideration to which the Company may be entitled represents variable consideration, including the milestone Payments, which, with the exception of the first milestone payment (payable by EOM upon Conavi's providing the former with access to certain documentation and information) were determined to be zero, based on management's estimate of the most likely amount, given that the achievement of the underlying milestones is uncertain and highly susceptible to factors outside of the Company's control.

Receipt of the first milestone payment was deemed to be entirely within the Company's control, and, accordingly, was included in the initial transaction price and recognized immediately on execution of the TTLA. All other milestone payments were excluded from the transaction price. Sales-based royalties were also

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**18 Revenue recognition (continued)**

excluded from the transaction price, as the royalties relate only to a license of intellectual property. The Company will recognize royalty revenue when the later of the following events occurs: the subsequent sales occur; or when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). Management will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur and will adjust the transaction price as necessary.

The Company allocated the transaction price to the single performance obligation noted above.

After initial recognition of a deferred revenue liability of \$2,678, the aggregate amount of revenue recognized for the TTLA arrangement is \$nil as at September 30, 2024. The Company expects to start recognizing the deferred revenue as licensing and R&D services revenue once the fourth milestone is achieved.

During the year ended September 30, 2024, the Company recognized licensing and R&D services revenue of \$nil related to completion of the fourth milestone.

For the year ended September 30, 2023, the Company recognized licensing and R&D services revenue of \$1,934 related to completion of the third milestone.

**19 Nature of expenses**

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Research and development expenses	14,165	10,801
Salaries and benefits	7,697	8,071
Stock-based compensation expense	256	623
Business development, marketing, and directors' fees	571	1,008
Professional fees	2,847	442
Occupancy	469	448
Insurance	156	153
Computers and software	110	102
Amortization and depreciation	987	1,291
Other expenses	1,092	1,104
Government assistance, sponsorship, and grants	(1,796)	(736)
Investment tax credit recovery	(268)	(282)
	<u>26,286</u>	<u>23,025</u>

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**20 Net finance (income) costs**

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Net foreign exchange loss (gain)	550	(764)
Interest income	(254)	(282)
Fair value adjustment on government assistance	(233)	—
Gain on sale of investment	—	(133)
Interest and accretion expense	8,016	5,537
Lease liability interest expense	—	104
	<u>8,079</u>	<u>4,462</u>

**21 Loss per common share**

The following table shows the calculation of basic and diluted loss per Class A common share:

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Net loss for the year	(43,615)	(26,087)
Weighted average number of Class A common shares	6,160,572	6,155,743
Basic and diluted loss per Class A common share	<u>(7.08)</u>	<u>(4.24)</u>

The computation of diluted loss per Class A common share is equal to the basic loss per Class A common share due to the anti-dilutive effect of the preferred shares, stock options and warrants. Of the 4,439,221 (2023 - 4,439,221) preferred shares (excludes those preferred shares classified as liabilities), 1,985,418 (2023 - 2,240,401) stock options and 2,027,769 (2023 - 2,027,769) warrants not included in the calculation of diluted loss per Class A common share for the year ended September 30, 2024, 7,896,792 (2023 - 7,595,599) were exercisable.

**22 Financial instruments**

The Company's principal financial liabilities comprise accounts payable and accrued liabilities, loans payable, lease liabilities, preferred shares liability and the 18% and 10% secured convertible notes. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include accounts receivable and other receivables and cash.

The Company is exposed to liquidity risk, interest rate risk, foreign currency risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that

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**22 Financial instruments (continued)**

financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions denominated in foreign currencies for which the outstanding balances are subject to exchange rate fluctuations. The Company does not use derivatives to reduce exposure to foreign currency risk. As at September 30, 2024, the following items were denominated in foreign currencies:

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Cash – USD	324	13,752
Accounts receivable and other receivables – USD	360	119
Accounts payable and accrued liabilities – USD	3,761	2,180
18% secured convertible notes - USD	19,082	—
10% secured convertible notes - USD	2,205	—
Loans payable – USD	7,310	6,342
Loans payable – JPY	14,749	13,232

**Liquidity risk**

Liquidity risk is the risk the Company may encounter difficulties in meeting its financial liability obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

As discussed in Note 2 the Company manages liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. The Company's ability to accomplish all of its future strategic plans is dependent on obtaining additional financing or executing other strategic options; however, there is no assurance the Company will achieve these objectives.

As at September 30, 2024, the Company had a working capital deficit of \$(24,665) (2023 – \$13,981 surplus). The Company has no significant source of operating cash flows at this time and has significant cash requirements in order to reach sustainable commercial production, continue research and development activities and pay for administrative overhead.

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**22 Financial instruments (continued)****Liquidity risk (continued)**

The following table summarize the undiscounted contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2024:

	<b>Carrying amount</b>	<b>Future cash flows</b>	<b>Less than 1 year</b>	<b>Years two and three</b>	<b>Years four and five</b>	<b>Thereafter</b>
Accounts payable and accrued liabilities	5,998	5,998	5,998	—	—	—
18% secured convertible notes	19,082	6,847	6,847	—	—	—
10% secured convertible notes	2,205	1,347	1,347	—	—	—
Lease liabilities	1,263	1,454	335	660	459	—
Loans payable	25,077	30,103	579	27,884	1,296	344
	<u>53,625</u>	<u>45,749</u>	<u>15,106</u>	<u>28,544</u>	<u>1,755</u>	<u>344</u>

The following table summarize the undiscounted contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2023:

	<b>Carrying amount</b>	<b>Future cash flows</b>	<b>Less than 1 year</b>	<b>Years two and three</b>	<b>Years four and five</b>	<b>Thereafter</b>
Accounts payable and accrued liabilities	3,551	3,551	3,551	—	—	—
Lease liabilities	1,494	1,775	321	661	678	115
Loans payable	23,167	30,301	1,131	11,024	17,896	250
	<u>28,212</u>	<u>35,627</u>	<u>5,003</u>	<u>11,685</u>	<u>18,574</u>	<u>365</u>

The 18% and 10% secured convertible notes cash flows reflect only the cash outflow that would result in settlement of the debt at maturity through repayment and not the effects of conversion as these would not lead to a cash outflow. The preferred shares liability (Note 11) are not included in the tables above as there are no circumstances where the Company would be expected to deliver cash.

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**22 Financial instruments (continued)****Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is not exposed to interest rate cash flow risk because the terms within loans payable are not subject to variable interest rates.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from cash, which are held with tier one financial institutions, and accounts receivable and other receivables. The Company's maximum exposure to credit risk from accounts receivable and other receivables is equal to the carrying value of the accounts receivable and other receivables balance.

The Company's accounts receivable and other receivables are not subject to a significant amount of credit risk. The Company routinely assesses the financial strength of its customers and, as a consequence, believes its accounts receivable and other receivables' credit risk exposure is limited. Accounts receivable and other receivables past due represent amounts not collected beyond the customer's contractual terms. The Company applies the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected credit losses for all accounts receivable and other receivables. As at September 30, 2024, there was \$131 in accounts receivable and other receivables that were past due (2023 – \$84) but still considered collectible.

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**22 Financial instruments (continued)****Fair value**

The following table provides a comparison of the carrying amount and fair value of the Company's financial assets and liabilities that are not carried at fair value in the consolidated financial statements:

	<b>September 30, 2024</b>		<b>September 30, 2023</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash	436	436	14,169	14,169
Accounts receivable and other receivables	670	670	730	730
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	5,998	5,998	3,551	3,551
Lease liabilities	1,263	1,263	1,494	1,494
Loans payable	25,077	25,077	23,167	23,167
18% secured convertible notes	19,082	19,082	—	—
10% secured convertible notes	2,205	2,205	—	—
Preferred shares liability	35,549	14,096	29,744	29,744

All financial assets of the Company are carried at amortized cost in the consolidated financial statements, and the carrying value approximates fair value because of their nature and relatively short maturity dates.

The Company believes that the carrying values of accounts payable and accrued liabilities and lease liabilities approximate their current fair values because of their nature and relatively short maturity dates or durations and current market rates for similar instruments.

The 18% and 10% secured convertible notes are accounted for at fair value through profit or loss as a result of the embedded conversion options. As such, the carrying value and fair value are the same. For further information on the inputs to the fair value measurements, which represent Level 3 fair value measurements owing to unobservable inputs used in the valuation, refer to Note 26 and Note 27.

Loans payable and preferred shares liability are carried at amortized cost using the effective interest rate method. The Company has determined that changes in interest rates and in the Company's assessment of its credit rating since origination of these financial liabilities has not resulted in a consequential change in the fair values of the loans payable. The preferred shares were issued in 2023. As at September 30, 2024 the estimated fair value of the preferred share liability was approximately \$14,096 which takes account of the dilution from the subsequent issuance of secured convertible notes. The estimated fair value of the preferred shares liability took into account

## CONAVI MEDICAL INC.

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### 22 Financial instruments (continued)

#### Fair value (continued)

estimates about the probability of the preferred shares being exchanged as a consequence of the expected Transaction and the potential exchange ratio in reference to the value of the common shares. In management's judgment a market participant would take this into account as at September 30, 2024 given the announced Transaction and its related status. The preferred shares liability is non-cash settleable but is recorded as an amortised cost financial liability subsequent to initial recognition because there are multiple holder contingent conversion options into common shares. The preferred shares liability was exchanged for common shares subsequent to year end - for further details refer to Note 28.

### 23 Capital management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders by ensuring it has sufficient cash resources to fund its research and development activities, to pursue its commercialization efforts and to maintain its ongoing operations. The Company includes its share capital, deficit, loans payable, preferred shares liability, 18% and 10% secured convertible notes in the definition of capital.

A summary of the Company's capital structure is as follows:

	September 30, 2024	September 30, 2023
Common shares	17,552	17,543
Preferred shares classified as equity	18,408	18,408
Deficit	(146,485)	(102,870)
Loans payable	25,077	23,167
Preferred shares liability	35,549	29,744
18% secured convertible notes	19,082	—
10% secured convertible notes	2,205	—
	<u>(28,612)</u>	<u>(14,008)</u>

### 24 Segment reporting

#### *Description of segment*

The Company operates in one segment, namely development and commercialization of imaging technologies to guide common minimally invasive cardiovascular procedures. The chief executive officer, being the chief operating decision maker, allocates resources and assesses the performance of the Company at a consolidated level.

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**24 Segment reporting (continued)***Information on revenue*

The Company generates revenue primarily from sales of products and licensing and R&D services transactions.

The disaggregation of the Company's revenue is presented in the following table. Revenue is reported by geographical location based on the location of the customer or licensee.

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Revenue streams</b>		
Product	2,026	410
Licensing and R&D services	135	1,954
Total revenue	<u>2,161</u>	<u>2,364</u>
<b>Geographical area</b>		
Canada	4	27
North America (excluding Canada)	84	46
Asia	2,073	2,291
Total revenue	<u>2,161</u>	<u>2,364</u>
<b>Timing of revenue recognition</b>		
Point in time	2,026	2,344
Over time	135	20
Total revenue	<u>2,161</u>	<u>2,364</u>

*Geographical location of non-current assets*

All non-current assets are in Canada.

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### 25 Related party transactions

Key management includes the Company's directors and senior management team. The remuneration of directors and the senior management team was as follows:

	September 30, 2024	September 30, 2023
Salaries and employee benefits	992	807
Directors' fees	271	268
Share-based compensation	215	504
	<u>1,478</u>	<u>1,579</u>

Certain executive employment agreements allow for additional payments in the event of a liquidity event (as defined in those executive employment agreements), or if those executives are terminated without cause.

### 26 18% secured convertible notes

During 2024, the Company issued USD secured convertible notes for aggregate gross proceeds of US\$4,999,622 bearing interest at 18% per annum and which mature on May 13, 2025 ("18% secured convertible notes"). A total of US\$4,814,231 was raised from related parties. Upon closing of the transaction with Titan Medical Inc. ("Titan") these instruments will be converted into common shares and warrants of the combined company ("Resulting Issuer") at a discount of 40% to the terms of the concurrent financing subject to the consent of the holders of at least 75% of the aggregate principal amount of the 18% secured convertible notes holders. The 18% secured convertible notes are secured by way of a general security agreement against all assets of the Company, but are subordinated to the security interests of certain holders of loans payable. Interest is payable at a rate of 18% but will accrue until maturity or conversion into common shares and warrants on the same basis as the host notes.

The 18% secured convertible notes are denominated in US dollars and have variable conversion rights. On conversion the instruments issuable was determined based on the transaction with Titan (and/or any other financing transaction(s) within the scope of the agreement that occurred prior to maturity) which took place subsequent to year end. At initial recognition, based on management's current judgment common shares and warrants will be issuable on a contingent financing conversion event. As such, the entire 18% secured convertible notes was designated at fair value through profit or loss with changes in fair value recorded immediately in net loss except for the impact of changes in own credit risk (if significant) recorded in other comprehensive income (loss). On initial recognition an amount of \$3,400 was recorded in equity for the difference between the initial recognition amount of the 18% secured convertible notes and the proceeds reflecting a distribution to investing shareholders. The 18% secured convertible notes are classified as a current liability as they are scheduled to mature on May 13, 2025 if not previously converted. A change in fair value of \$8,835 was recognized as a result of the changes in various inputs, in particular the determination that it was probable that warrants would also be issued as a result of a change in the concurrent financing event. Changes in own credit risk since initial recognition were not significant.

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**26 18% secured convertible notes (continued)**

The following tables present changes in fair value of the 18% secured convertible notes liability for the period ended September 30, 2024:

	<b>CAD</b>
<b>Cash proceeds received</b>	<b>6,847</b>
Initial fair value adjustment recognized in equity	3,400
Change in fair value	8,835
<b>Balance, September 30, 2024</b>	<b>19,082</b>

Financial instruments carried at fair value

The Company's 18% secured convertible notes are classified as Level 3 in the fair value hierarchy.

**Description of significant unobservable inputs to the valuation at September 30, 2024**

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range/point estimate (weighted average)</b>	<b>Sensitivity of the input to fair value of the secured convertible notes</b>
Binomial option pricing model for secured convertible notes  Black-Scholes option pricing model inputs for warrants	Estimated probabilities	Titan transaction will close with certainty by October 11, 2024 and October 15, 2024	The Company assumed that the transaction with Titan would close at September 30, 2024 and therefore no reasonable change in the assumption in the period in which the transaction was expected to close would significantly change the fair value.
	Nature of the concurrent financing and the related share price of the concurrent financing	Concurrent financing includes the issuance of subscription receipts at a price of US\$1.00 per subscription receipt which is automatically exchanged for one common share and one common share purchase warrant upon the closing of the Transaction.	The nature of the concurrent financing and the related share price of the concurrent financing was considered final at September 30, 2024 and therefore no reasonable change in the assumption in the period in which the transaction was expected to close would significantly change the fair value.
	Volatility rates	87.76% - 102.75%	10% increase (decrease) in these inputs would result in a change in fair value of \$556 and \$(617)

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**27 10% secured convertible notes**

On August 30, 2024 the Company closed an additional financing arrangement (the “10% secured convertible notes”) pursuant to which the Company will issue secured convertible promissory notes with an aggregate principal amount of US\$1,000,000 bearing interest at 10% per annum and which mature on May 13, 2025. Upon closing of the transaction with Titan these instruments will be converted into common shares and warrants of the Resulting Issuer at the same terms of the concurrent financing subject to the consent of the holders of at least 75% of the aggregate principal amount of the 10% secured convertible notes. This arrangement is secured by way of a general security agreement against all assets of the Company. Interest is payable at a rate of 10% but will accrue until maturity or conversion into common shares and warrants on the same basis as the host notes.

The 10% secured convertible notes are denominated in US dollars and have variable conversion rights. On conversion the instruments issuable was determined based on the transaction with Titan (and/or any other financing transaction(s) within the scope of the agreement that occurred prior to maturity) which took place subsequent to year end. At initial recognition, based on management’s current judgment common shares and warrants will be issuable on a contingent financing conversion event. As such, the entire 10% secured convertible notes was designated at fair value through profit or loss with changes in fair value recorded immediately in net loss except for the impact of changes in own credit risk (if significant) recorded in other comprehensive income (loss). On initial recognition an amount of \$390 was recorded in equity for the difference between the initial recognition amount of the 10% secured convertible notes and the proceeds reflecting a distribution to investing shareholders. The 10% secured convertible notes is classified as a current liability as it is scheduled to mature on May 13, 2025 if not previously converted. A change in fair value of \$468 was recognized as a result of the changes in various inputs, in particular the determination that it was probable that warrants would also be issued as a result of a change in the concurrent financing event. Changes in own credit risk since initial recognition were not significant.

The following tables present changes in fair value of the 10% secured convertible notes liability for the period ended September 30, 2024:

	<b>CAD</b>
<b>Cash proceeds received</b>	<b>1,347</b>
Initial fair value adjustment recognized in equity	390
Change in fair value	468
<b>Balance, September 30, 2024</b>	<b>2,205</b>

Financial instruments carried at fair value

The Company's 10% secured convertible notes are classified as Level 3 in the fair value hierarchy.

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**27 10% secured convertible notes (continued)****Description of significant unobservable inputs to the valuation at September 30, 2024**

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range/point estimate (weighted average)</b>	<b>Sensitivity of the input to fair value of the secured convertible notes</b>
Binomial option pricing model for secured convertible notes  Black-Scholes option pricing model inputs for warrants	Estimated probabilities	Titan transaction will close with certainty by October 11, 2024 and October 15, 2024	The Company assumed that the transaction with Titan would close at September 30, 2024 and therefore no reasonable change in the assumption in the period in which the transaction was expected to close would significantly change the fair value.
	Nature of the concurrent financing and the related share price of the concurrent financing	Concurrent financing includes the issuance of subscription receipts at a price of US\$1.00 per subscription receipt which is automatically exchanged for one common share and one common share purchase warrant upon the closing of the Transaction.	The nature of the concurrent financing and the related share price of the concurrent financing was considered final at September 30, 2024 and therefore no reasonable change in the assumption in the period in which the transaction was expected to close would significantly change the fair value.
	Volatility rates	87.8%	10% increase (decrease) in these inputs would result in a change in fair value of \$64 and \$(71)

**28 Subsequent events****Closing of deal with Titan**

On March 17, 2024, the Company entered into a definitive amalgamation agreement (as amended, the "Amalgamation Agreement") with Titan Medical Inc. ("Titan") to combine the companies in an all-stock transaction. The combined company (the "Resulting Issuer") will focus on continuing to commercialize the Novasight Hybrid System designed to guide common minimally invasive coronary procedures. Under the terms of the Amalgamation Agreement, on October 11, 2024, 1000824255 Ontario Inc., a wholly-owned subsidiary of Titan, amalgamated with Conavi and Conavi shareholders received common shares of Titan (the

## **CONAVI MEDICAL INC.**

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### **28 Subsequent events (continued)**

#### **Closing of deal with Titan (continued)**

“Combined Entity Shares”). This transaction (the “Transaction”) constitutes a reverse takeover of Titan and was carried out subject to the terms and conditions outlined in the Amalgamation Agreement.

Under the terms of the Amalgamation Agreement, Titan acquired all of the issued and outstanding shares of Conavi (the “Conavi Shares”) and in exchange Conavi shareholders were issued common shares of Titan (the “Combined Entity Shares”). This transaction (the “Transaction”) constitutes a reverse takeover of Titan and was carried out subject to the terms and conditions outlined in the Amalgamation Agreement.

The Transaction closed on October 11, 2024 and was approved by the TSX Venture Exchange (the “TSXV”), as well as the shareholders of Conavi and Titan. In connection with closing of the Transaction, Titan changed its name to Conavi Medical Corp. In connection with the Transaction, Titan delisted its common shares from the Toronto Stock Exchange on October 15, 2024 (the “TSX”) and commenced trading on October 16, 2024 on the TSXV under the new symbol “CNVI”. Conavi Medical Corp. has been classified by the TSXV as a Tier 2 Technology issuer.

Immediately prior to the closing of the Transaction, Titan completed a share consolidation on the basis of 1 post-consolidation common share of Titan for each 25 pre-consolidation common shares of Titan. In addition, immediately prior to the closing of the Transaction, Conavi completed a share consolidation on the basis of 1 post-consolidation share of Conavi for approximately each 1.35 pre-consolidation shares of Conavi. Further, immediately prior to the closing of the Transaction, all outstanding preferred share warrants of Conavi (for greater certainty, other than those underlying Conavi subscription receipts and Conavi convertible notes), were exercised for nominal consideration, and all of Conavi’s preferred shares were converted to Conavi common shares. Each Class A-2 Preferred Share (on a post-Conavi consolidation basis) converted into one Conavi common share, and taking into account anti-dilution adjustments to the conversion terms of Conavi’s preferred shares, each Class B-1 Preferred Share and Class B-3 Preferred Share of Conavi (on a post-Conavi consolidation basis) converted into approximately 1.840 Conavi common shares (based on a post-Conavi consolidation conversion price of approximately US\$2.99 per share), each Class B-2 Preferred Share of Conavi (on a post-consolidation basis) converted into approximately 1.66 Conavi common shares (based on a post-Conavi consolidation conversion price of approximately US\$2.32 per share), and the total amount invested in the Class F-1 Preferred Shares and Class F-2 Preferred Shares plus accrued dividends up to September 30, 2024 was converted (on a post-Conavi consolidation basis) into Conavi common shares at a price per share of approximately US\$2.08.

Conavi’s outstanding secured convertible notes also converted into Conavi common shares and common share warrants (such warrants bearing the same terms as the warrants underlying the subscription receipts as described below), immediately prior to completion of the Transaction and post-Conavi consolidation, as follows: (i) US\$4,999,622 principal amount of the 18% secured convertible notes plus accrued interest at a rate of 18% per annum up to September 30, 2024 were converted into the same common shares and warrants of Conavi as those underlying the Conavi subscription receipts, at a conversion price based on a 40% discount to the \$1.00 issue

## **CONAVI MEDICAL INC.**

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars)

### **28 Subsequent events (continued)**

#### **Closing of deal with Titan (continued)**

price per Conavi subscription receipt and (ii) US\$1,000,000 principal amount of the 10% secured convertible notes plus accrued interest at rate of 10% per annum up to September 30, 2024 were converted into the same common shares and warrants of Conavi as those underlying Conavi subscription receipts, at a post-consolidation conversion price equal to the US\$1.00 issue price per Conavi subscription receipt. Conavi shareholders received 39,542,499 post-consolidation common shares of Titan (7,152,841 of which were issued to former holders of Conavi subscription receipts), resulting in the reverse takeover of the Corporation by Conavi. Conavi shareholders received common shares of Titan based on an exchange ratio of approximately 0.93 post consolidation common shares of Titan for each post-consolidation common share of Conavi. Conavi warrant holders (such warrants of Conavi representing the warrants issued on conversion of the Conavi subscription receipts and Conavi convertible notes, as well as broker warrants issued as agent compensation in connection with the Offering described below) and the holders of in-the-money Conavi stock options also exchanged their warrants and stock options of Conavi for post-consolidation warrants and stock options of Titan (based on the foregoing exchange ratio, and also subject to the Conavi consolidation in the case of Conavi stock options), with proportionate adjustments being made to exercise prices.

Pursuant to the Transaction, the Resulting Issuer issued 16,259,406 warrants ("Resulting Issuer Warrants") to purchase common shares of the combined company to the former warrant holders of Conavi. Of which 32,693 were issued in exchange for broker warrants issued in the Offering ("Resulting Issuer Broker Warrants"). All the Resulting Issuer Warrants are exercisable at a price of US\$1.35 per share until October 11, 2029, except the Resulting Issuer Broker Warrants are exercisable at a price of US\$1.08 per share until October 11, 2026.

In connection with the Transaction, the Resulting Issuer has adopted a new Omnibus Equity Incentive Plan. There are 8,850,017 Resulting Issuer Shares reserved for issuance under the Omnibus Equity Incentive Plan and all other securities-based compensation plans of the Resulting Issuer, being 20% of the total issued and outstanding Resulting Issuer Shares.

After giving effect to the Transaction, the following securities of the Resulting Issuer are issued and outstanding as of closing of the Transaction: (i) 44,250,086 Resulting Issuer common shares ("Resulting Issuer Shares") (of which approximately 4,561,592 Resulting Issuer Shares (being approximately 10% of the outstanding Resulting Issuer Shares) are held by the holders of pre-consolidation, pre-Transaction common shares of Titan Medical Inc.); (ii) 16,390,999 Resulting Issuer warrants to purchase Resulting Issuer Shares; and (iii) 264,870 Resulting Issuer Options.

#### **Closing of \$10,636 concurrent financing**

On October 8, 2024, the Company completed a private placement of subscription receipts ("Subscription Receipts") for gross proceeds of \$10,636 (US\$7.7 million) (the "Offering"). Pursuant to the Offering, the Company issued 7,729,300 Subscription Receipts at a price of US\$1.00 per Subscription Receipt to certain institutional and accredited investors. Upon closing of the Transaction,

**CONAVI MEDICAL INC.**

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**28 Subsequent events (continued)**

**Closing of \$10,636 concurrent financing (continued)**

each Subscription Receipt was automatically exchanged for one common share and one common share purchase warrant of Conavi subject to certain conditions (which common shares and common share purchase warrants were immediately exchanged for common shares and common share purchase warrants of the Resulting Issuer based on an Exchange Ratio of approximately 0.92542 as described above). An aggregate of 7,152,841 Resulting Issuer shares and 7,152,841 Resulting Issuer warrants were issued upon conversion of the Subscription Receipts on the completion of the Transaction with Titan.

The proceeds from the Offering, less certain expenses, were placed into escrow on completion of the Offering. The escrowed proceeds from the Offering, less the commission of the agent and certain fees and expenses was released from escrow to Conavi upon the closing of the Transaction.

**Completion of the Fourth Milestone under the TTLA with EOM**

Subsequent to the year-end, on December 6, 2024, the China National Medical Products Administration approved EOM's coronary imaging system which triggers a fourth and final milestone payment by EOM to Conavi.

The Company will use the total proceeds of the milestone payment to repurchase the outstanding principal plus accrued interest balance in respect of a promissory note owing to EOM. The balance of this promissory note including accrued interest is approximately \$7,310 as at September 30, 2024.

In accordance with the TTLA, EOM will be required to pay to Conavi certain tiered royalty payments and a minimum nonrefundable annual royalty of US \$250,000 that is adjusted by the tiered royalty payments.