IMAGIN MEDICAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

and

September 30, 2019

(Expressed in Canadian Dollars)

Corporate Head Office
Suite 600, 890 West Pender St.
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DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Imagin Medical Inc.,

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Imagin Medical Inc. ("the Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue and is considered to be involved in the research, development and commercialization of medical devices. As stated in Note 1, the Company's ability to continue as a going concern is dependent upon it ability to obtain additional funding through the future issuance of securities. These matters, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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, 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, 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.

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 Imagin Medical Inc.'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.

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.

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
December 16, 2020

IMAGIN MEDICAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2020	September 30, 2019
	$	$
A S S E T S		
Current assets		
Cash and cash equivalents (Note 3)	27,618	2,272,770
Amounts receivable and prepaids (Note 4)	46,200	77,188
	73,818	2,349,958
Intangible asset (Note 5)	145,582	144,615
	219,400	2,494,573
L I A B I L I T I E S & S H A R E H O L D E R S' E Q U I T Y		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 & 7)	550,139	382,384
	550,139	382,384
Shareholders' equity		
Share capital (Notes 8 & 12)	17,366,716	15,487,514
Share-based payment reserve	2,954,709	2,899,990
Deficit	(20,652,164)	(16,275,315)
	(330,739)	2,112,189
	219,400	2,494,573

Nature and continuance operations (Note 1)
Basis of presentation (Note 2)

Approved on behalf of the Board of Directors:

"*John Vacha*", Director

"*Robin Atlas*", Director

See notes to consolidated financial statements

IMAGIN MEDICAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Years Ended September 30, 2020 and 2019

	2020	2019
	$	$
General and administrative expenses:		
Amortization of intangible asset	32,178	23,101
Amortization of equipment	-	1,403
Bank charges and interest	7,917	7,219
Business development (Note 7)	17,697	83,667
Consulting fees	277,533	544,118
Corporate and administration fees	17,160	24,865
Directors' fees (Note 7)	16,500	12,000
Filing and transfer agent fees	26,143	28,977
Legal & accounting fees (Note 7)	464,831	444,912
Management fees (Note 7)	603,433	649,099
Office, rent and insurance	112,341	117,110
Product development	2,126,437	2,199,172
Shareholders' communication, & promotion	557,980	281,919
Travel, meals & entertainment	91,945	82,365
	(4,352,095)	(4,499,927)
Other items:		
Interest income	13,445	69,905
Foreign exchange	(4,260)	25,584
Stock-based compensation (Note 8 c)	(33,939)	(52,884)
Other expenses	-	-
Net loss and comprehensive loss	(4,376,849)	(4,457,322)
Basic and diluted loss per share	(0.53)	(0.64)
Weighted average – number of shares outstanding	8,297,096	6,947,138

See notes to consolidated financial statements

IMAGIN MEDICAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2020 and 2019

	2020	2019
	$	$
Cash provided by (used for):		
Operating activities		
Net loss for the year	(4,376,849)	(4,457,322)
Adjustments which do not affect cash:		
Amortization of intangible asset	32,178	23,101
Amortization of equipment	-	1,403
Stock-based compensation	33,939	52,884
	(4,310,732)	(4,379,934)
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	30,988	139,703
Accounts payable and accrued liabilities	167,755	202,855
	(4,111,989)	(4,037,376)
Investing activities		
Purchase of intangible asset	(33,145)	(33,148)
	(33,145)	(33,148)
Financing activities		
Issue of share capital, net	1,899,982	524,454
	1,899,982	524,454
Increase (decrease) in cash	(2,245,152)	(3,546,070)
Cash and cash equivalents - beginning of year	2,272,770	5,818,840
Cash and cash equivalents - end of year	27,618	2,272,770

Supplementary disclosures:

Note 9 – Non-cash transactions

See notes to consolidated financial statements

IMAGIN MEDICAL INC.
For the Years Ended September 30, 2020 and 2019

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued Share Capital		**Share-Based Payment Reserve**	**Deficit**	**Total**
	#	$	$	$	$
Balance, September 30, 2018	**6,692,716**	**14,962,227**	**2,847,939**	**(11,817,993)**	**5,992,173**
Exercise of warrants	260,292	524,454	-	-	524,454
Fair value of options granted	-	-	52,884	-	52,884
Fair value of warrants exercised	-	833	(833)	-	-
Loss for the year	-	-	-	(4,457,322)	(4,457,322)
Balance, September 30, 2019	**6,953,008**	**15,487,514**	**2,899,990**	**(16,275,315)**	**2,112,189**
Private placement, net	1,914,000	1,849,982	-	-	1,849,982
Exercise of warrants	50,000	50,000	-	-	50,000
Fair value of options granted	-	-	33,939	-	33,939
Fair value of brokers' warrants	-	(20,780)	20,780	-	-
Loss for the year	-	-	-	(4,376,849)	(4,376,849)
Balance, September 30, 2020	**8,917,008**	**17,366,716**	**2,954,709**	**(20,652,164)**	**(330,739)**

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

See notes to consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagin Medical Inc. is incorporated in the Province of British Columbia and its previous principal business activity was the acquisition and exploration of resource properties. On February 9, 2016, the Company completed the acquisition of BSS Life Sciences Inc. ("BSS"). BSS holds the intellectual property rights to a proprietary imaging technology developed for extremely accurate visualization of cancers. In connection with the acquisition, the Company changed its name to Imagin Medical Inc. and now focuses on the research, development and commercialization of medical devices in the bio-chemistry industry. For accounting purposes, the acquisition of BSS was treated as a reverse asset acquisition as the shareholders of BSS acquired control of the consolidated entity. BSS is considered the acquiring and continuing entity, and Imagin Medical Inc. was the acquired entity.

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

There can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of **December 16, 2020**, the date the Board of Directors approved the consolidated financial statements.

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

Adoption of new and revised standards and interpretations

(i) Leases

IFRS 16, Leases ("IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has determined the impact to not be material.

(ii) Business combinations

Narrow-scope amendments to IFRS 3 were issued in October 2018 and apply to annual reporting periods beginning on or after January 1, 2020. The amendments clarify the definition of a business, provide guidance in determining whether an acquisition is a business combination or a combination of a group of assets, emphasize that the output of a business is to provide goods and services to customers and provide a supplementary guidance.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adoption of new and revised standards and interpretations *(continued)*

(iii) Presentation of financial statements
An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are classified and measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to holds assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) 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 classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash and cash equivalents	Amortized cost
Amounts receivable and prepaids	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment of financial instruments

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Assets measured at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology, are met for deferral and amortization.

Intangible assets

Intangible assets of the Company include technology rights and patents acquired from third parties, and are recorded at cost less accumulated amortization and accumulated impairment losses. Initial acquisition cost is based on the fair value of the consideration paid or payable, and will be amortized on a straight-line basis over the estimated useful life of the underlying technologies with finite lives. Once the Company commences research and development activities, the intangible assets will be amortized on a straight-line basis over the remaining life of the rights and patents. The Company reviews the estimated useful lives and carrying values of its technology rights and patents as part of its periodic assessment for impairment of non-financial assets.

The carrying amounts for technology rights and patents do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful development and commercialization of products based on these underlying technologies.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, BSS and Expedition Mining USA Inc. (inactive). All significant inter-company transactions and balances have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses.

Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably.

The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Equipment is amortized using the declining-balance method at a rate of 20% per annum for office equipment and 30% per annum for computer equipment.

Foreign currency translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of each of the parent Company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company’s functional and presentation currency. The functional currency of the subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of loss and comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Loss per share

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in 2020 and 2019. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Commissions paid to underwriters, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements is considered to be the more easily measurable component and the common share are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is recorded and charged to operations, with an offsetting credit to the share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Critical accounting estimates and judgments

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination that the Company will continue as a going concern for the next year, the estimated useful lives of the intangible assets and the determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of long-lived assets

Management evaluates non-current assets at least annually for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

3. CASH AND CASH EQUIVALENTS

	September 30, 2020 $	September 30, 2019 $
Canadian chartered bank		
- Deposits in Canadian banks	27,618	322,770
- Guaranteed Investment Certificate	-	1,950,000
	27,618	**2,272,770**

4. AMOUNTS RECEIVABLE AND PREPAIDS

	September 30, 2020 $	September 30, 2019 $
GST receivable	2,325	1,934
Interest receivable	-	34,395
Prepaid expenses	43,875	40,859
	46,200	**77,188**

5. INTANGIBLE ASSET

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

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

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

In addition, BSS is required to pay to LLNS a non-refundable US Maintenance Patent Fee of US$45,000 as follows:
- US$15,000 (paid) to be paid on or before February 28, 2016;
- US$15,000 (paid) to be paid on or before February 28, 2019; and
- US$15,000 to be paid on or before February 28, 2023.

5. INTANGIBLE ASSET *(continued)*

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

- US$5,000 (paid) to be paid on or before February 28, 2017;
- US$10,000 (paid) to be paid on or before February 28, 2018;
- US$10,000 (paid) to be paid on or before February 28, 2019; and
- US$25,000 to be paid on or before February 28, 2020 (paid), and every February 28th thereafter.

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

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

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

Continuity of the intangible asset is as follows:

	Patent License
Cost	
Balance, September 30, 2018	$ 174,711
Additions for the year	33,148
Balance, September 30, 2019	207,859
Additions for the year	33,145
Balance, September 30, 2020	**$ 241,004**
Accumulated depreciation	
Balance, September 30, 2018	$ 40,143
Depreciation for the year	23,101
Balance, September 30, 2019	63,244
Depreciation for the year	32,178
Balance, September 30, 2020	**$ 95,422**
Carrying amounts	
Balance, September 30, 2018	$ 134,568
Balance, September 30, 2019	144,615
Balance, September 30, 2020	**$ 145,582**

6. ACCOUNTS PAYABLE AND ACCRUED LIABLITIES

	September 30, 2020 $	**September 30, 2019 $**
Trade accounts payable	277,644	330,536
Accrued liabilities	35,535	40,000
Due to related parties	236,960	11,848
	550,139	**382,384**

7. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Company paid or accrued $940,238 (2019 - $1,071,693) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, directors and consulting fees incurred by the Company.

The Company did not grant any stock options to key management during the year ended September 30, 2020 (2019 – Nil).

Included in accounts payable are fees and expenses due to directors and officers in the amount of $236,960 (2019 - $11,848), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

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

8. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued:

As at September 30, 2020, the Company reported issued and outstanding shares of 8,917,008 (2019 – 6,953,008).

During the year ended September 30, 2020, the Company closed its non-brokered private placement, issuing 1,914,000 units (“Units”) at $1 per Unit for gross proceeds of $1,914,000. Each Unit consists of one common share (“Share”) and one Share purchase warrant (“Warrant”), each Warrant entitling the holder to acquire one additional Share at $3 for a period of 24 months, provided that in the event the closing price of the Company's Shares is equal to or greater than $5 per Share for 10 consecutive trading days, the Company may, by notice to the Warrant holders (which notice may be by way of general news release), reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

Total finders' fees were paid in the form of cash in the amount of $52,790 and 52,790 finders' warrants (exercisable at $1 per Share for 24 months). The fair value for the finders warrants using the Black-Scholes option-pricing model was determined to be $0.3936 per warrant.

On April 9, 2020, the Company announced that the Board of Directors approved an amendment of 895,991 finance warrants. The exercise price was amended to $1 with an expiry date of June 30, 2020. The 55,856 finders’ warrants as per CSE regulations were not amended and expired on April 12 and 19, 2020.

On May 26, 2020, 50,000 share purchase warrants with an exercise price of $1 were exercised for total proceeds of $50,000.

8. SHARE CAPITAL *(continued)*

c) Stock options:

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

	Number of options	Weighted average exercise price
Outstanding at September 30, 2018	**505,000**	**$ 5.15**
Options granted	45,000	2.00
Outstanding at September 30, 2019	**550,000**	**$ 4.89**
Options granted	30,000	1.20
Options cancelled	(45,000)	2.00
Outstanding at September 30, 2020	**535,000**	**$ 4.93**

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	30-Sep-20
09-Feb-21	3.00	60,000	-	-	-	60,000
30-Jun-21	3.00	57,500	-	-	-	57,500
14-Dec-21	3.00	15,000	-	-	-	15,000
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
24-Jun-24	2.00	45,000	-	-	(45,000)	-
10-Jan-25	1.20	-	30,000	-	-	30,000
		550,000	**30,000**	**-**	**(45,000)**	**535,000**
Weighted average exercise price		**$ 4.89**	**$ 1.20**	**-**	**$ 2.00**	**$ 4.93**

Expiry Date	Exercise Price	30-Sep-18	Granted	Exercised	Expired/ Cancelled	30-Sep-19
09-Feb-21	3.00	60,000	-	-	-	60,000
30-Jun-21	3.00	57,500	-	-	-	57,500
14-Dec-21	3.00	15,000	-	-	-	15,000
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
24-Jun-24	2.00	-	45,000	-	-	45,000
		505,000	**45,000**	**-**	**-**	**550,000**
Weighted average exercise price		**$ 5.15**	**$ 2.00**	**-**	**-**	**$ 4.89**

8. SHARE CAPITAL *(continued)*

c) Stock options *(continued)*:

During the year ended September 30, 2020, the Company granted a total of 30,000 incentive stock options (September 30, 2019 – 45,000) to directors, officers, and certain service providers. The incentive stock options have an exercise price of $1.20 and expire five years from the grant date. The options are subject to a four month hold period from the date of issuance. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and resulting values:

	2020	2019
Number of options granted	30,000	45,000
Average Risk-free interest rate	1.60%	1.33%
Average Estimated life	5 years	5 years
Average Share price on grant date	$1.40	$1.50
Average Exercise price	$1.20	$2.00
Average Estimated annual volatility	128.5%	116.1%
Average Option fair value	$1.1313	$1.1752
Total Compensation cost	$33,939	$52,884

d) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
Outstanding at September 30, 2018	**1,464,044**	**$ 5.80**
Finance warrants exercised	(260,292)	2.00
Finance warrants expired	(251,905)	3.20
Outstanding at September 30, 2019	**951,847**	**$ 7.60**
Finance warrants granted	1,914,000	3.00
Finders' warrants granted	52,790	3.00
Finance warrants exercised	(50,000)	1.00
Finance warrants expired	(845,991)	1.00
Finders' warrants expired	(55,856)	7.60
Outstanding at September 30, 2020	**1,966,790**	**$ 3.00**

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	30-Sep-20
30-Jun-20	1.00*	586,139	-	(50,000)	(536,139)	-
12-Apr-20	7.60	37,278	-	-	(37,278)	-
30-Jun-20	1.00*	309,852	-	-	(309,852)	-
19-Apr-20	7.60	18,578	-	-	(18,578)	-
21-Jan-20	3.00	-	1,966,790	-	-	1,966,790
		951,847	**1,966,790**	**(50,000)**	**(901,847)**	**1,966,790**
Weighted average exercise price		**$ 7.60**	**$ 3.00**	**$ 1.00**	**$ 1.41**	**$ 3.00**

*Re-priced from $7.60 to $1.00 and expired June 30, 2020.

8. SHARE CAPITAL *(continued)*

d) Share purchase warrants

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	30-Sep-18	Granted	Exercised	Expired/ Cancelled	30-Sep-19
09-Feb-19	3.00	55,000	-	-	(55,000)	-
18-Oct-18	2.40	29,125	-	(1,250)	(27,875)	-
09-Dec-18	2.40	100,816	-	(1,975)	(98,841)	-
05-Oct-18	2.00	158,465	-	(158,465)	-	-
16-Oct-18	2.00	129,440	-	(98,602)	(30,838)	-
01-Nov-18	5.00	20,000	-	-	(20,000)	-
19-Dec-18	2.40	12,018	-	-	(12,018)	-
23-Feb-19	2.40	7,333	-	-	(7,333)	-
12-Apr-20	7.60	623,417	-	-	-	623,417
19-Apr-20	7.60	328,430	-	-	-	328,430
		1,464,044	**-**	**(260,292)**	**(251,905)**	**951,847**
Weighted average exercise price		**$ 5.80**	**-**	**$ 2.00**	**$ 3.00**	**$ 7.60**

Included in the warrants granted in fiscal 2020 are 52,790 broker and finder warrants (2019 – Nil). The fair value for the warrants was determined using the Black-Scholes option-pricing model with the following assumptions:

	2020	2019
Number of warrants granted	52,790	-
Average Risk-free interest rate	1.62%	-
Average Estimated life	2 years	-
Average Share price on grant date	$1.60	-
Average Exercise price	$3.00	-
Average Estimated annual volatility	76.42%	-
Average Warrant fair value	$0.3936	-
Total Compensation cost	$20,780	-

e) Escrow shares

During the previous fiscal year ended September 30, 2019, all of the remaining escrow shares were released.

9. NON-CASH TRANSACATIONS

The following non-cash transactions were recorded:

	September 30, 2020	September 30, 2019
Financing activities:		
Brokers warrants issued in connection with the private placements	$ 20,780	$ -

10. INCOME TAXES

A reconciliation of Canadian income taxes at statutory rates is as follows:

	September 30, 2020	September 30, 2019
Net loss for the year	$ (4,376,849)	$ (4,457,322)
Statutory rate	27.00%	27.00%
Income tax recovery computed at statutory rate	(1,181,749)	(1,203,477)
Adjustment for deductible and non-deductible items	2,934	17,856
Unused tax losses and tax offsets not recognized in tax asset	1,178,815	1,185,621
Total income taxes	$ -	$ -

Significant unrecognized tax benefits/(liabilities) and unused tax losses for which no deferred tax asset is recognized as of September 30, 2020 and September 30, 2019 were as follows:

	September 30, 2020	September 30, 2019
Deferred income tax assets/(liabilities):		
Mineral properties	$ 12,794,000	$ 12,794,000
Equipment	10,000	10,000
Intangible asset	56,000	24,000
Non-capital loss carry-forward	21,002,000	16,640,000
Capital loss carry-forward	1,554,000	1,554,000
Share issue costs	155,000	176,000
	$ 35,571,000	$ 31,198,000

The Company did not recognize the deferred tax assets for the years ended September 30, 2020 and September 30, 2019 as future taxable profits are uncertain.

The Company has non-capital losses of approximately $21,002,000 which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2040. Subject to certain restrictions, the Company also has mineral property expenditures of approximately $12,794,000 available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

10. INCOME TAXES *(continued)*

The Company's non-capital loss carry-forwards expire as follows:

Year of Origin	Year of Expiry	Non-Capital Losses
		$
2007	2027	2,000
2008	2028	-
2009	2029	793,000
2010	2030	677,000
2011	2031	609,000
2012	2032	519,000
2013	2033	379,000
2014	2034	563,000
2015	2035	469,000
2016	2036	1,677,000
2017	2037	1,439,000
2018	2038	5,049,000
2019	2039	4,439,000
2020	2040	4,387,000
		21,002,000

11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital Management Objectives

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

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the year ended September 30, 2020.

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

(b) Carrying Amounts and Fair Values of Financial Instruments

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

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

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2—Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3—Inputs that are not based on observable market data

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2020.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 27,618	$ –	$ –	$ 27,618

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2019.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,272,770	$ –	$ –	$ 2,272,770

12. SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2020:

On October 27, 2020, the Company completed a twenty (20) to one (1) share consolidation. All corresponding figures have been updated accordingly to reflect the consolidation.

In November 2020, the Company closed a first tranche of Convertible Notes ("Notes") for US$750,000. The Notes are secured obligations of the Company, accrue 10% interest annually (payable semi-annually in arrears) and will mature 18 months following the date of issue (unless earlier repurchased, redeemed or converted). The Notes will be convertible at the holder's discretion into commons shares at a conversion price of US$0.40 per share. In conjunction with the Notes, the holders were issued 937,500 warrants (with each warrant entitling the holder to acquire a common share at US$0.50) and 937,500 warrants (with each warrant entitling the holder to acquire a common share at US$0.60). All warrants will be exercisable for five years from the date of issue.

In November 2020, US$20,000 (plus accrued interest) of the Convertible Notes were converted by the holder into 50,178 shares of the Company.