

**IMAGIN MEDICAL INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020**

**and**

**December 31, 2019**

**(Expressed in Canadian Dollars)**

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

## **NOTICE**

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

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

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

	December 31, 2020	September 30, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	54,475	27,618
Amounts receivable and prepaids (Note 4)	393,184	46,200
	<u>447,659</u>	<u>73,818</u>
<b>Intangible asset</b> (Note 5)	<u>138,235</u>	<u>145,582</u>
	<u><u>585,894</u></u>	<u><u>219,400</u></u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 6 & 8)	599,332	550,139
<b>Long-term liabilities</b>		
Convertible note (Notes 7 & 9)	<u>853,184</u>	<u>-</u>
	1,452,516	550,139
<b>Shareholders' equity</b>		
Share capital (Notes 9, 10 and 12)	17,393,093	17,366,716
Share-based payment reserve	2,954,709	2,954,709
Deficit	<u>(21,214,424)</u>	<u>(20,652,164)</u>
	<u>(866,622)</u>	<u>(330,739)</u>
	<u><u>585,894</u></u>	<u><u>219,400</u></u>
<b>Nature and continuance operations</b> (Note 1)		
<b>Basis of presentation</b> (Note 2)		

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

“John Vacha”, Director

“Robin Atlas”, Director

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**For the Three Months Ended December 31, 2020 and 2019**

	2020	2019
	\$	\$
<b>General and administrative expenses:</b>		
Amortization of intangible asset	7,347	5,775
Bank charges and interest	1,707	1,972
Business development (Note 8)	-	17,697
Consulting fees	42,144	64,291
Convertible note recovery (Note 7)	(112,251)	-
Corporate and administration fees	5,725	6,710
Directors' fees (Note 8)	4,500	3,000
Filing and transfer agent fees	16,417	6,497
Legal & accounting fees (Note 8)	104,138	94,318
Management fees (Note 8)	146,476	148,601
Office, rent and insurance	28,654	25,443
Product development	208,894	639,178
Shareholders' communication, & promotion	87,269	188,179
Travel, meals & entertainment	7,087	40,277
	(548,107)	(1,241,938)
<b>Other items:</b>		
Interest income	-	3,760
Foreign exchange	(14,153)	(3,481)
<b>Net loss and comprehensive loss</b>	(562,260)	(1,241,659)
<b>Basic and diluted loss per share</b>	(0.06)	(0.18)
<b>Weighted average – number of shares outstanding</b>	8,948,097	6,953,014

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Three Months Ended December 31, 2020 and 2019**

	2020	2019
	\$	\$
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss for the period	(562,260)	(1,241,659)
Adjustments which do not affect cash:		
Amortization of intangible asset	7,347	5,775
Convertible note recovery	(112,251)	-
	(667,164)	(1,235,884)
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	(346,984)	18,525
Accounts payable and accrued liabilities	49,193	(9,019)
	(964,955)	(1,226,378)
<b>Investing activities</b>		
Purchase of intangible asset	-	-
	-	-
<b>Financing activities</b>		
Convertible note proceeds	991,812	-
	991,812	-
<b>Increase (decrease) in cash</b>	26,857	(1,226,378)
<b>Cash and cash equivalents - beginning of period</b>	27,618	2,272,770
<b>Cash and cash equivalents - end of period</b>	54,475	1,046,392

**Supplementary disclosures:**

Note 10 – Non-cash transactions

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**For the Three Months Ended December 31, 2020 and 2019**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Issued Share Capital		Share-Based	Deficit	Total
	#	\$	Payment Reserve	\$	\$
			\$	\$	\$
<b>Balance, September 30, 2018</b>	<b>6,692,716</b>	<b>14,962,227</b>	<b>2,847,939</b>	<b>(11,817,993)</b>	<b>5,992,173</b>
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)
<b>Balance, September 30, 2019</b>	<b>6,953,008</b>	<b>15,487,514</b>	<b>2,899,990</b>	<b>(16,275,315)</b>	<b>2,112,189</b>
Loss for the period				(1,241,659)	(1,241,659)
Balance, December 31, 2019	6,953,008	15,487,514	2,899,990	(17,516,974)	870,530
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	-	-	-	(3,135,190)	(3,135,190)
<b>Balance, September 30, 2020</b>	<b>8,917,008</b>	<b>17,366,716</b>	<b>2,954,709</b>	<b>(20,652,164)</b>	<b>(330,739)</b>
Debt conversion	50,178	26,377	-	-	26,193
Loss for the period	-	-	-	(562,260)	(562,260)
<b>Balance, December 31, 2020</b>	<b>8,967,186</b>	<b>17,393,093</b>	<b>2,954,709</b>	<b>(21,214,424)</b>	<b>(866,622)</b>

**Note:** During the period ended December 31, 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.

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

---

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of **February 25, 2020**, the date the Board of Directors approved the condensed interim consolidated financial statements.

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

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

(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.

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

---

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

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

(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.

(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.

**Borrowings**

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

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

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

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

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

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

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

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2020.

**3. CASH AND CASH EQUIVALENTS**



**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

	December 31, 2020 \$	September 30, 2020 \$
Canadian chartered bank		
- Deposits in Canadian banks	54,475	27,618
- Guaranteed Investment Certificate	-	-
	<b>54,475</b>	<b>27,618</b>

**4. AMOUNTS RECEIVABLE AND PREPAIDS**

	December 31, 2020 \$	September 30, 2020 \$
GST receivable	2,363	2,325
Trust account	1,100	-
Prepaid expenses	389,721	43,875
	<b>393,184</b>	<b>46,200</b>

**5. INTANGIBLE ASSET**

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

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

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

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

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

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

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

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

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

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

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
<b>Cost</b>	
Balance, September 30, 2019	207,859
Additions for the year	33,145
<b>Balance, September 30, 2020</b>	<b>\$ 241,004</b>
Additions for the period	-
<b>Balance, December 31, 2020</b>	<b>\$ 241,004</b>
<b>Accumulated depreciation</b>	
Balance, September 30, 2019	63,244
Depreciation for the year	32,178
<b>Balance, September 30, 2020</b>	<b>\$ 95,422</b>
Depreciation for the period	7,347
<b>Balance, December 31, 2020</b>	<b>\$ 102,769</b>
<b>Carrying amounts</b>	
Balance, September 30, 2019	144,615
Balance, September 30, 2020	\$ 145,582
<b>Balance, December 31, 2020</b>	<b>\$ 138,235</b>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2020	September 30, 2020
	\$	\$
Trade accounts payable	322,595	277,644
Accrued liabilities	30,500	35,535
Due to related parties	246,237	236,960
	<b>599,332</b>	<b>550,139</b>

**7. CONVERTIBLE NOTES**

The Company offered Convertible Notes (the “Notes”) in the amount of US\$3,000,000, with 10% interest annually and payable semi-annually in arrears. The Notes will mature 18 months following the date of issue, unless repurchased, redeemed or converted. The Notes will be convertible at the holder’s discretion into units (the “Units”) at a conversion price of US\$0.40 per Unit. Each Unit will consist of one post-consolidated common share (“Common Share”), one-half Common Share purchase warrant exercisable at US\$0.50 and one-half Common Share purchase warrant exercisable at US\$0.60. All warrants will be exercisable for five years from the date of issue.

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

**7. CONVERTIBLE NOTE** *(continued)*

The Company closed the first tranche in the amount of US\$750,000. 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.

On November 5, 2020, one of the note holders converted US\$20,000, plus accrued interest (See Note 9).

Given that the convertible notes are in \$US, they are not denominated in the functional currency of the Company, and therefore they are accounted for as a financial liability with an embedded derivative.

The carrying value of the convertible notes is as follows at December 31, 2020:

	<b>Debt</b>	<b>Embedded Derivative</b>	<b>Total</b>
<b>Balance, October 1, 2020</b>	\$ -	\$ -	\$ -
Convertible note proceeds	466,003	525,809	991,812
Convertible note converted to common shares	(26,377)	-	(26,377)
Convertible note expense (recovery)	71,579	(183,830)	(112,251)
<b>Balance, December 31, 2020</b>	<b>\$ 511,205</b>	<b>\$ 341,979</b>	<b>\$ 853,184</b>

**8. RELATED PARTY TRANSACTIONS**

During the three months ended December 31, 2020, the Company paid or accrued \$224,265 (2019 - \$243,427) 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.

Included in accounts payable are fees due to directors and officers in the amount of \$246,237 (September 30, 2020 - \$236,960), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

The Company did not grant any stock options to key management during the three months ended December 31, 2020 (2019 – Nil).

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

**9. SHARE CAPITAL**

a) Authorized: Unlimited number of common shares

b) Issued:

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 Company closed the first tranche of Convertible Notes (“Notes”) for US\$750,000 (See Note 7). 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.

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

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

b) Issued: *(continued)*

On November 5, 2020, one of the note holders converted US\$20,000, plus accrued interest of US\$71. The Company issued 50,178 shares at US\$0.40 (Canadian \$0.52) per share. The Company recorded the transaction as Cdn\$26,377 using the foreign exchange rate at conversion date.

c) Stock options:

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

	Number of options	Weighted average exercise price
<b>Outstanding at September 30, 2019</b>	<b>550,000</b>	<b>\$ 4.89</b>
Options granted	30,000	1.20
Options cancelled	(45,000)	2.00
<b>Outstanding at September 30, 2020</b>	<b>535,000</b>	<b>\$ 4.93</b>
<b>Outstanding at December 31, 2020</b>	<b>535,000</b>	<b>\$ 4.93</b>

The continuity of stock options is as follows:

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	31-Dec-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
10-Jan-25	1.20	30,000	-	-	-	30,000
		<b>535,000</b>	-	-	-	<b>535,000</b>
<b>Weighted average exercise price</b>		<b>\$ 4.93</b>	<b>\$ -</b>	-	-	<b>\$ 4.93</b>

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	31-Dec-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
		<b>550,000</b>	-	-	-	<b>550,000</b>
<b>Weighted average exercise price</b>		<b>\$ 4.80</b>	<b>\$ *</b>	-	-	<b>\$ 4.80</b>

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

c) Stock options: *(continued)*

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

Note: During the period ended December 31, 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.

During the three months ended December 31, 2020, the Company did not grant any stock options (December 31, 2019 – Nil).

d) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
<b>Outstanding at September 30, 2019</b>	<b>951,847</b>	<b>\$ 7.60</b>
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
<b>Outstanding at September 30, 2020</b>	<b>1,966,790</b>	<b>\$ 3.00</b>
Convertible warrants granted	937,500	0.67*
Convertible warrants granted	937,500	0.76*
<b>Outstanding at December 31, 2020</b>	<b>3,841,790</b>	<b>\$ 1.89</b>

\* As per the agreement of convertible note, the convertible warrants were granted in US\$ 0.50 and US\$ 0.60 respectively. For the purpose of this report, they were converted to Canadian dollars using the December 31, 2020 foreign exchange rate of 1.2732 to US\$1.

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	31-Dec-20
21-Jan-22	3.00	1,966,790	-	-	-	1,966,790
20-Oct-25	0.67	-	25,000	-	-	25,000
20-Oct-25	0.76	-	25,000	-	-	25,000
22-Oct-25	0.67	-	875,000	-	-	875,000
22-Oct-25	0.76	-	875,000	-	-	875,000
09-Nov-25	0.67	-	37,500	-	-	37,500
19-Apr-20	0.76	-	37,500	-	-	37,500
		<b>1,966,790</b>	<b>1,875,000</b>	-	-	<b>3,841,790</b>
<b>Weighted average exercise price</b>		<b>\$ 3.00</b>	<b>\$ 0.72</b>	\$ -	\$ -	<b>\$ 1.89</b>

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	31-Dec-19
12-Apr-20	7.60	623,416	-	-	-	623,416
19-Apr-20	7.60	328,430	-	-	-	328,430
		<b>951,847</b>	-	-	-	<b>951,847</b>
<b>Weighted average exercise price</b>		<b>\$ 7.60</b>	-	-	-	<b>\$ 7.60</b>

**9. SHARE CAPITAL (continued)**

d) Share purchase warrants (continued)

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

Note: During the period ended December 31, 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.

**10. NON-CASH TRANSACTIONS**

The following non-cash transactions were recorded:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financing activities:		
Common shares issued upon conversion of note	\$ 26,377	\$ -

**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 three months ended December 31, 2020.

(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.

**11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

(b) Carrying Amounts and Fair Values of 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:

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended December 31, 2020 and 2019**

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 December 31, 2020.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 54,475	\$ –	\$ –	\$ 54,475

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

**12. SUBSEQUENT EVENTS**

Subsequent to the end of the period, the following occurred:

- (i) Granted 100,000 employee stock options with an exercise price of \$0.62, fully vested and expiring in three years.
- (ii) 60,000 employee stock options with an exercise price of \$3.00 per option expired, unexercised.
- (iii) Closed Tranche 2 of the previously announced Convertible Note in the amount of US\$1,415,500.
- (iv) As per terms of the Convertible Note, issued 1,769,375 warrants at US\$0.50 and 1,769,375 warrants at US\$0.60.
- (v) One of the lenders from Tranche 2 converted US\$40,000 to common shares, resulting in the issuance of 100,000 shares.