

**IMAGIN MEDICAL INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2021**

**and**

**March 31, 2020**

**(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**

|  | <b>March 31,<br/>2021</b> | <b>September 30,<br/>2020</b> |
|--|---------------------------|-------------------------------|
|  | <b>\$</b>                 | <b>\$</b>                     |
| <b>A S S E T S</b>                                     |                           |                               |
| <b>Current assets</b>                                  |                           |                               |
| Cash and cash equivalents (Note 3)                     | 991,244                   | 27,618                        |
| Amounts receivable and prepaids (Note 4)               | 435,251                   | 46,200                        |
|  | <u>1,426,495</u>          | <u>73,818</u>                 |
| <b>Intangible asset (Note 5)</b>                       | <u>137,724</u>            | <u>145,582</u>                |
|  | <u><b>1,564,219</b></u>   | <u><b>219,400</b></u>         |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>          |                           |                               |
| <b>Current liabilities</b>                             |                           |                               |
| Accounts payable and accrued liabilities (Notes 6 & 8) | 616,528                   | 550,139                       |
| <b>Long-term liabilities</b>                           |                           |                               |
| Convertible note (Notes 7 & 9)                         | 4,001,418                 | -                             |
|  | <u>4,617,946</u>          | <u>550,139</u>                |
| <b>Shareholders' equity</b>                            |                           |                               |
| Share capital (Notes 9, 10 and 12)                     | 17,442,900                | 17,366,716                    |
| Share-based payment reserve                            | 3,030,621                 | 2,954,709                     |
| Deficit  | (23,527,248)              | (20,652,164)                  |
|  | <u>(3,053,727)</u>        | <u>(330,739)</u>              |
|  | <u><b>1,564,219</b></u>   | <u><b>219,400</b></u>         |
| <b>Nature and continuance operations (Note 1)</b>      |                           |                               |
| <b>Basis of presentation (Note 2)</b>                  |                           |                               |

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

“John Vacha”, Director

“Robin Atlas”, Director

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Six Months Ended March 31, 2021 and 2020

|  | Three<br>Months<br>Ended<br>March 31,<br>2021 | Three<br>Months<br>Ended<br>March 31,<br>2020 | Six<br>Months<br>Ended<br>March 31,<br>2021<br>\$ | Six<br>Months<br>Ended<br>March 31,<br>2020<br>\$ |
|--|---|---|---|---|
| <b>General and administrative expenses:</b>            |   |   |   |   |
| Amortization of intangible asset                       | 7,346   | 5,775   | 14,693  | 11,550  |
| Bank charges and interest                              | 2,049   | 2,401   | 3,756   | 4,373   |
| Business development (Note 8)                          | -   | -   | -   | 17,697  |
| Consulting fees  | 53,340  | 90,876  | 95,484  | 155,167   |
| Convertible note recovery (Note 7)                     | 1,390,266                                     | -   | 1,278,015   | -   |
| Corporate and administration fees                      | 6,155   | 5,950   | 11,880  | 12,660  |
| Directors' fees (Note 8)                               | 4,500   | 4,500   | 9,000   | 7,500   |
| Filing and transfer agent fees                         | 9,777   | 10,478  | 26,194  | 16,975  |
| Legal & accounting fees (Note 8)                       | 90,994  | 108,011                                       | 195,132   | 202,329   |
| Management fees (Note 8)                               | 142,175                                       | 152,880                                       | 288,651   | 301,481   |
| Office, rent and insurance                             | 36,194  | 25,239  | 64,848  | 50,682  |
| Product development                                    | 340,429                                       | 1,207,381                                     | 549,323   | 1,846,559   |
| Shareholders' communication, & promotion               | 122,272                                       | 192,015                                       | 209,541   | 380,194   |
| Travel, meals & entertainment                          | 8,301   | 32,384  | 15,388  | 72,661  |
|  | <u>(2,213,798)</u>                            | <u>(1,837,890)</u>                            | <u>(2,761,905)</u>                                | <u>(3,079,828)</u>                                |
| <b>Other items:</b>                                    |   |   |   |   |
| Interest income  | -   | 5,192   | -   | 8,952   |
| Foreign exchange                                       | (23,114)                                      | (3,653)                                       | (37,267)  | (172)   |
| Stock-based compensation                               | (75,912)                                      | (33,939)                                      | (75,912)  | (33,939)  |
|  | <u>(2,312,824)</u>                            | <u>(1,870,290)</u>                            | <u>(2,875,084)</u>                                | <u>(3,104,987)</u>                                |
| <b>Net loss and comprehensive loss</b>                 | <u>(2,312,824)</u>                            | <u>(1,870,290)</u>                            | <u>(2,875,084)</u>                                | <u>(3,104,987)</u>                                |
| <b>Basic and diluted loss per share</b>                | <u>(0.26)</u>                                 | <u>(0.27)</u>                                 | <u>(0.32)</u>                                     | <u>(0.45)</u>                                     |
| <b>Weighted average – number of shares outstanding</b> | <u>9,042,186</u>                              | <u>8,446,355</u>                              | <u>8,995,448</u>                                  | <u>6,953,014</u>                                  |

See notes to condensed interim consolidated financial statements

**IMAGIN MEDICAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended March 31, 2021 and 2020**

|  | 2021           | 2020               |
|--|----------------|--------------------|
|  | \$             | \$                 |
| <b>Cash provided by (used for):</b>                    |                |                    |
| <b>Operating activities</b>                            |                |                    |
| Net loss for the period                                | (2,875,084)    | (3,104,987)        |
| Adjustments which do not affect cash:                  |                |                    |
| Amortization of intangible asset                       | 14,693         | 11,550             |
| Convertible note recovery                              | 1,278,015      | -                  |
| Stock-based compensation                               | 75,912         | 33,939             |
|  | (1,506,464)    | (3,059,498)        |
| Net changes in non-cash working capital items:         |                |                    |
| Amounts receivable and prepaids                        | (389,051)      | (75,186)           |
| Accounts payable and accrued liabilities               | 66,389         | (50,749)           |
|  | (1,829,126)    | (3,185,433)        |
| <b>Investing activities</b>                            |                |                    |
| Purchase of intangible asset                           | (6,835)        | (33,145)           |
|  | (6,835)        | (33,145)           |
| <b>Financing activities</b>                            |                |                    |
| Convertible note proceeds                              | 2,799,587      | 1,849,982          |
|  | 2,799,587      | 1,849,982          |
| <b>Increase (decrease) in cash</b>                     | <b>963,626</b> | <b>(1,368,596)</b> |
| <b>Cash and cash equivalents - beginning of period</b> | <b>27,618</b>  | <b>2,272,770</b>   |
| <b>Cash and cash equivalents - end of period</b>       | <b>991,244</b> | <b>904,174</b>     |

**Supplementary disclosures:**

Note 10 – Non-cash transactions

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

For the Six 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, 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>   |
| Private placement, net             | 1,914,000            | 1,849,982         | -                | -                   | 1,849,982          |
| Fair value of options granted      | -                    | -                 | 33,939           | -                   | 33,939             |
| Fair value of brokers' warrants    | -                    | (20,780)          | 20,780           | -                   | -                  |
| Loss for the period                |                      |                   |                  | (3,104,987)         | (3,104,987)        |
| <b>Balance, March 31, 2020</b>     | <b>8,867,008</b>     | <b>17,316,716</b> | <b>2,954,709</b> | <b>(19,380,302)</b> | <b>891,123</b>     |
| Exercise of warrants               | 50,000               | 50,000            | -                | -                   | 50,000             |
| Loss for the year                  | -                    | -                 | -                | (1,271,862)         | (1,271,862)        |
| <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                    | 150,178              | 76,184            | -                | -                   | 76,184             |
| Fair value of options granted      |                      |                   | 75,912           |                     | 75,912             |
| Loss for the period                | -                    | -                 | -                | (2,875.084)         | (2,875.084)        |
| <b>Balance, March 31, 2021</b>     | <b>9,067,186</b>     | <b>17,442,900</b> | <b>3,030,621</b> | <b>(23,527.248)</b> | <b>(3,053.727)</b> |

**Note:** During the six months ended March 31, 2021, 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 condensed interim 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 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 **May 25, 2021**, 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.

**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.



**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended March 31, 2021 and 2020**

**3. CASH AND CASH EQUIVALENTS**

|                                     | <b>March 31, 2021</b> | <b>September 30, 2020</b> |
|-------------------------------------|-----------------------|---------------------------|
|                                     | \$                    | \$                        |
| Canadian chartered bank             |                       |                           |
| - Deposits in Canadian banks        | 991,244               | 27,618                    |
| - Guaranteed Investment Certificate | -                     | -                         |
|                                     | <b>991,244</b>        | <b>27,618</b>             |

Included in the amount above is US\$773,062 converted to Canadian dollars and quarter end rate of 1.2575.

**4. AMOUNTS RECEIVABLE AND PREPAIDS**

|                  | <b>March 31, 2021</b> | <b>September 30, 2020</b> |
|------------------|-----------------------|---------------------------|
|                  | \$                    | \$                        |
| GST receivable   | 2,457                 | 2,325                     |
| Trust account    | 1,700                 | -                         |
| Prepaid expenses | 431,094               | 43,875                    |
|                  | <b>435,251</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;
- US\$5,000 (paid) to be paid on or before February 28, 2020;
- US\$5,000 (paid) to be paid on or before February 28, 2021.
- US\$5,000 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.

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended March 31, 2021 and 2020**

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

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    |
|------------------------------------|-------------------|
| <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           | 6,375             |
| <b>Balance, March 31, 2021</b>     | <b>\$ 247,379</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        | 14,694            |
| <b>Balance, March 31, 2021</b>     | <b>\$ 110,116</b> |
| <b>Carrying amounts</b>            |                   |
| Balance, September 30, 2019        | 144,615           |
| Balance, September 30, 2020        | \$ 145,582        |
| <b>Balance, March 31, 2021</b>     | <b>\$ 137,723</b> |

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                        | March 31, 2021 | September 30, 2020 |
|------------------------|----------------|--------------------|
|                        | \$             | \$                 |
| Trade accounts payable | 319,638        | 277,644            |
| Accrued liabilities    | 25,385         | 35,535             |
| Due to related parties | 271,505        | 236,960            |
|                        | <b>616,528</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 six months ended March 31, 2021 and 2020**

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**7. CONVERTIBLE NOTES** *(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) into common shares.

The Company closed the second tranche in the amount of US\$1,415,500. In conjunction with the Notes, the holders were issued 1,769,375 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 1,769,375 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 January 22, 2021, one of the note holders converted US\$40,000 into common shares immediately after issuing the debt. No interest was payable upon conversion.

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 March 31, 2021:

|   | <b>Debt</b>         | <b>Embedded<br/>Derivative</b> | <b>Total</b>        |
|---|---------------------|--------------------------------|---------------------|
| <b>Balance, October 1, 2020</b>             | \$ -                | \$ -                           | \$ -                |
| Convertible note proceeds                   | 881,811             | 1,917,776                      | 2,799,587           |
| Convertible note converted to common shares | (76,184)            | -                              | (76,184)            |
| Convertible note expense (recovery)         | 399,929             | 878,086                        | 1,278,015           |
| <b>Balance, March 31, 2021</b>              | <b>\$ 1,205,556</b> | <b>\$ 2,795,862</b>            | <b>\$ 4,001,418</b> |

**8. RELATED PARTY TRANSACTIONS**

During the six months ended March 31, 2021, the Company paid or accrued \$442,011 (March 31, 2020 - \$477,601) 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 \$271,505 (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 six months ended March 31, 2021 (2020 – Nil).

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

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended March 31, 2021 and 2020**

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**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, the 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.

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.

In February 2021, the Company closed the second tranche of Convertible Notes (“Notes”) for US\$1,415,500 (See Note 7). In conjunction with the Notes, the holders were issued 1,769,375 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 1,769,375 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.

One of the note holders converted US\$40,000, immediately upon issuing the convertible note. The Company issued 100,000 shares at S\$0.40 (Canadian \$0.49807) per share. The Company recorded the transaction as Cdn\$49,807 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<br>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>                     |
| Options granted                          | 100,000           | 0.62                               |
| Options cancelled                        | (60,000)          | 3.00                               |
| <b>Outstanding at March 31, 2021</b>     | <b>575,000</b>    | <b>\$ 4.38</b>                     |

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended March 31, 2021 and 2020**

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

c) Stock options: *(continued)*

The continuity of stock options is as follows:

| <b>Expiry Date</b>                     | <b>Exercise Price</b> | <b>30-Sep-20</b> | <b>Granted</b> | <b>Exercised</b> | <b>Expired/<br/>Cancelled</b> | <b>31-Mar-21</b> |
|--|-----------------------|------------------|----------------|------------------|-------------------------------|------------------|
| 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           |
| 19-Jan-24                              | 0.62                  | -                | 100,000        | -                | -                             | 100,000          |
|  |                       | <b>535,000</b>   | <b>100,000</b> | -                | <b>(60,000)</b>               | <b>575,000</b>   |
| <b>Weighted average exercise price</b> |                       | <b>\$ 4.93</b>   | <b>\$ 0.62</b> | -                | <b>\$ 3.00</b>                | <b>\$ 4.38</b>   |

| <b>Expiry Date</b>                     | <b>Exercise Price</b> | <b>30-Sep-19</b> | <b>Granted</b> | <b>Exercised</b> | <b>Expired/<br/>Cancelled</b> | <b>31-Mar-20</b> |
|--|-----------------------|------------------|----------------|------------------|-------------------------------|------------------|
| 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-20                              | 1.20                  | -                | -              | -                | -                             | 30,000           |
|  |                       | <b>550,000</b>   | <b>30,000</b>  | -                | -                             | <b>580,000</b>   |
| <b>Weighted average exercise price</b> |                       | <b>\$ 4.80</b>   | <b>\$ 1.20</b> | -                | -                             | <b>\$ 4.80</b>   |

Note: During the period ended March 31, 2021, 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 six months ended March 31, 2021, the Company grant 100,000 stock options to a service provider at a price of \$0.62, vesting immediately and expiring on January 19, 2023 (March 31, 2020 – Nil).

IMAGIN MEDICAL INC.  
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9. SHARE CAPITAL (continued)

d) Share purchase warrants

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

|  | Number of warrants | Weighted average<br>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            | 0.63*                              |
| Convertible warrants granted             | 937,500            | 0.76*                              |
| Convertible warrants granted             | 1,769,375          | 0.63*                              |
| Convertible warrants granted             | 1,769,375          | 0.76*                              |
| <b>Outstanding at March 31, 2021</b>     | <b>7,380,540</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 foreign exchange at the time of issuance.

The continuity of share purchase warrants is as follows:

| Expiry Date | Exercise Price | 30-Sep-20 | Granted | Exercised | Expired/<br>Cancelled | 31-Mar-21 |
|-------------|----------------|-----------|---------|-----------|-----------------------|-----------|
| 21-Jan-22   | 3.00           | 1,966,790 | -       | -         | -                     | 1,966,790 |
| 20-Oct-25   | 0.63           | -         | 25,000  | -         | -                     | 25,000    |
| 20-Oct-25   | 0.76           | -         | 25,000  | -         | -                     | 25,000    |
| 22-Oct-25   | 0.63           | -         | 875,000 | -         | -                     | 875,000   |
| 22-Oct-25   | 0.76           | -         | 875,000 | -         | -                     | 875,000   |
| 09-Nov-25   | 0.63           | -         | 37,500  | -         | -                     | 37,500    |
| 09-Nov-25   | 0.76           | -         | 37,500  | -         | -                     | 37,500    |
| 15-Jan-26   | 0.63           | -         | 175,000 | -         | -                     | 175,000   |
| 15-Jan-26   | 0.76           | -         | 175,000 | -         | -                     | 175,000   |
| 19-Jan-26   | 0.63           | -         | 62,500  | -         | -                     | 62,500    |
| 19-Jan-26   | 0.76           | -         | 62,500  | -         | -                     | 62,500    |
| 22-Jan-26   | 0.63           | -         | 50,000  | -         | -                     | 50,000    |
| 22-Jan-26   | 0.76           | -         | 50,000  | -         | -                     | 50,000    |
| 25-Jan-26   | 0.63           | -         | 62,500  | -         | -                     | 62,500    |
| 25-Jan-26   | 0.76           | -         | 62,500  | -         | -                     | 62,500    |
| 27-Jan-26   | 0.63           | -         | 37,500  | -         | -                     | 37,500    |
| 27-Jan-26   | 0.76           | -         | 37,500  | -         | -                     | 37,500    |
| 28-Jan-26   | 0.63           | -         | 25,000  | -         | -                     | 25,000    |
| 28-Jan-26   | 0.76           | -         | 25,000  | -         | -                     | 25,000    |
| 29-Jan-26   | 0.63           | -         | 125,000 | -         | -                     | 125,000   |
| 29-Jan-26   | 0.76           | -         | 125,000 | -         | -                     | 125,000   |

IMAGIN MEDICAL INC.  
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9. SHARE CAPITAL (continued)

d) Share purchase warrants (continued)

| Expiry Date                            | Exercise Price | 30-Sep-20        | Granted          | Exercised   | Expired/<br>Cancelled | 31-Mar-21        |
|--|----------------|------------------|------------------|-------------|-----------------------|------------------|
| 01-Feb-26                              | 0.63           | -                | 393,750          | -           | -                     | 393,750          |
| 01-Feb-26                              | 0.76           | -                | 393,750          | -           | -                     | 393,750          |
| 04-Feb-26                              | 0.63           | -                | 12,500           | -           | -                     | 12,500           |
| 04-Feb-26                              | 0.76           | -                | 12,500           | -           | -                     | 12,500           |
| 05-Feb-26                              | 0.63           | -                | 784,375          | -           | -                     | 784,375          |
| 05-Feb-26                              | 0.76           | -                | 784,375          | -           | -                     | 784,375          |
| 08-Feb-26                              | 0.63           | -                | 6,250            | -           | -                     | 6,250            |
| 08-Feb-26                              | 0.76           | -                | 6,250            | -           | -                     | 6,250            |
| 12-Feb-26                              | 0.63           | -                | 28,750           | -           | -                     | 28,750           |
| 01-Feb-26                              | 0.76           | -                | 28,750           | -           | -                     | 28,750           |
| 16-Feb-26                              | 0.63           | -                | 6,250            | -           | -                     | 6,250            |
| 16-Feb-26                              | 0.76           | -                | 6,250            | -           | -                     | 6,250            |
|  |                | <b>1,966,790</b> | <b>5,413,750</b> | -           | -                     | <b>7,380,540</b> |
| <b>Weighted average exercise price</b> |                | <b>\$ 3.00</b>   | <b>\$ 0.70</b>   | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 1.31</b>   |

| Expiry Date                            | Exercise Price | 30-Sep-19      | Granted     | Exercised | Expired/<br>Cancelled | 31-Mar-20        |
|--|----------------|----------------|-------------|-----------|-----------------------|------------------|
| 12-Apr-20                              | 7.60           | 623,416        | -           | -         | -                     | 623,416          |
| 19-Apr-20                              | 7.60           | 328,430        | -           | -         | -                     | 328,430          |
| 21-Jan-22                              | 3.00           | -              | 1,966,790   | -         | -                     | 1,966,790        |
|  |                | <b>951,846</b> | -           | -         | -                     | <b>2,918,636</b> |
| <b>Weighted average exercise price</b> |                | <b>\$ 7.60</b> | <b>3.00</b> | <b>-</b>  | <b>-</b>              | <b>\$ 4.50</b>   |

Note: During the period ended March 31, 2021, 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:

|   | March 31,<br>2021 | March 31,<br>2020 |
|---|-------------------|-------------------|
| Financing activities:   |                   |                   |
| Brokers warrants issued in connection with the private placements |                   | 27,134            |
| Common shares issued upon conversion of note                      | \$ 26,377         | -                 |

**IMAGIN MEDICAL INC.**  
**Notes to the Consolidated Financial Statements**  
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**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 six months ended March 31, 2021.

(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 March 31, 2021.

|                           | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---------------------------|----------------|----------------|----------------|--------------|
| Cash and cash equivalents | \$ 991,244     | \$ —           | \$ —           | \$ 991,244   |

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

|                           | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---------------------------|----------------|----------------|----------------|--------------|
| Cash and cash equivalents | \$ 27,618      | \$ —           | \$ —           | \$ 27,618    |



**12. SUBSEQUENT EVENTS**

Subsequent to the period, the Company granted 25,000 incentive stock options to service provider. The options have an exercise price of \$0.66, fully vested and expire on May 19, 2026.