

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

and

December 31, 2018

(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, 2019	September 30, 2019
	\$	\$
A S S E T S		
Current assets		
Cash and cash equivalents (Note 3)	1,046,392	2,272,770
Amounts receivable and prepaids (Note 4)	58,663	77,188
Security deposit	-	-
	<u>1,105,055</u>	<u>2,349,958</u>
Equipment	-	-
Intangible asset (Note 5)	<u>138,840</u>	<u>144,615</u>
	<u>1,243,895</u>	<u>2,494,573</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 & 7)	<u>373,364</u>	<u>382,384</u>
	373,364	382,384
Shareholders' equity		
Share capital (Notes 8 & 10)	15,487,514	15,487,514
Share-based payment reserve	2,899,990	2,899,990
Deficit	<u>(17,516,974)</u>	<u>(16,275,315)</u>
	<u>870,531</u>	<u>2,112,189</u>
	<u>1,243,895</u>	<u>2,494,573</u>
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

IMAGIN MEDICAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Three Months Ended December 31, 2019 and 2018

	2019	2018
	\$	\$
General and administrative expenses:		
Amortization of intangible asset	5,775	5,011
Amortization of equipment	-	105
Bank charges and interest	1,972	1,998
Business development (Note 7)	17,697	17,989
Consulting fees	64,291	193,464
Corporate and administration fees	6,710	9,715
Directors' fees (Note 7)	3,000	3,000
Filing and transfer agent fees	6,497	15,007
Legal & accounting fees (Note 7)	94,318	134,997
Management fees (Note 7)	148,601	199,995
Office, rent and insurance	25,443	32,989
Product development	639,178	354,400
Shareholders' communication, & promotion	188,179	27,993
Travel, meals & entertainment	40,277	27,551
	(1,241,938)	(1,024,213)
Other items:		
Interest income	3,760	12,646
Foreign exchange	(3,481)	(19)
Net loss and comprehensive loss	(1,241,659)	(1,011,586)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average – number of shares outstanding	139,060,278	138,594,074

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, 2019 and 2018

	2019	2018
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the period	(1,241,659)	(1,011,586)
Adjustments which do not affect cash:		
Amortization of intangible asset	5,775	5,011
Amortization of equipment	-	105
	<u>(1,235,884)</u>	<u>(1,006,470)</u>
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	18,525	18,990
Accounts payable and accrued liabilities	(9,019)	9,683
	<u>(1,226,378)</u>	<u>(977,797)</u>
Investing activities		
Purchase of intangible asset	-	-
	<u>-</u>	<u>-</u>
Financing activities		
Issue of share capital	-	524,454
Share issue costs	-	-
	<u>-</u>	<u>524,454</u>
Increase (decrease) in cash	<u>(1,226,378)</u>	<u>(453,343)</u>
Cash and cash equivalents - beginning of period	<u>2,272,770</u>	<u>5,818,840</u>
Cash and cash equivalents - end of period	<u>(1,046,392)</u>	<u>5,365,497</u>

Supplementary disclosures:

Note 9 – Non-cash transactions

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.
For the Years Ended September 30, 2019 and 2018

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued Share Capital		Share-Based Payment Reserve	Obligation to Issue Shares	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, September 30, 2018	133,854,438	14,962,227	2,847,939	-	(11,817,993)	5,992,173
Exercise of warrants	5,205,840	524,454	-	-	-	524,454
Fair value of warrants exercised	-	833	(833)	-	-	-
Loss for the period	-	-	-	-	(1,011,586)	(1,011,586)
Balance, December 31, 2018	139,060,278	15,487,514	2,847,106	-	(12,829,579)	5,505,042
Fair value of options granted	-	-	52,884	-	-	52,884
Loss for the period	-	-	-	-	(3,445,736)	(3,445,736)
Balance, September 30, 2019	139,060,278	15,487,514	2,899,990	-	(16,275,315)	2,112,189
Loss for the period	-	-	-	-	(1,241,659)	(1,241,659)
Balance, December 31, 2019	139,060,278	15,487,514	2,899,990	-	(17,516,974)	870,531

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagin Medical Inc. is incorporated in the Province of British Columbia. On February 9, 2016, the Company completed the acquisition of BSS Life Sciences Inc. (“BSS”). BSS holds the intellectual property rights to a proprietary imaging technology developed for extremely accurate visualization of cancers. In connection with the acquisition, the Company changed its name to Imagin Medical Inc. and now focuses on 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 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 **February 25, 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.

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, 2019.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adoption of new and revised standards and interpretations

Accounting standards adopted during the period

IFRS 9 – Financial Instruments

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments and to include guidance on hedge accounting and allowing entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income.

Effective October 1, 2018, the Company adopted IFRS 9 retrospectively without restatement.

The Company also completed an assessment of its financial instruments as at October 1, 2018 and determined that no change was required in classification identified from the original classification under IAS 39 to IFRS 9.

Accounting standards issued but not yet effective

Effective for annual periods beginning on or after January 1, 2019:

IFRS 16 – Leases

The Company has not early adopted this new standard to existing standards and does not expect the impact of this standard on the Company's consolidated financial statements to be material.

3. CASH AND CASH EQUIVALENTS

	December 31, 2019 \$	September 30, 2019 \$
Canadian chartered bank		
- Deposits in Canadian banks	296,392	322,770
- Guaranteed Investment Certificate	750,000	1,950,000
	1,046,392	2,272,770

4. AMOUNTS RECEIVABLE AND PREPAIDS

	December 31, 2019 \$	September 30, 2019 \$
GST receivable	4,198	1,934
Interest receivable	570	34,395
Prepaid expenses	53,895	40,859
Trust account	-	-
	58,663	77,188

5. INTANGIBLE ASSET

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

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\$25,000 to be paid on or before February 28, 2020, 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.

5. INTANGIBLE ASSET *(continued)*

Continuity of the intangible asset is as follows:

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

	Patent License
Cost	
Balance, September 30, 2017	\$ 161,954
Additions for the year	12,757
Balance, September 30, 2018	174,711
Additions for the year	33,148
Balance, September 30, 2019	\$ 207,859
Additions for the period	-
Balance, December 31, 2019	\$ 207,859
Accumulated depreciation	
Balance, September 30, 2017	\$ 26,762
Depreciation for the year	13,381
Balance, September 30, 2018	40,143
Depreciation for the year	23,101
Balance, September 30, 2019	\$ 63,244
Depreciation for the period	5,775
Balance, December 31, 2019	\$ 63,244
Carrying amounts	
Balance, September 30, 2017	\$ 135,192
Balance, September 30, 2018	134,568
Balance, September 30, 2019	\$ 144,615
Balance, December 31, 2019	\$ 138,840

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
	\$	\$
Trade accounts payable	248,364	330,536
Accrued liabilities	122,000	40,000
Due to related parties	3,000	11,848
	373,364	382,384

7. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2019, the Company paid or accrued \$243,399 (2018 - \$335,265) 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 three months ended December 31, 2019.

7. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable are fees and expenses due to directors and officers in the amount of \$3,000 (2018 - \$11,848), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

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 December 31, 2019, the Company reported issued and outstanding shares of 139,060,278 (2018 – 139,060,278).

During the three months ended December 31, 2019, the Company did not issue any shares.

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	10,100,000	\$ 0.26
Options granted	900,000	0.10
Outstanding at September 30, 2019 and December 31, 2019	11,000,000	\$ 0.24

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	31-Dec-19
09-Feb-21	0.15	1,200,000	-	-	-	1,200,000
30-Jun-21	0.15	1,150,000	-	-	-	1,150,000
14-Dec-21	0.15	300,000	-	-	-	300,000
26-Oct-22	0.18	1,350,000	-	-	-	1,350,000
30-Oct-22	0.19	100,000	-	-	-	100,000
28-Nov-22	0.25	700,000	-	-	-	700,000
17-Jan-23	0.40	2,100,000	-	-	-	2,100,000
18-Apr-23	0.31	2,750,000	-	-	-	2,750,000
25-Jul-23	0.16	450,000	-	-	-	450,000
24-Jun-24	0.10	900,000	-	-	-	900,000
		10,100,000	-	-	-	11,000,000
Weighted average exercise price		\$ 0.24	\$ *	-	-	\$ 0.24

8. SHARE CAPITAL (continued)

c) Stock options (continued):

Expiry Date	Exercise Price	30-Sep-18	Granted	Exercised	Expired/ Cancelled	31-Dec-18
09-Feb-21	0.15	1,200,000	-	-	-	1,200,000

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2019 and 2018

30-Jun-21	0.15	1,150,000	-	-	-	1,150,000
14-Dec-21	0.15	300,000	-	-	-	300,000
26-Oct-22	0.18	1,350,000	-	-	-	1,350,000
30-Oct-22	0.19	100,000	-	-	-	100,000
28-Nov-22	0.25	700,000	-	-	-	700,000
17-Jan-23	0.40	2,100,000	-	-	-	2,100,000
18-Apr-23	0.31	2,750,000	-	-	-	2,750,000
25-Jul-23	0.16	450,000	-	-	-	450,000
		10,100,000	-	-	-	10,100,000
Weighted average exercise price		\$ 0.26	-	-	-	\$ 0.26

During the three months ended December 31, 2019, the Company did not grant any stock options.

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	29,280,877	\$ 0.29
Finance warrants exercised	(5,205,840)	0.10
Finance warrants expired	(5,038,107)	0.16
Outstanding at September 30, 2019 and December 31, 2019	19,036,930	\$ 0.38

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	31-Dec-19
12-Apr-20	0.38	12,468,329	-	-	-	12,468,329
19-Apr-20	0.38	6,568,601	-	-	-	6,568,601
		19,036,930	-	-	-	19,036,930
Weighted average exercise price		\$ 0.29	-	-	-	\$ 0.38

8. SHARE CAPITAL *(continued)*

d) Share purchase warrants *(continued)*:

Expiry Date	Exercise Price	30-Sep-18	Granted	Exercised	Expired/ Cancelled	31-Dec-18
9-Feb-19	0.15	1,100,000	-	-	-	1,100,000
18-Oct-18	0.12*	582,500	-	(25,000)	(557,500)	-

IMAGIN MEDICAL INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended December 31, 2019 and 2018**

9-Dec-18	0.12*	2,016,315	-	(39,500)	(1,976,815)	-
05-Oct-18	0.10	3,169,300	-	(3,169,300)	-	-
16-Oct-18	0.10	2,588,800	-	(1,972,040)	(616,760)	-
01-Nov-18	0.25	400,000	-	-	(400,000)	-
19-Dec-18	0.12	240,365	-	-	(240,365)	-
23-Feb-19	0.12	146,667	-	-	-	146,667
12-Apr-20	0.38	12,468,329	-	-	-	12,468,329
19-Apr-20	0.38	6,568,601	-	-	-	6,568,601
		29,280,877	-	(5,205,840)	(3,791,440)	20,283,597
Weighted average exercise price		\$ 0.29	-	\$ 0.10	\$ 0.16	\$ 0.30

9. NON CASH TRANSACTIONS

There were no non-cash transactions recorded during the three months ended December 31, 2018 and 2019.

10. 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, 2019.

10. 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.

IMAGIN MEDICAL INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended December 31, 2019 and 2018**

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 December 31, 2019.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,046,392	\$ —	\$ —	\$ 1,046,392

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

11. SUBSEQUENT EVENTS

Subsequent to the period, the Company closed its non-brokered private placement (the "Offering"), issuing 38,280,000 units ("Units") at \$0.05 per Unit for 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 \$0.15 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 \$0.25 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 will be paid in the form of cash in the amount of \$52,790 and 1,055,800 finders' warrants (exercisable at \$0.05 per Share for 24 months). The fair value for the finders warrants using the Black-Scholes option-pricing model was determined to be \$0.0257 per warrant.

The Company also granted 600,000 incentive stock options to certain consultants. The incentive stock options have an exercise price of \$0.06 per share. The options are exercisable for a period of five years, ending on January 10, 2025.