

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

and

June 30, 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

	June30, 2021	September 30, 2020
	\$	\$
A S S E T S		
Current assets		
Cash and cash equivalents (Note 3)	727,012	27,618
Amounts receivable and prepaids (Note 4)	414,036	46,200
	1,141,048	73,818
Intangible asset (Note 5)	130,377	145,582
	1,271,425	219,400
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 & 8)	642,761	550,139
Long-term liabilities		
Convertible note (Notes 7 & 9)	4,073,215	-
	4,715,976	550,139
Shareholders' equity		
Share capital (Notes 9, 10 and 12)	17,472,178	17,366,716
Share-based payment reserve	3,045,307	2,954,709
Deficit	(23,962,036)	(20,652,164)
	(3,444,551)	(330,739)
	1,271,425	219,400
Nature and continuance operations (Note 1)		
Basis of presentation (Note 2)		

Approved on behalf of the Board of Directors:

"John Vacha", Director

"Robin Atlas", Director

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Nine Months Ended June 30, 2021 and 2020

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Nine Months Ended June 30, 2021 \$	Nine Months Ended June 30, 2020 \$
General and administrative expenses:				
Amortization of intangible asset	7,347	5,775	22,040	17,325
Bank charges and interest	1,472	1,954	5,228	6,327
Business development (Note 8)	-	-	-	17,697
Consulting fees	50,298	75,955	145,782	231,122
Convertible note recovery (Note 7)	(562,039)	-	715,976	-
Corporate and administration fees	4,500	2,250	16,380	14,910
Directors' fees (Note 8)	4,500	4,500	13,500	12,000
Filing and transfer agent fees	3,796	4,529	29,990	21,504
Legal & accounting fees (Note 8)	123,612	85,995	318,744	288,324
Management fees (Note 8)	138,131	117,572	426,782	419,053
Office, rent and insurance	35,544	26,684	100,392	77,366
Product development	489,166	147,847	1,038,489	1,994,406
Shareholders' communication, & promotion	93,239	97,840	302,780	478,034
Travel, meals & entertainment	9,131	11,854	24,519	84,515
	<u>(398,697)</u>	<u>(582,755)</u>	<u>(3,160,602)</u>	<u>(3,662,583)</u>
Other items:				
Interest income	-	2,644	-	11,596
Foreign exchange	(21,405)	(2,694)	(58,672)	(2,866)
Stock-based compensation	(14,686)	-	(90,598)	(33,939)
	<u>(434,788)</u>	<u>(582,805)</u>	<u>(3,309,872)</u>	<u>(3,687,792)</u>
Net loss and comprehensive loss	<u>(434,788)</u>	<u>(582,805)</u>	<u>(3,309,872)</u>	<u>(3,687,792)</u>
Basic and diluted loss per share	<u>(0.05)</u>	<u>(0.07)</u>	<u>(0.37)</u>	<u>(0.46)</u>
Weighted average – number of shares outstanding	<u>9,075,254</u>	<u>8,867,151</u>	<u>9,027,429</u>	<u>8,008,959</u>

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2021 and 2020

	2021	2020
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the period	(3,309,872)	(3,687,792)
Adjustments which do not affect cash:		
Amortization of intangible asset	17,325	17,325
Convertible note recovery	715,976	-
Stock-based compensation	90,598	33,939
	<u>(2,485,973)</u>	<u>(3,636,258)</u>
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	(363,121)	(3,868)
Accounts payable and accrued liabilities	92,622	(230,006)
	<u>(2,756,472)</u>	<u>(3,870,402)</u>
Investing activities		
Purchase of intangible asset	(6,835)	(33,145)
	<u>(6,835)</u>	<u>(33,145)</u>
Financing activities		
Issue of share capital	-	1,849,982
Convertible note proceeds	3,462,701	-
	<u>3,467,416</u>	<u>1,849,982</u>
Increase (decrease) in cash	699,394	(2,003,565)
Cash and cash equivalents - beginning of period	27,618	2,272,770
Cash and cash equivalents - end of period	<u>727,012</u>	<u>269,205</u>

Supplementary disclosures:

Note 10 – Non-cash transactions

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

For the Nine Months Ended December 31, 2020 and 2019

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued Share Capital		Share-Based Payment Reserve	Deficit	Total
	#	\$	\$	\$	\$
Balance, September 30, 2019	6,953,008	15,487,514	2,899,990	(16,275,315)	2,112,189
Private placement, net	1,914,000	1,849,982	-	-	1,849,982
Exercise of warrants	50,000	50,000	-	-	50,000
Fair value of options granted	-	-	33,939	-	33,939
Fair value of brokers' warrants	-	(20,780)	20,780	-	-
Loss for the period				(3,687,792)	(3,687,792)
Balance, June 30, 2020	8,917,008	17,316,716	2,954,709	(19,963,107)	353,318
Loss for the year	-	-	-	(689,057)	(689,057)
Balance, September 30, 2020	8,917,008	17,366,716	2,954,709	(20,652,164)	(330,739)
Debt conversion	290,710	105,462	-	-	105,462
Fair value of options granted			90,598		90,598
Loss for the period	-	-	-	(3,309,872)	(3,309,872)
Balance, June 30, 2021	9,126,718	17,472,178	3,045,307	(23,962,036)	(3,444,551)

Note: During the nine months ended June 30, 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 **August 18, 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 nine months ended June 30, 2021 and 2020

3. CASH AND CASH EQUIVALENTS

	June 30, 2021 \$	September 30, 2020 \$
Canadian chartered bank		
- Deposits in Canadian banks	727,012	27,618
- Guaranteed Investment Certificate	-	-
	727,012	27,618

Included in the amount above is US\$583,002 converted to Canadian dollars and quarter end rate of 1.2395.

4. AMOUNTS RECEIVABLE AND PREPAIDS

	June 30, 2021 \$	September 30, 2020 \$
GST receivable	1,764	2,325
Trust account	1,700	-
Prepaid expenses	410,575	43,875
	414,036	46,200

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 28th thereafter.

IMAGIN MEDICAL INC.
Notes to the Consolidated Financial Statements
For the nine months ended June 30, 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
Cost	
Balance, September 30, 2019	207,859
Additions for the year	33,145
Balance, September 30, 2020	\$ 241,004
Additions for the period	6,835
Balance, June 30, 2021	\$ 247,839
Accumulated depreciation	
Balance, September 30, 2019	63,244
Depreciation for the year	32,178
Balance, September 30, 2020	\$ 95,422
Depreciation for the period	22,040
Balance, June 30, 2021	\$ 117,462
Carrying amounts	
Balance, September 30, 2019	144,615
Balance, September 30, 2020	\$ 145,582
Balance, June 30, 2021	\$ 130,377

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	September 30, 2020
	\$	\$
Trade accounts payable	300,437	277,644
Accrued liabilities	3,500	35,535
Due to related parties	338,824	236,960
	642,761	550,139

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 nine months ended June 30, 2021 and 2020

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.

The Company started the third tranche with funds received in the amount of US\$535,000. In conjunction with the Notes, the holders were issued 668,750 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 668,750 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.

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 June 30, 2021:

	Debt	Embedded Derivative	Total
Balance, October 1, 2020	\$ -	\$ -	\$ -
Convertible note proceeds	1,006,690	2,456,011	3,462,701
Convertible note converted to common shares	(105,462)	-	(105,462)
Convertible note expense (recovery)	743,971	(27,995)	715,976
Balance, June 30, 2021	\$ 1,645,199	\$ 2,428,016	\$ 4,073,215

8. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2021, the Company paid or accrued \$653,759 (June 30, 2020 - \$665,077) 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 \$338,824 (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 nine months ended June 30, 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 nine months ended June 30, 2021 and 2020

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 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 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.

On January 22, 2021, 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 \$0.4981) per share. The Company recorded the transaction as Cdn\$49,807 using the foreign exchange rate at conversion date.

On June 25, 2021, another note holder converted US\$23,000 plus accrued interest. The Company issued 59,532 shares at S\$0.40 (Canadian \$0.4981) per share. The Company recorded the transaction as Cdn\$29,278 using the foreign exchange rate at conversion date.

In June 2021, the Company received funds for the third tranche of Convertible Notes for US\$535,000 (See Note 7). In conjunction with the Notes, the holders were issued 668,750 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 668,750 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.

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, 2019	550,000	\$ 4.89
Options granted	30,000	1.20
Options cancelled	(45,000)	2.00
Outstanding at September 30, 2020	535,000	\$ 4.93
Options granted	125,000	0.63
Options cancelled	(117,500)	3.00
Outstanding at June 30, 2021	542,500	\$ 4.36

IMAGIN MEDICAL INC.
Notes to the Consolidated Financial Statements
For the nine months ended June 30, 2021 and 2020

9. SHARE CAPITAL *(continued)*

c) Stock options: *(continued)*

The continuity of stock options is as follows:

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	30-Jun-21
09-Feb-21	3.00	60,000	-	-	(60,000)	-
30-Jun-21	3.00	57,500	-	-	(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
19-May-26	0.66	-	25,000	-	-	-
		535,000	125,000	-	(117,500)	542,500
Weighted average exercise price		\$ 4.93	\$ 0.63	-	\$ 3.00	\$ 4.36

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	30-Jun-20
09-Feb-21	3.00	60,000	-	-	-	60,000
30-Jun-21	3.00	57,500	-	-	-	57,500
14-Dec-21	3.00	15,000	-	-	-	15,000
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
24-Jun-24	2.00	45,000	-	-	(45,000)	-
10-Jan-20	1.20	-	30,000	-	-	30,000
		550,000	30,000	-	-	535,000
Weighted average exercise price		\$ 4.80	\$ 1.20	-	-	\$ 4.80

Note: During the period ended June 30, 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 June 30, 2021, the Company grant 125,000 stock options to a service provider with prices ranging from \$0.62 and \$0.66, vesting immediately and expiring on January 19, 2024 and June 24, 2024 (June 30, 2020 – Nil).

IMAGIN MEDICAL INC.
Notes to the Consolidated Financial Statements
For the nine months ended June 30, 2021 and 2020

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 exercise price
Outstanding at September 30, 2019	951,847	\$ 7.60
Finance warrants granted	1,914,000	3.00
Finders' warrants granted	52,790	3.00
Finance warrants exercised	(50,000)	1.00
Finance warrants expired	(845,991)	1.00
Finders' warrants expired	(55,856)	7.60
Outstanding at September 30, 2020	1,966,790	\$ 3.00
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*
Convertible warrants granted	668,750	0.62*
Convertible warrants granted	668,750	0.74*
Outstanding at June 30, 2021	8,718,040	\$ 1.21

* 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/ Cancelled	30-Jun-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/ Cancelled	31-Jun-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
30-Jun-26	0.62	-	668,750	-	-	668,750
30-Jun-26	0.74	-	668,750	-	-	668,750
		1,966,790	6,751,250	-	-	8,718,040
Weighted average exercise price	\$	3.00	\$	0.69	\$	-
				\$	-	\$
						1.21

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	30-Jun-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
		951,846	-	-	-	2,918,636
Weighted average exercise price	\$	7.60	3.00	-	-	\$
						4.50

Note: During the period ended June 30, 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:

	June 30, 2021	June 30, 2020
Financing activities:		
Brokers warrants issued in connection with the private placements		27,134
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 nine months ended June 30, 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 June 30, 2021.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 727,012	\$ —	\$ —	\$ 727,012

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 period, the Company received an additional US\$200,000 for Tranche 3 of the Convertible Note. The Company will issue 250,000 warrants at US\$0.50 and 250,000 warrants at \$0.60 as per the Convertible Note agreement.