

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of Listed Issuer: IMAGIN MEDICAL INC. (the "Issuer").

Trading Symbol: IME

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are two schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

#### **Attached**

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

**Please refer to Note 7 of the attached Financial Statements and Section 1.9 of the attached Management Discussion and Analysis.**

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period.

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
05-Nov-20	Common	Debt Conversion	50,178	\$0.522	\$26,377			
22-Oct-25	Warrants	Convertible Note	900,000	US\$0.50	N/A			
22-Oct-25	Warrants	Convertible Note	900,000	US\$0.60	N/A			
09-Nov-25	Warrants	Convertible Note	37,500	US\$0.50	N/A			
09-Nov-25	Warrants	Convertible Note	37,500	US\$0.60	N/A			

\* Total Commission paid: Cash of \$52,790 and 1,055,800 warrants @ \$0.15 expiring January 21, 2022

(b) summary of options granted during the period, NIL

Date	Number	Name of Optionee	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

**Please refer to Note 8 of the attached Financial Statements and Section 1.13 of the attached Management Discussion and Analysis.**

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

**Directors:**

- **Robin Atlas**
- **Chris Bleck**
- **Ken Daignault**
- **Jim Hutchens (President & CEO)**
- **John Vacha (CFO)**

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

**Attached**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated February 26, 2021.

John Vacha,  
Name of Director or Senior Officer

*"John Vacha"*  
Signature

Chief Financial Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer		For Quarter Ended	Date of Report YY/MM/D
Imagin Medical Inc		Dec 31, 2020	Feb. 26, 2021
Issuer Address			
600 – 890 West Pender St			
City/Province/Postal Code		Issuer Fax No. ( )	Issuer Telephone No.
Vancouver, BC V6C 2J9		N/A	(833) 2446
Contact Name		Contact Position	Contact Telephone No.
John Vacha		CFO	Same as above
Contact Email Address		Web Site Address	
jvacha@imaginmedical.com		<a href="http://www.imaginmedical.com">www.imaginmedical.com</a>	

**IMAGIN MEDICAL INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020**

**and**

**December 31, 2019**

**(Expressed in Canadian Dollars)**

**Corporate Head Office**

Suite 600, 890 West Pender St.

Vancouver, BC V6C 1L9

## **NOTICE**

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

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

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

	December 31, 2020	September 30, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	54,475	27,618
Amounts receivable and prepaids (Note 4)	393,184	46,200
	<u>447,659</u>	<u>73,818</u>
<b>Intangible asset (Note 5)</b>	<u>138,235</u>	<u>145,582</u>
	<u><u>585,894</u></u>	<u><u>219,400</u></u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 6 & 8)	599,332	550,139
<b>Long-term liabilities</b>		
Convertible note (Notes 7 & 9)	853,184	-
	<u>1,452,516</u>	<u>550,139</u>
<b>Shareholders' equity</b>		
Share capital (Notes 9, 10 and 12)	17,393,093	17,366,716
Share-based payment reserve	2,954,709	2,954,709
Deficit	(21,214,424)	(20,652,164)
	<u>(866,622)</u>	<u>(330,739)</u>
	<u><u>585,894</u></u>	<u><u>219,400</u></u>
<b>Nature and continuance operations (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 Three Months Ended December 31, 2020 and 2019**

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

See notes to condensed interim consolidated financial statements

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

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

**Supplementary disclosures:**

Note 10 – Non-cash transactions

See notes to condensed interim consolidated financial statements

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

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

	Issued Share Capital		Share-Based Payment Reserve	Deficit	Total
	#	\$	\$	\$	\$
<b>Balance, September 30, 2018</b>	<b>6,692,716</b>	<b>14,962,227</b>	<b>2,847,939</b>	<b>(11,817,993)</b>	<b>5,992,173</b>
Exercise of warrants	260,292	524,454	-	-	524,454
Fair value of options granted	-	-	52,884	-	52,884
Fair value of warrants exercised	-	833	(833)	-	-
Loss for the year	-	-	-	(4,457,322)	(4,457,322)
<b>Balance, September 30, 2019</b>	<b>6,953,008</b>	<b>15,487,514</b>	<b>2,899,990</b>	<b>(16,275,315)</b>	<b>2,112,189</b>
Loss for the period	-	-	-	(1,241,659)	(1,241,659)
Balance, December 31, 2019	6,953,008	15,487,514	2,899,990	(17,516,974)	870,530
Private placement, net	1,914,000	1,849,982	-	-	1,849,982
Exercise of warrants	50,000	50,000	-	-	50,000
Fair value of options granted	-	-	33,939	-	33,939
Fair value of brokers' warrants	-	(20,780)	20,780	-	-
Loss for the year	-	-	-	(3,135,190)	(3,135,190)
<b>Balance, September 30, 2020</b>	<b>8,917,008</b>	<b>17,366,716</b>	<b>2,954,709</b>	<b>(20,652,164)</b>	<b>(330,739)</b>
Debt conversion	50,178	26,377	-	-	26,193
Loss for the period	-	-	-	(562,260)	(562,260)
<b>Balance, December 31, 2020</b>	<b>8,967,186</b>	<b>17,393,093</b>	<b>2,954,709</b>	<b>(21,214,424)</b>	<b>(866,622)</b>

**Note:** During the period ended December 31, 2020, the Company consolidated the share capital on the basis of 20 pre-consolidation shares for 1 post-consolidation share. All figures have been adjusted to reflect this consolidation.

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 **February 25, 2020**, the date the Board of Directors approved the condensed interim consolidated financial statements.

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

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

(i) Leases

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

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

**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 three months ended December 31, 2020 and 2019**

**3. CASH AND CASH EQUIVALENTS**

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

**4. AMOUNTS RECEIVABLE AND PREPAIDS**

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

**5. INTANGIBLE ASSET**

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

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

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

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

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

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

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

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

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

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

**7. CONVERTIBLE NOTES**

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

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

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

The Company closed the first tranche in the amount of US\$750,000. In conjunction with the Notes, the holders were issued 937,500 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 937,500 warrants (with each warrant entitling the holder to acquire a common share at US\$0.60). All warrants will be exercisable for five years from the date of issue.

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

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

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

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

**8. RELATED PARTY TRANSACTIONS**

During the three months ended December 31, 2020, the Company paid or accrued \$224,265 (2019 - \$243,427) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, directors and consulting fees incurred by the Company.

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

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

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

**9. SHARE CAPITAL**

a) Authorized: Unlimited number of common shares

b) Issued:

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

In November 2020 Company closed the first tranche of Convertible Notes (“Notes”) for US\$750,000 (See Note 7). In conjunction with the Notes, the holders were issued 937,500 warrants (with each warrant entitling the holder to acquire a common share at US\$0.50) and 937,500 warrants (with each warrant entitling the holder to acquire a common share at US\$0.60). All warrants will be exercisable for five years from the date of issue.

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

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

b) Issued: *(continued)*

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

c) Stock options:

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

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

The continuity of stock options is as follows:

Expiry Date	Exercise Price	30-Sep-20	Granted	Exercised	Expired/ Cancelled	31-Dec-20
09-Feb-21	3.00	60,000	-	-	-	60,000
30-Jun-21	3.00	57,500	-	-	-	57,500
14-Dec-21	3.00	15,000	-	-	-	15,000
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
10-Jan-25	1.20	30,000	-	-	-	30,000
		<b>535,000</b>	-	-	-	<b>535,000</b>
<b>Weighted average exercise price</b>		<b>\$ 4.93</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ 4.93</b>

Expiry Date	Exercise Price	30-Sep-19	Granted	Exercised	Expired/ Cancelled	31-Dec-19
09-Feb-21	3.00	60,000	-	-	-	60,000
30-Jun-21	3.00	57,500	-	-	-	57,500
14-Dec-21	3.00	15,000	-	-	-	15,000
26-Oct-22	3.60	67,500	-	-	-	67,500
30-Oct-22	3.80	5,000	-	-	-	5,000
28-Nov-22	5.00	35,000	-	-	-	35,000
17-Jan-23	8.00	105,000	-	-	-	105,000
18-Apr-23	6.20	137,500	-	-	-	137,500
25-Jul-23	3.20	22,500	-	-	-	22,500
24-Jun-24	2.00	45,000	-	-	-	45,000
		<b>550,000</b>	-	-	-	<b>550,000</b>
<b>Weighted average exercise price</b>		<b>\$ 4.80</b>	<b>\$ *</b>	<b>-</b>	<b>-</b>	<b>\$ 4.80</b>

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

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

c) Stock options: *(continued)*

Note: During the period ended December 31, 2020, the Company consolidated the share capital on the basis of 20 pre-consolidation shares for 1 post-consolidation share. All figures have been adjusted to reflect this consolidation.

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

d) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
<b>Outstanding at September 30, 2019</b>	<b>951,847</b>	<b>\$ 7.60</b>
Finance warrants granted	1,914,000	3.00
Finders' warrants granted	52,790	3.00
Finance warrants exercised	(50,000)	1.00
Finance warrants expired	(845,991)	1.00
Finders' warrants expired	(55,856)	7.60
<b>Outstanding at September 30, 2020</b>	<b>1,966,790</b>	<b>\$ 3.00</b>
Convertible warrants granted	937,500	0.67*
Convertible warrants granted	937,500	0.76*
<b>Outstanding at December 31, 2020</b>	<b>3,841,790</b>	<b>\$ 1.89</b>

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

The continuity of share purchase warrants is as follows:

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

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

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

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

d) Share purchase warrants *(continued)*

Note: During the period ended December 31, 2020, the Company consolidated the share capital on the basis of 20 pre-consolidation shares for 1 post-consolidation share. All figures have been adjusted to reflect this consolidation.

**10. NON-CASH TRANSACTIONS**

The following non-cash transactions were recorded:

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

**11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

(a) Capital Management Objectives

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

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

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

There were no changes in the Company's approach to capital management during the three months ended December 31, 2020.

(b) Carrying Amounts and Fair Values of Financial Instruments

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

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

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**11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

(b) Carrying Amounts and Fair Values of Financial Instruments

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

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3—Inputs that are not based on observable market data

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2020.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 54,475	\$ –	\$ –	\$ 54,475

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

	<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 end of the period, the following occurred:

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

**IMAGIN MEDICAL INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**

**For the Three Months Ended December 31, 2020**

**Directors and Officers as of February 25, 2021**

**Directors:**

Robin Atlas  
Chris Bleck  
Ken Daignault  
Jim Hutchens  
John Vacha

**Officers:**

President & C.E.O. – Jim Hutchens  
C.F.O. & Secretary – John Vacha

**Contact Names:**

Jim Hutchens  
John Vacha

**Telephone Number:**

833-246-2446

**IMAGIN MEDICAL INC.**

**MANAGEMENT DISCUSSION & ANALYSIS**

For the Three Months Ended December 31, 2020

**1.1 Date of This Report**

**February 25, 2021**

This Management's Discussion & Analysis ("MD&A") of Imagin Medical Inc. for the three months ended December 31, 2020 has been prepared based on information available to us as of February 25, 2021. This discussion should be read in conjunction with the Condensed Interim Consolidated Financial Statements of the Company and notes attached thereto for the three months ended December 31, 2020 included herewith, all of which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com).

*This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include product development timing, government regulatory approvals, hospital reimbursement, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Reported currency is stated in Canadian dollars.*

**1.2 Overall Performance**

***Description of Business***

Imagin Medical Inc. (formerly Expedition Mining 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 research, development and commercialization in the device/instrumentation medical technology industry.

***License Agreement***

By way of a Licence Agreement dated May 20, 2015, BSS was granted an exclusive, nontransferable, royalty-bearing license by Lawrence Livermore National Security, LLC (LLNS), to use LLNS's patents and intellectual property rights to manufacture and sell products and services pertaining to *in vivo* imaging applications.

Under the License Agreement, BSS must:

- complete a commercial prototype by December 31, 2016 (first prototype completed);
- complete submissions for United States Food and Drug Administration (“FDA”) approval by September 30, 2021.
- achieve first commercial sales (“FCS”) in the United States within one year of achieving the FDA approval; and
- achieve gross cumulative sales revenues from the sales of licensed products of at least \$10,000,000 within the first three years of achieving FCS.

The sales requirements may be amended and/or extended at the written request of BSS to LLNS, based upon legitimate business reasons specified in reasonable detail in such written request.

BSS must pay certain fees to LLNS for the licence, being (all amounts are in US dollars):

- (i) a nonrefundable issue fee of \$100,000 payable as follows:
  - \$10,000 upon the date of execution of the Agreement (June 22, 2015; paid);
  - \$30,000 by November 22, 2015 (paid);
  - \$30,000 by January 22, 2016 (paid); and
  - \$30,000 by March 22, 2016 (paid).
- (ii) an earned royalty of 3% of net sales, subject to minimum annual royalties of:

<b>Calendar year</b>	<b>Minimum annual royalty</b>	<b>Due date</b>
2017	\$5,000	February 28, 2017 (paid)
2018	\$10,000	February 28, 2018 (paid)
2019	\$10,000	February 28, 2019 (paid)
2020	\$25,000	February 28, 2020 (paid)
2021	\$5,000	February 28, 2021
2022	\$5,000	February 28, 2022
2023	\$5,000	February 28, 2023
2024 and thereafter	\$25,000	February 28, 2024

- (iii) a nonrefundable U.S. Maintenance Patent Fee of \$45,000 to be paid as follows:
  - \$15,000 on or before February 28, 2016 (paid);
  - \$15,000 on or before February 28, 2019 (paid); and
  - \$15,000 on or before February 28, 2023

### ***The Technology***

Imagin Medical is a surgical imaging company focused on establishing a new standard of care in visualizing cancer during minimally invasive surgeries (MIS). The Company’s first

product, the i/Blue Imaging™ System, is based on advanced optics and light sensors and employs patented ultrasensitive imaging technology. The Company believes the i/Blue System, with easy-to-use imaging options, will significantly improve surgeons' ability to visualize cancerous cells for more accurate resection. The Company's initial focus is bladder cancer.

The i/Blue Imaging System is a device external to the body that attaches to an endoscope to emit both white and blue light during MIS. When used in combination with contrast agents, cancerous cells, including premalignant lesions and tumor tissue along the margins, begin to fluoresce within an hour or less. The i/Blue Imaging System provides the option to display, in real-time, the white and blue light images side-by-side. This advancement eliminates the surgeon's need to switch back and forth between the white and blue light images when locating and then resecting the cancer as needed with current technology.

Imagin's i/Blue Imaging System is comprised of two key, state-of-the-art components:

- The i/Blue Control Unit: contains a dual wave-length light source, a two-channel camera control unit, data recorder and power supply modules that allow simultaneous displays of white and blue light illumination in the interior of the bladder.
- Dual View Camera Handpiece: includes sophisticated optical filters that split the image into white and blue light channels, allowing simultaneous display of corresponding images on the surgical monitor. This patented technology compatible with most endoscopes on the market today and offers multiple real-time viewing options/images that better enable the surgeon to visualize and resect the cancer.

#### *Benefits of the i/Blue Imaging System*

- Simultaneous side-by-side white and blue light images
- No toggling back and forth between images
- Shows cancer in context within the bladder
- Enables surgeons to better visualize cancerous cells for more accurate resection
- Compatible with most endoscopes on the market
- Appropriate for physicians' offices

#### *Future Development - Disruptive Technology /Multiple Markets*

Imagin intends to build on the i/Blue technology, which currently works with hexaminolevulinate hydrochloride (HAL), and adapt it to other U.S. Food and Drug Administration (FDA) approved contrast agents, such as Indocyanine green (ICG). These additional products will expand Imagin's market potential, facilitating entry into multiple endoscopic procedures, such as laparoscopic (general and gynecology), colorectal and thoracic.

Imagin is actively pursuing opportunities to acquire or distribute additional products such as disposable scopes, cancer biopsy devices and other products to complement its portfolio.

## ***The Strategy***

Imagin Medical will differentiate the bladder cancer imaging market by improving surgical technique that will lead to improved resections. This will be accomplished by the providing white and blue light images simultaneously, side-by-side on the monitor. Additionally, Imagin will be the low-cost producer and allow the company to make significant margin yet price the i/Blue System at a significant discount from current products.

Imagin's original timeline for the coming year has been revised to accommodate the impact of Covid-19. The Company remains deeply committed to advancing the i/Blue Imaging System toward commercialization.

Imagin will continue to strengthen relationships with urologists and key opinion leaders, as well as engage in market development activities through virtual meeting, events, and demonstrations over the coming months. An example of this was the successful webinar showcasing the i/Blue Imaging System, interviews and commentary from leading urologists, and a financial analyst from CNBC regarding the on-going excitement in the healthcare environment. It remains Imagin's plan to differentiate the MIS surgical imaging market by focusing on state-of-the-art, easy-to-use, practical and cost-effective cancer visualization systems.

Once the i/Blue Imaging System is commercially available for urological indications, Imagin will focus on expanding the product platform from bladder cancer to laparoscopic (abdominal), colorectal, thoracic and other medical procedures. The Company will partner with manufacturers of contrast agents that are already FDA-approved or in their final phase (Phase III) of FDA approval.

The Company continues to plan for commercialization via initial marketing programs, future participation in trade shows and focus groups with key opinion leaders, along with the development of physician champions and Centers of Excellence. The Company will build on current relationships with key independent sales representatives currently successful in the urology marketplace.

Imagin plans to add complementary products to expand its product portfolio. Because the i/Blue technology is adaptable to most endoscopes currently on the market, the Company will be of strategic interest to existing dominant endoscope manufacturers.

## ***Intellectual Property***

The Company, through its wholly owned subsidiary (BSS Life Sciences) has secured an exclusive license from Lawrence Livermore National Security, LLC (LLNS) to commercialize the technology invented by Dr. Stavros Demos. This license agreement includes three issued patents and one pending patent application on technology related to exclusive spectroscopic imaging for cancer and other medical applications. These include:

1. Issued U.S. Patent 7,149,567 - Near-Infrared Spectroscopic Tissue Imaging for Medical Applications.

2. Issued U.S. Patent 7,257,437 - Autofluorescence Detection and Imaging of Bladder Cancer Realized Through a Cystoscope.
3. Issued U.S. Patent 8,285,015 - Simultaneous Acquisition of Differing Image Types.
4. Issued U.S. Patent 10,182,708 - Simultaneous Acquisition of Differing Image Types.

Based on product refinement and development since the completion of the University of Rochester study, Imagin intends to file additional patent that the Company anticipates will broaden its intellectual property portfolio.

### ***Product Development and Regulatory Approval***

The Company decreased non-essential expenses in all areas of its business to further extend Imagin's cash flow into the Fall of 2020. Cost cutting measures, including company-wide salary reductions, have been implemented, as well as precautionary measures such as sheltering in place and working from home, freezing travel, and switching to virtual development and operational meetings. These measures will remain in place as the current global situation remains uncertain.

Imagin Medical, as well as our partners, supply channels and consultants, have continued to be affected by the current pandemic. This affected our timeline by approximately nine months, which moves our product launch into 2022. We continue to evaluate operations as the situation evolves.

The i/Blue System has successfully transitioned from the development stage to manufacturing with Lighthouse Imaging, who will finalize the product design, move to pre-production units and pilot builds prior to commercialization. Lighthouse will provide proper documentation, as well as key device performance characteristics that have met technical design specifications using various testing techniques including, but not limited to, analytic design calculations, measurements of physical characteristics and testing by independent laboratories. Data from these independent lab tests is being combined with data from internal testing, engineering calculations, component suppliers and competitive device analysis, all of which will become the basis of the Company's documentation requirements and will be included with Imagin's FDA submission.

Two i/Blue units were initially slated for a first-in-human study. However, medical institutions have suspended all medical device clinical studies due to the COVID-19 pandemic. Imagin will continue to pursue first-in-human studies when clinical trials are allowed to resume. Additionally, the Company will pursue animal studies as an alternative, if appropriate. The remaining functional units will be used for virtual investor and medical professional presentations and demonstrations.

Imagin believes that the imaging quality and cost reduction goals for the i/Blue Imaging System will be achieved. The product will be highly manufacturable and cost effective, with a modular design that will become a basic platform for Imagin's current and future imaging systems and applications.

As previously reported, the Company met with the FDA twice to proactively discuss the i/Blue Imaging System’s regulatory path and the potential need for a clinical study. The content and feedback from the meeting are instrumental as the Company continues to refine its regulatory strategy and complete the formal FDA submission. Imagin will ensure that the i/Blue Imaging System will be in compliance with the requirements of the FDA’s Quality System Regulation, ISO 13485:2016, Medical devices - Quality management systems - Requirements for regulatory purposes, and additional international compliance requirements.

***Highlights from Oct 1, 2019 up to the date of this report***

The Company announced the following:

- Announced that it closed the second tranche in the amount of US\$1,415,500 of the Convertible Note Offering.
- Announced that it has engaged San Diego Torrey Hills Capital, Inc. ("Torrey Hills Capital"), a Rancho Santa Fe, California based investor relations firm, to provide market awareness and investor relations services to the Company.
- Announced that critical milestones met in the second half of 2020 will support the Company in achieving its 2021 goals.
- Announced it had closed US\$750,000 (Tranche 1) of the US\$3,000,000 principal amount convertible notes.
- Announced the Company’s intention to offer up to \$3,000,000 aggregate principal amount of Convertible Notes and undertake a twenty (20) to one (1) share consolidation subject to CSE approval. Please see Subsequent Events at the end of this Report.
- announced that it has selected Lighthouse Imaging (“Lighthouse”) as the contract manufacturer for the Company’s i/Blue Imaging System.
- announced that it will begin testing the i/Blue™ Imaging System using anatomical bladder models to confirm simultaneous white and blue light image display.

As at the date of this report, the Company reported a share structure as follows:

- Issued and Outstanding – 9,067,186
- Options granted – 635,000
- Finance warrants – 7,327,750
- Finder’s warrants – 52,790

**1.3 Selected Annual Information**

The highlights of financial data for the Company for the two most recently completed financial years are as follows:

	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
(a) Loss before other items		
(i) Total loss	\$4,352,095	\$4,499,927
(ii) Loss per share – basic	\$0.53	\$0.65
(iii) Loss per share – diluted	\$0.53	\$0.65
(b) Net loss		
(i) Total loss	\$4,376,849	\$4,457,322

(ii) Loss per share – basic	\$0.53	\$0.64
(iii) Loss per share – diluted	\$0.53	\$0.64
(c) Total assets	\$219,400	\$2,494,573

Loss per share was calculated using the post-consolidated weighted average of 8,297,096 in year end 2020 and 6,947,138 in year end 2019.

## 1.4 Results of Operations

### *Discussion of Operations and Financial Condition*

The following should be read in conjunction with the condensed interim consolidated financial statements for the three months ended December 31, 2020 and notes attached hereto.

During the three months ended December 31, 2020, the Company reported a net loss of \$562,260 (December 31, 2019 – \$1,241,659). The Company incurred the following major expenditures:

1. Business Development – \$Nil (December 31, 2019 – \$17,967) decreased by \$17,967. Business Development expenses were intentionally reduced because of Covid, which halted associated travel and in-person meetings.
2. Consulting fees – Total \$42,144 (December 31, 2019 – \$64,291) decreased by \$22,147. Consulting fees consists of:
  - Marketing and Investor Relations – \$33,078 (December 31, 2019 – \$47,428) decreased by \$14,350. In the previous year, the Company engaged numerous consultants to provide services primarily related to raising capital and public relations, specifically, internet marketing, research reports, news and press releases and their distribution. The Company continues with its ongoing communications and marketing programs to efficiently increase awareness of the progress of the Company, allowing the Company to continue to maintain its existing cash for product development and commercialization. However, in the current year, there have been no specific expenses related to the raising of capital which is the primary reason for the decrease from the prior period.
  - Sales & Marketing – \$3,857 (December 31, 2019 – \$11,830) decreased by \$7,973. The Company engaged consultants to provide services related to customer feedback and marketing.
  - OTC Listing – \$5,208 (December 31, 2019 – \$5,033) increased by \$175.
3. Legal & accounting – Total \$104,138 (December 31, 2019 – \$94,318) increased by \$9,820. The increase is related to legal fees incurred in connection with the convertible debt.
4. Management fees – Total \$146,476 (December 31, 2019 – \$148,601), paid Cdn\$98,177; unpaid Cdn\$42,299. The increase of \$2,125 is related to foreign exchange as the fees paid to the CEO is in US\$.
5. Product Development – Total \$208,894 (December 31, 2019 – \$639,178); decreased by \$430,284. These expenses are primarily related to the work performed by

outsourced design and engineering, regulatory, FDA, legal and quality consultants for the design and development of the i/Blue system and associated FDA & regulatory plans.

6. Shareholders' communication and promotion – Total \$94,356 (December 31, 2019 – \$228,456) decreased by \$134,100. The decrease is due to work performed by consultants related to shareholder communication and public relations, specifically, internet marketing, research reports, news and press releases and their distribution. Please refer to the table under “Shareholders Communication and Travel.”

The Company also reported receivables and prepaids for a total amount of \$393,184 (September 30, 2020 – \$46,200). The amount is broken down as follows:

		<b>31-Dec-20</b>	<b>30-Sep-20</b>
GST Receivable	\$	2,363	2,325
Trust account		1,100	-
Prepaid expenses *		389,721	43,875
	<b>\$</b>	<b>393,184</b>	<b>46,200</b>

\* The Company was billed in advance for services ranging from six months to a year with respect to services primarily related to raising capital and public relations. In addition, the Company had to make a deposit of US\$275,000 (Cdn\$357,972) to Lighthouse Imaging, the contract manufacturer for the Company's i/Blue Imaging System.

### **Shareholders Communication and Travel**

For the three months ended December 31, 2020, the Company reported shareholder communication and travel expenses totaling \$94,356 (December 31, 2019 – \$228,456) and is broken down as follows:

		<b>31-Dec-20</b>		<b>31-Dec-19</b>
Communication & information	\$	76,132	\$	178,339
Conferences		9,915		1,769
Press releases		-		7,461
Telephone & website		1,222		610
Travel & entertainment		7,087		40,277
	<b>\$</b>	<b>94,356</b>	<b>\$</b>	<b>228,456</b>

Communication & information expenses relate to an increase in investor outreach to promote investor awareness of the progress the Company has made towards bringing the i/Blue System to market. This included digital marketing campaigns, technical articles and investor outreach.

### **Summary of Quarterly Results**

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	<u>Q1 31-Dec-20</u>	<u>Q4 30-Sep-20</u>	<u>Q3 30-Jun-20</u>	<u>Q2 31-Mar-20</u>
	IFRS	IFRS	IFRS	IFRS
Net loss	(562,260)	(689,057)	(582,805)	(1,744,702)
Per Share	(0.06)	(0.08)	(0.07)	(0.21)
	<u>Q1 31-Dec-19</u>	<u>Q4 30-Sep-19</u>	<u>Q3 30-Jun-19</u>	<u>Q2 31-Mar-19</u>
	IFRS	IFRS	IFRS	IFRS
Net loss	(1,241,659)	(1,318,105)	(1,201,561)	(926,070)
Per Share	(0.18)	(0.19)	(0.17)	(0.13)

Loss per share was calculated using the post-consolidated weighted average for the above eight quarters.

### ***Discussion***

#### Three months ended December 31, 2020:

For the three months ended December 31, 2020, please refer to Section 1.4 Results of Operations.

## **1.5 Liquidity**

The Company has no current operating income or cash flow. In management's view, given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent on continuing to raise operating capital and successful clinical trials that validate the Company's technology. Such activities may take time to complete and the amount of resulting income is difficult to determine.

On October 22, 2020, the Company announced an offering of up to \$3,000,000 aggregate principal amount of Convertible Notes and undertake a twenty (20) to one (1) share consolidation subject to CSE approval. The Notes are secured obligations of the Company, accrue 10% interest annually (payable semi-annually in arrears) and will mature 18 months following the date of issue (unless earlier repurchased, redeemed or converted). The Notes will be convertible at the holder's discretion into commons shares at a conversion price of US\$0.40 per share.

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 of US\$71. The Company issued 50,178 shares at US\$0.40 (Canadian \$0.522) per share. The Company recorded the transaction as Cdn\$26,377 using the foreign exchange rate at conversion date.

Subsequent to the period ended December 31, 2020, the Company closed the second tranche of the Convertible Note in the amount of US\$1,415,500. As per terms of the Convertible Note, the Company issued 1,769,375 warrants @ US\$0.50 and 1,769,375 @ US\$0.60. One of the note holders converted US\$40,000 to common shares, resulting in the issuance of 100,000 shares. The Company recorded the transaction as Cdn\$49,807 using the exchange rate at conversion date.

As at December 31, 2020, the Company had \$54,475 in cash and \$393,184 in accounts receivable and prepaid expenses. The Company currently has no revenue being generated from its i/Blue system for the early detection of cancer.

The Company's historical capital needs have been met by equity subscriptions. On December 31, 2020, the Company had a negative working capital of \$151,673 (September 30, 2020 -\$476,321 negative working capital).

#### Cash and cash equivalents

	31-Dec-20	30-Sep-20
Cash deposits	\$ 54,475	\$ 27,618
Guaranteed investment certificate	-	-
<b>Total cash and cash equivalents</b>	<b>\$ 54,475</b>	<b>\$ 27,618</b>

#### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with Canadian and US banks.

#### Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company faces certain foreign exchange risks related to expenses incurred in U.S. dollars, a currency which may appreciate against the Canadian dollar, the Company's reporting currency. Additionally, net working capital balances denominated in non-reporting currencies are also subject to fluctuations in value. The Company mitigates these threats by limiting its exposure to such balances where their expenditure in the same non-reporting currency is not imminent.

#### Commitments

The Company has certain commitments related to the license agreement with Lawrence Livermore National Security. Please refer to Sections 1.2 Overall Performance – License Agreement.

### **1.6 Capital Resources**

The Company has no capital resources.

### **1.7 Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

## 1.8 First Quarter

With the exception of the accounting presentation of the convertible notes, the first quarter result does not differ significantly from other quarters.

## 1.9 Transactions with Related Parties

During the three ended December 31, 2020, the Company paid and/or accrued \$224,265 (December 31, 2019 – \$243,427) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, and directors' fees incurred by the Company.

		31-Dec-20	31-Dec-19
Management fees	\$	146,476	148,601
Accounting fees		73,289	74,129
Consulting fees		-	17,697
Directors fees		4,500	3,000
<b>Total</b>	<b>\$</b>	<b>224,265</b>	<b>243,427</b>

- (i) With respect to the management fees of \$146,476, only \$98,177 was paid and the balance of \$48,299 remains unpaid;
- (ii) With respect to the accounting fees of \$73,289, only \$62,084 was paid and the balance of \$11,205 remains unpaid;
- (iii) The directors' fees of \$4,500 remain unpaid.

Included in accounts payable as at December 31, 2020 are fees due to directors and officers in the amount of \$246,237 (September 30, 2019 – \$236,960), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

During the three months ended December 31, 2020 and 2019, the Company did not grant any stock options to directors and officers.

## 1.10 Proposed Transactions

N/A

## 1.11 Critical Accounting Estimates

In preparing financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

## 1.12 Financial and Other Instruments

The carrying value of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and due from (to) related parties approximate their fair values due to the short maturity of those instruments.

## 1.13 Other

As of the date of this report, the Company reported the following:

Disclosure of Outstanding Share Capital:	
Common Shares	<u>9,067,186</u>
Disclosure of Outstanding Stock Options:	
Incentive Stock Options	<u>635,000</u>
Disclosure of Outstanding Share Purchase Warrants:	
Warrants	<u>7,380,540</u>
Fully diluted	<u>17,082,726</u>

### **Disclosure Controls and Procedures**

It should be noted that pursuant to Multilateral Instrument 52-511 (adopted by the British Columbia Securities Commission on November 23, 2007), that the officers of the Company are no longer required to certify the effectiveness of disclosure controls and procedures used by the Company, as was required in previous filings under National Instrument 52-109. Accordingly, the new forms of certificate to be signed by the Company's Chief Executive Officer and Chief Financial Officer contain the following Note to Reader:

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as

defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of and annual filings and other reports provided under securities legislation.

### **Subsequent Events**

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

- (i) Granted 100,000 employee stock options with an exercise price of \$0.62, fully vested and expiring in three years.
- (ii) 60,000 employee stock options with an exercise price of \$3.00 per option expired, unexercised.
- (iii) Closed Tranche 2 of the previously announced Convertible Note in the amount of US\$1,415,500.
- (iv) As per terms of the Convertible Note, issued 1,769,375 warrants at US\$0.50 and 1,736,375 warrants at US\$0.60.
- (v) One of the lenders from Tranche 2 converted US\$40,000 to common shares resulting in the issuance of 100,000 shares.

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).