

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

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

(Unaudited - Prepared by Management)

	March 31, 2017	September 30, 2016
	\$	\$
A S S E T S		
Current assets		
Cash (Note 3)	34,073	72,804
Amounts receivable and prepaids (Note 4)	119,823	127,883
Subscription receivable	-	-
Security deposit	5,750	5,750
	159,647	206,437
Equipment		
	2,434	2,864
Intangible asset (Note 6)	135,169	141,860
	297,250	351,161
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 & 8)	371,012	225,453
Convertible debenture (Note 9)	118,000	-
	489,012	225,453
Shareholders' equity		
Share capital (Note 10)	2,404,688	1,770,961
Obligation to issue shares	-	159,600
Share-based payment reserve (Note 10)	591,419	512,952
Deficit	(3,187,867)	(2,317,805)
	(191,760)	125,708
	297,250	351,161
Nature and continuance operations (Note 1)		
Basis of presentation (Note 2)		

Approved on behalf of the Board of Directors:

“James Hutchens”, Director

“Bill Galine”, Director

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Six Ended March 31

(Unaudited - Prepared by Management)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017 \$	Six Months Ended March 31, 2016 \$
General and administrative expenses:				
Bank charges and interest	124	829	786	829
Consulting fees	107,134	64,635	196,567	76,262
Corporate and administration fees	19,723	8,485	42,064	14,485
Directors' fees (Note 8)	4,500	4,000	9,000	4,000
Filing and transfer agent fees	8,230	5,838	17,416	5,838
Legal & accounting fees (Note 8)	29,198	59,456	60,353	96,846
Listing expense	-	382,776	-	382,776
Management fees (Note 8)	91,277	60,340	184,908	60,340
Office, rent and insurance	11,963	11,990	31,952	11,990
Product development	101,699	-	249,695	-
Shareholders' communication, & promotion	3,757	5,398	12,133	11,398
Travel, meals & entertainment	329	3,650	4,689	5,454
	(377,936)	(607,397)	(809,565)	(670,218)
Other items:				
Interest income	7	8	13	8
Amortization	(3,560)	(2,355)	(7,120)	(4,627)
Foreign exchange	(16)	214	(3,945)	214
Stock-based compensation (Note 9 c))	-	(292,873)	(49,445)	(292,873)
Write-off mineral properties	-	(1)	-	(1)
	(381,505)	(920,119)	(870,062)	(967,497)
Net loss and comprehensive loss	(381,505)	(920,119)	(870,062)	(967,497)
Basic and diluted loss per share	(0.01)	(0.04)	(0.02)	(0.07)
Weighted average – number of shares outstanding	50,068,739	23,710,466	46,177,898	13,745,663

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended March 31

(Unaudited - Prepared by Management)

	2017	2016
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the period	(870,062)	(967,497)
Adjustments which do not affect cash:		
Amortization	7,120	4,627
Stock-based compensation	49,445	292,873
Listing Expense	-	382,776
Write-off mineral property	-	1
	(813,497)	(287,220)
Net changes in non-cash working capital items:		
Amounts receivable and prepaids	8,059	(183,297)
Accounts payable and accrued liabilities	145,558	(299,267)
	(659,880)	(769,784)
Investing activities		
Purchase of intangible asset	-	(142,538)
Cash obtained on acquisition	-	1
	-	(141,538)
Financing activities		
Issue of share capital, net	662,749	1,399,977
Obligation to issue shares	(159,600)	-
Convertible debenture	118,000	-
	621,149	1,399,977
Increase in cash	(38,731)	488,655
Cash - beginning of period	72,804	4,990
Cash - end of period	34,073	493,645

Supplementary disclosures:

Note 5 and 11 – Non-cash transactions

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Prepared by Management)

	Issued Share Capital		Share-Based Payment Reserve	Obligation to Issue Shares	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, September 30, 2015	3,889,113	25,527,873	3,919,385	-	(29,623,248)	(175,990)
Share exchange re acquisition of Imagin Medical Inc. equity	26,500,000	(25,527,873)	(3,919,385)	-	29,623,248	175,990
BSS Life Sciences equity	-	316,500	-	-	(58,234)	258,266
Share issue costs:						
- Imagin Medical Inc.	-	(85,567)	-	-	-	(85,567)
- BSS Life Sciences Inc.	-	(27,500)	-	-	-	(27,500)
Private Placement						
- Tranche 1	6,677,413	1,001,612	-	-	-	1,001,612
- Tranche 2	330,000	49,500	-	-	-	49,500
Warrants exercised	960,000	144,000	-	-	-	144,000
Shares for debt	1,036,108	155,416	-	-	-	155,416
Fair value of options granted	-	-	292,784	-	-	292,874
Fair value of brokers' warrants	-	-	31,167	-	-	31,167
Loss for the period					(967,497)	(967,497)
Balance, March 31, 2016	39,392,634	1,553,961	324,041	-	(1,025,731)	(852,271)
Warrants exercised	380,000	57,000	-	-	-	57,000
Shares for debt	1,600,000	160,000	-	-	-	160,000
Fair value of options granted	-	-	188,911	-	-	188,911
Obligation to issue shares	-	-	-	159,600	-	159,600
Loss for the year	-	-	-	-	(1,292,074)	(1,292,074)
Balance, September 30, 2016	41,372,634	1,770,961	512,952	159,600	(2,317,805)	125,708
Private Placement						
- Tranche 1	4,822,500	361,416	-	-	-	361,416
- Tranche 2	3,872,605	301,333	-	-	-	301,333
Fair value of options granted	-	-	49,445	-	-	49,445
Fair value of brokers' warrants	-	(29,022)	29,022	-	-	-
Obligations to issue shares	-	-	-	(159,600)	-	(159,600)
Loss for the period	-	-	-	-	(870,062)	(870,062)
Balance, March 31, 2017	50,068,739	2,404,688	591,419	-	(3,187,867)	(191,760)

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Prepared by Management)

Changes in equity of BSS Life Sciences Inc. were as follows:

	Issued Share Capital		Share-Based Payment Reserve	Obligation to Issue Shares	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, March 10, 2015	1	1	-	-	-	1
Repurchase and cancellation of common share	(1)	(1)	-	-	-	(1)
Shares issued for cash	11,500,000	57,500	-	-	-	57,500
Subscriptions received	-	-	-	10,750	-	10,750
Share issue costs	-	(10,000)	-	-	-	(10,000)
Net loss for the period	-	-	-	-	(58,234)	(58,234)
Balance, September 30, 2015	11,500,000	47,500	-	10,750	(58,234)	16
Shares issued for cash	15,000,000	275,000	-	(10,750)	-	264,250
Share issue costs	-	(6,000)	-	-	-	(6,000)
Loss for the period	-	-	-	-	(65,093)	(65,093)
Balance, December 31, 2015	26,500,000	316,500	-	-	(123,327)	193,173

See notes to condensed interim consolidated financial statements

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the periods ended March 31, 2017 and 2016
(Unaudited - Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagin Medical Inc. (formerly Expedition Mining 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 is a private Vancouver-based company that 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 will now focus on its new principal business, which is to research, develop and commercialize 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 (see Note 5).

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.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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 April 26, 2017, 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 reporting currency on a historical cost basis.

IMAGIN MEDICAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the periods ended March 31, 2017 and 2016
(Unaudited - Prepared by Management)

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

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, 2016.

New standards amendments and interpretations to existing standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2016 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 1, 2018)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

3. **CASH AND CASH EQUIVALENTS**

	March 31, 2017	September 30, 2016
	\$	\$
Canadian chartered bank		
- Deposits in Canadian banks	34,073	72,804
	34,073	72,804

4. **AMOUNTS RECEIVABLE AND PREPAIDS**

	March 31, 2017	September 30, 2016
	\$	\$
GST receivable	2,608	7,307
Interest receivable	271	258
Prepaid expenses	116,944	120,318
	119,823	127,882

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5. REVERSE ASSET ACQUISITION

On February 9, 2016, the Company completed the acquisition of BSS. In connection with the closing, the Company issued 26,500,000 common shares to the shareholders of BSS. As a result of the exchange, the transaction resulted in a reverse asset acquisition. Accordingly, BSS will be considered the continuing entity for accounting and financial reporting purposes and the Company, the continuing public company, being the corporation acquired. As the Company was a public 'shell' company, there was, in the opinion of management, no basis to reliably measure the consideration paid for it by BSS, other than to use the current carrying values of its assets acquired and liabilities assumed.

Accordingly, the purchase price allocation of the acquisition is based on the fair value of the net liabilities assumed, which was charged to operations as a listing expense.

The fair values of assets acquired and liabilities assumed are as follows:

Cash	\$	1,000
Other assets		120,301
Accounts payable		(504,077)
Net liabilities acquired, or listing expense	\$	(382,776)

6. 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 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 to be paid on or before February 28, 2017; (Payment due date moved to June 29, 2017)
- US\$10,000 to be paid on or before February 28, 2018;
- US\$10,000 to be paid on or before February 28, 2019; and
- US\$25,000 to be paid on or before February 28, 2019, and every February 28th thereafter.

In the event that the Company grants a sublicense to a third party, the Company will pay to LLNS 50% of any issue fee from this sublicensing. The sublicensing fee charged by the Company to the third party must be equal to or greater than the license issue fee disclosed above (\$US100,000).

IMAGIN MEDICAL INC.
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6. **INTANGIBLE ASSET** *(continued)*

In addition, the Company will pay LLNS an earned royalty of 3% on net sales.

The license agreement will remain in effect until the expiration or abandonment of the last of the patent rights and are being depreciated on a straight line basis over the remaining life of the patent rights.

Continuity of the intangible asset is as follows:

	Patent License
Cost	
Balance, March 10, 2015	\$ -
Additions for the period	12,703
Balance, September 30, 2015	12,703
Additions for the year	142,538
Balance, September 30, 2016	155,241
Additions for the period	-
Balance, March 31, 2017	155,241
Accumulated depreciation	
Balance, March 10, 2015	-
Depreciation for the period	-
Balance, September 30, 2015	-
Depreciation for the year	13,381
Balance, September 30, 2016	13,381
Additions for the period	6,691
Balance, March 31, 2017	20,072
Carrying amounts	
Balance, September 30, 2015	12,703
Balance, September 30, 2016	141,860
Balance, March 31, 2017	\$ 135,169

7. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2017	September 30, 2016
	\$	\$
Trade accounts payable	172,450	94,656
Accrued liabilities	36,503	27,416
Due to related parties	162,059	103,381
	371,012	225,453

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8. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2017, the Company paid or accrued \$229,909 (March 31, 2016 - \$71,340) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, and directors fees incurred by the Company.

During the period, the Company granted a total of 150,000 incentive stock options to a director at an exercise price of \$0.15, vesting immediately and expiring within 5 years. The fair value of the options granted was \$0.0691 for total share-based payment of \$10,359. Included in accounts payable are fees and expenses due to directors and officers in the amount of \$162,058 (September 30, 2016 - \$103,381), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

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

9. CONVERTIBLE DEBENTURE

During the period, the Company closed a private placement through the issuance of Cdn\$118,000 aggregate principal amount unsecured convertible notes (the "Notes") at a price of \$1,000 of principal amount per Note. The Notes provide the following terms:

- (i) Each Note shall be for a term of 12 months from the date of Closing (subject to the prepayment and conversion terms hereinafter set forth);
- (ii) The Notes will bear interest from the date of Closing at the rate of 10.0% per annum calculated annually and payable on maturity;
- (iii) The subscribers may at any time following the date of Closing elect to convert any portion of the Note, plus accrued interest to the date of conversion, into Units of the Issuer at the conversion price of \$0.09 per Unit; each Unit consisting of one share and one warrant exercisable for 12 months at \$0.12 per share;
- (iv) At maturity (March 3, 2018), all unpaid principal and interest under the Notes shall be repaid in full, at the election of the Issuer, either:
 - (a) in cash;
 - (b) in Units priced at \$0.09 per Unit; or
 - (c) any combination thereof.

The Company's president and two directors (the insiders) invested a total of \$61,000 in this financing. The Company made the applicable filings with the CSE.

No Finder's fees were paid in this financing.

IMAGIN MEDICAL INC.
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10. **SHARE CAPITAL**

- a) Authorized: Unlimited number of common shares
- b) Issued:

During the period ended December 31, 2016, the Company:

- closed tranche 1 of a non-brokered financing of 4,822,500 units (the “Units”) at a price of \$0.08 per unit for gross proceeds of \$385,800. Each Unit consists of one common share of the Company and one warrant (“Warrant”), each Warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.12 in the first 12 months and \$0.16 in the 12 months thereafter. Finders’ fees in the form of 304,800 warrants and cash payments of \$24,384 were paid for a portion of the financing attributable to certain finders’ efforts;
- closed tranche 2 of a non-brokered financing 3,873,605 units (the “Units”) at a price of \$0.08 per unit for gross proceeds of \$309,888. Each Unit consists of one common share of the Company and one warrant (“Warrant”), each Warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.12 in the first 12 months and \$0.16 in the 12 months thereafter. Finders’ fees in the form of 109,960 warrants and cash payments of \$8,557 were paid for a portion of the financing attributable to certain finders’ efforts

- c) Stock options:

A summary of the Company’s stock options activity is presented below:

	Number of options	Weighted average exercise price
Outstanding at September 30, 2015	249,999	2.79
Options granted	3,800,000	0.15
Options expired or cancelled	(799,999)	0.97
Outstanding at September 30, 2016	3,250,000	0.15
Options granted	750,000	0.13
Options expired or cancelled	(450,000)	0.12
Outstanding at March 31, 2017	3,550,000	\$ 0.15

The continuity of share purchase options during the period is as follows:

Expiry Date	Exercise Price	30-Sep-16	Granted	Exercised	Expired/ Cancelled	31-Mar-17
09-Feb-21	0.15	1,850,000	-	-	-	1,850,000
30-Jun-21	0.15	1,400,000	-	-	-	1,400,000
14-Dec-16	0.08	-	200,000	-	200,000	-
14-Dec-16	0.15	-	550,000	-	-250,000	300,000
		3,250,000	750,000	-	-	3,550,000
Weighted average exercise price		\$ 0.15	\$ 0.13	-	\$ 0.12	\$ 0.15

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10. **SHARE CAPITAL** *(continued)*

c) Stock options *(continued)*:

Expiry Date	Exercise Price	30-Sep-15	Granted	Exercised	Expired/ Cancelled	31-Mar-16
14-Feb-16	6.00	20,000	-	-	20,000	-
14-Feb-16	2.25	6,667	-	-	6,667	-
14-Feb-16	1.50	23,331	-	-	23,331	-
14-Feb-16	0.165	6,666	-	-	6,666	-
21-Apr-16	6.00	51,001	-	-	51,001	-
11-Jul-16	6.00	6,667	-	-	6,667	-
12-Jan-17	2.25	3,333	-	-	3,333	-
20-Mar-17	2.25	11,666	-	-	11,666	-
23-May-17	1.50	39,001	-	-	39,001	-
14-Dec-17	0.50	23,334	-	-	23,334	-
15-May-18	0.50	32,333	-	-	32,333	-
23-Jul-19	0.165	26,000	-	-	26,000	-
09-Feb-16	0.15	-	2,000,000	-	-	2,000,000
		249,999	-	-	249,999	2,000,000
Weighted average exercise price		\$ 2.79	-	-	2.79	\$ 0.15

On December 14, 2016, the Company granted 750,000 incentive stock options to certain consultants and a director. Of these options, 200,000 have an exercise price of \$0.08, and the remaining 550,000 options have an exercise price of \$0.15. These options expire between three and five years from their grant date. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and resulting values:

	14-Dec-16	14-Dec-16	14-Dec-16
Number of options granted	300,000	250,000	200,000
Risk-free interest rate	1.16%	1.16%	1.16%
Estimated life	5	3	5
Share price on grant date	\$0.075	\$0.075	\$0.075
Exercise price	\$0.15	\$0.15	\$0.08
Estimated annual volatility	169.37%	161.52%	169.37%
Option fair value	.0691	\$0.0584	\$0.0706
Compensation cost	\$20,717	\$14,604	\$14,123

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10. **SHARE CAPITAL** (continued)

d) Share purchase warrants:

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

	Number of warrants	Weighted average exercise price
Outstanding at September 30, 2015	-	-
Acquisition Warrants issued	10,000,000	0.15
Private Placement Warrants issued	7,007,413	0.25
Finders' Warrants issued	245,786	0.15
Acquisition Warrants issued	(1,340,000)	0.15
Outstanding at September 30, 2016	15,913,199	0.19
Private Placement Warrants issued	8,696,105	0.12
Finders' Warrants issued	411,760	0.12
Outstanding at March 31, 2017	25,021,064	\$ 0.17

	Number of warrants	Weighted average exercise price
Outstanding and exercisable at September 30, 2015	-	\$ -
Acquisition warrants	10,000,000	0.15
Private placement warrants	7,007,413	0.25
Brokers' warrants	245,786	0.15
	17,253,199	
Warrants exercised	(960,000)	0.15
Outstanding at March 31, 2016	16,293,199	\$ 0.19

The continuity of warrants issued during the period is as follows:

Expiry Date	Exercise Price	30-Sep-16	Granted	Exercised	Expired/ Cancelled	31-Mar-17
9-Feb-16	0.25	6,677,413	-	-	-	6,677,413
9-Feb-16	0.15	8,660,000	-	-	-	8,660,000
9-Feb-16	0.15	220,186	-	-	-	220,186
23-Feb-16	0.25	330,000	-	-	-	330,000
23-Feb-16	0.15	25,600	-	-	-	25,600
18-Oct-16	0.12	-	5,127,300	-	-	5,127,300
16-Dec-16	0.12	-	3,980,565	-	-	3,980,565
		15,913,199	9,107,865	-	-	25,021,064
Weighted average exercise price		\$ 0.19	\$ 0.12	\$ -	\$ -	\$ 0.17

The fair value for the 411,760 finders' warrants issued during the period was determined to be \$29,022 using the Black-Scholes option-pricing model.

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(Unaudited - Prepared by Management)

10. **SHARE CAPITAL** *(continued)*

d) Share purchase warrants *(continued)*

The fair value for the warrants was determined using the Black-Scholes option-pricing model with the following assumptions:

	09-Dec-16	18-Oct-16
Number of warrants	106,960	304,800
Risk-free interest rate	0.74%	1.06%
Share price on grant date	\$0.085	\$0.10
Exercise price	\$0.12	\$0.10
Expected life	2 years	2 years
Expected volatility	165.64%	165.56%
Warrant fair value	\$0.0609	\$0.0738

11. **NON CASH TRANSACTIONS**

The following non-cash transactions were recorded:

	March 31, 2017	March 31, 2016
Financing activities		
Finders' warrants issued in connection with the private placements	\$ 29,022	\$ 31,167

12. **CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

(a) Capital Management Objectives

The Company considers the components of shareholders' equity, as well as its cash and equivalents 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.

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12. **CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS** *(continued)*

There were no changes in the Company's approach to capital management during the period ended March 31, 2017.

(b) Carrying Amounts and Fair Values of Financial Instruments

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

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2017.

	Level 1	Level 2	Level 3	Total
Cash	\$ 34,073	\$ –	\$ –	\$ 34,073
Security deposits	\$ 5,750	\$ –	\$ –	\$ 5,750

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2016.

	Level 1	Level 2	Level 3	Total
Cash	\$ 72,804	\$ –	\$ –	\$ 72,804
Security deposits	\$ 5,750	\$ –	\$ –	\$ 5,750

13. **SUBSEQUENT EVENTS**

On April 10, 2017, the Company granted an aggregate of 300,000 shares to a consultant as incentive stock options at an exercise price of \$0.12 per share. The options are exercisable for a period of five years, ending on April 10, 2022.