

Izotropic Corporation

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended April 30, 2021
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Izotropic Corporation

Opinion

We have audited the consolidated financial statements of Izotropic Corporation (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes events and conditions that indicate the existence of a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 27, 2021



An independent firm
associated with Moore
Global Network Limited

IZOTROPIC CORPORATION

Consolidated Statements of Financial Position

As at April 30,

Expressed in Canadian Dollars

	2021	2020
ASSETS		
Current		
Cash	\$ 4,063,756	\$ 613,572
GST receivable	43,894	47,207
Prepays (Note 4)	577,374	113,171
	<u>4,685,024</u>	<u>773,950</u>
Equipment (Note 3)	1,631	3,261
TOTAL ASSETS	<u>\$ 4,686,655</u>	<u>\$ 777,211</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 5 and 7)	\$ 169,282	\$ 69,992
Total liabilities	<u>169,282</u>	<u>69,992</u>
 Shareholders' equity		
Share capital (Note 6)	10,041,597	2,729,503
Reserves (Note 6)	1,801,081	326,895
Deficit	<u>(7,325,305)</u>	<u>(2,349,179)</u>
Total shareholders' equity	<u>4,517,373</u>	<u>707,219</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 4,686,655</u>	<u>\$ 777,211</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board:

"Bob Thast"
Bob Thast, Director

"Ralph Proceviat"
Ralph Proceviat, Director

The accompanying notes are an integral part of these consolidated financial statements.

IZOTROPIC CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

For the years ended April 30,

Expressed in Canadian Dollars

	2021	2020
Operating expenses		
Consulting (Note 7)	\$ 993,010	\$ 421,985
Depreciation (Note 3)	1,630	3,279
Filing and listing fees	71,839	18,440
Investor relations	79,864	60,000
Office	78,166	77,114
Patent Maintenance Costs (Note 8)	278,193	63,855
Product Development (Notes 7 and 9)	793,036	-
Professional fees (Note 7)	200,178	116,613
Share-based payments (Notes 6 and 7)	2,254,687	253,718
Travel, meals, and promotion	225,523	140,838
Loss and comprehensive loss	\$ 4,976,126	\$ 1,155,842
Loss per share – basic and diluted	\$ (0.14)	\$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	35,304,860	25,088,103

The accompanying notes are an integral part of these consolidated financial statements.

IZOTROPIC CORPORATION

Consolidated Statement of Changes in Shareholders' Equity
For the year ended April 30,
Expressed in Canadian Dollars

	Share Capital		Reserves	Deficit	Total
	Number of Shares	Amount			
Balance at April 30, 2019	23,190,499	\$ 1,437,003	\$ 73,177	\$ (1,193,337)	\$ 316,843
Warrants exercised	6,775,000	1,292,500	-	-	1,292,500
Share-based payments	-	-	253,718	-	253,718
Net loss for the year	-	-	-	(1,155,842)	(1,155,842)
Balance at April 30, 2020	29,965,499	\$ 2,729,503	\$ 326,895	\$ (2,349,179)	\$ 707,219
Shares issued for cash	9,280,079	5,767,881	-	-	5,767,881
Share issued on vesting of Restricted stock units	662,500	814,875	416,230	-	1,231,105
Share issuance costs	-	(343,198)	155,910	-	(187,288)
Options exercised	850,000	356,536	(121,536)	-	235,000
Warrants exercised	1,248,000	716,000	-	-	716,000
Share-based payments	-	-	1,023,582	-	1,023,582
Net loss for the year	-	-	-	(4,976,126)	(4,976,126)
Balance at April 30, 2021	42,006,078	\$ 10,041,597	\$ 1,801,081	\$ (7,325,305)	\$ 4,517,373

The accompanying notes are an integral part of these consolidated financial statements.

IZOTROPIC CORPORATION

Consolidated Statements of Cash Flows

For the year ended April 30,

Expressed in Canadian Dollars

	2021	2020
Operating activities		
Net loss for the year	\$ (4,976,126)	\$ (1,155,842)
Item not affecting cash:		
Depreciation	1,630	3,279
Share-based payments	2,254,687	253,718
Changes in non-cash working capital items:		
GST receivable	3,313	(34,920)
Accounts payable and accrued liabilities	99,290	47,777
Prepays	(464,203)	(101,444)
Cash flows used in operating activities	(3,081,409)	(987,432)
Financing activities		
Proceeds from private placements	5,767,881	-
Proceeds from warrant exercises	716,000	1,292,500
Proceeds from option exercises	235,000	-
Share issuance costs	(187,288)	-
Cash flows provided by financing activities	6,531,593	1,292,500
Increase in cash	3,450,184	305,068
Cash, beginning	613,572	308,504
Cash, ending	\$ 4,063,756	\$ 613,572

The accompanying notes are an integral part of these consolidated financial statements.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Izotropic Corporation (the “Company” or “Izotropic”) was incorporated in the Province of British Columbia on May 19, 2016, under the Business Corporations Act of British Columbia. The Company’s head office is located at 800 – 15355 24 Avenue, Suite 424, Surrey, British Columbia, Canada. The Company is a research and development company specializing in cancer research and early detection for breast cancer. Izotropic listed on Canadian Securities Exchange in Canada (“IZO”), the OTC market in the USA (“IZOZF”), and the Frankfurt Stock Exchange in Germany (“1R3”).

On April 25, 2017, the Company entered into an agreement with the Regents of the University of California (the “Regents”) for an Exclusive License Agreement related to breast cancer detection and treatment (Note 8).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s financial success is dependent on management’s ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify proper technologies or inventions that will be successful, and even if so identified and warranted, it may not be able to finance such technologies within the requisite time period. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to realize 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 in these consolidated financial statements. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

The 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”).

The consolidated financial statements for the year ended April 30, 2021 were authorized for issue by the Board of Directors on August 27, 2021.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basic of measurement

These financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity, Izotropic Imaging Corp., a wholly owned subsidiary based in Nevada. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Inter-company balances and transactions have been eliminated upon consolidation.

Significant estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination whether material uncertainties exist that the Company will continue as a going concern for the next year

Key sources of estimation uncertainty include the following:

- the recoverability and measurement of deferred tax assets; and
- measurement of share-based transactions.

Presentation and functional currency

The functional and presentation currency, as determined by management, of the Company and its subsidiary is the Canadian dollar.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

(i) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(ii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized for unused tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Foreign Currency Translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign exchange gains and losses are included in the statement of comprehensive loss.

At the end of each reporting period, assets and liabilities of the Company's subsidiaries which have different functional currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the period.

Equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Depreciation is recognized in operations using the declining balance method at 50% over the assets useful life.

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, and common share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares, common share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payments

The Company grants stock options to purchase common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When the stock options are forfeited or expire, the amount previously recognized in the reserve is transferred to deficit.

In situations where stock options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, they are measured at the fair value of goods or services received.

Loss per common share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted loss per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding (if any) at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

3. EQUIPMENT

	Computer Equipment
Cost:	
At April 30, 2021, 2020 and 2019	\$ 17,617
Depreciation:	
At April 30, 2019	11,077
Change for the period	3,279
At April 30, 2020	14,356
Change for the period	1,630
At April 30, 2021	\$ 15,986
Net book value:	
At April 30, 2019	\$ 6,540
At April 30, 2020	\$ 3,261
At April 30, 2021	\$ 1,631

4. PREPAIDS

	2021	2020
Consulting	\$ 60,000	\$ 56,667
Product development advances	501,400	-
Legal retainers	9,589	6,504
Promotional services	6,385	50,000
Total	\$ 577,374	\$ 113,171

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accounts payable	\$ 94,666	\$ 61,492
Accrued liabilities	74,616	8,500
Total	\$ 169,282	\$ 69,992

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued:

Issued share capital during the year ended April 30, 2021

During the year ending April 30, 2021, 150,000 stock options priced at \$0.26, 100,000 stock options priced at \$0.30, 400,000 stock options priced at \$0.235, and 200,000 stock options priced at \$0.36 were exercised for total gross proceeds of \$235,000.

During the year ending April 30, 2021, 400,000 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$80,000 and 848,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$636,000.

On October 20, 2020, the Company closed the first tranche of a non-brokered private placement of 4,517,066 units (each, a "Unit") at a price of \$0.55 per Unit for aggregate proceeds of \$2,484,386. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of \$0.75 per Share for a period of two years following the closing of the Offering, subject to an Acceleration Right such that: (i) at any time after the date that is four months and one day after the issue date of the Warrants, if, for at least ten (10) consecutive trading days, the closing price at which the Shares trade on the Canadian Securities Exchange (the "Exchange") each day exceeds \$1.25 per Share, the Company may issue a notice (the "Acceleration Notice") to the holder (which Acceleration Notice will be given to the holder by the Company by disseminating a press release) to accelerate the expiry date of the Warrants (the "First Acceleration Right"); (ii) 50% of the then unexercised Warrants will terminate on the date that is thirty (30) days from the date of the Acceleration Notice in the event that the holder has not exercised the Warrants in accordance with the terms of the Acceleration Notice by such date; (iii) at any time after the date that is four months and one day after the issue date, if, for at least ten (10) consecutive trading days, the closing price at which the Shares trade on the Exchange each day exceeds \$1.75 per Share, the Company may issue a notice (the "Second Acceleration Notice") to the holder (which Second Acceleration Notice will be given to the holder by the Company by disseminating a press release) to accelerate the expiry date of the Warrants (the "Second Acceleration Right" and together with the First Acceleration Right, the "Acceleration Right"), and 50% of the then outstanding Warrants will terminate on the date that is thirty (30) days from the date of the Second Acceleration Notice in the event that the holder has not exercised the Warrants in accordance with the terms of the Second Acceleration Notice by such date. Finders' fees of \$96,783 were paid and 165,723 broker's warrants were issued with a fair value of \$90,226. The broker's warrants have the same terms and conditions of the warrants.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

Expressed in Canadian Dollars

6. SHARE CAPITAL (continued)

Issued share capital during the year ended April 30, 2021 (continued)

On October 30, 2020, the Company closed the second and final tranche of a non-brokered private placement of 2,866,334 units (each, a "Unit") at a price of \$0.55 per Unit for aggregate proceeds of \$1,576,484. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of \$0.75 per Share for a period of two years following the closing of the Offering, subject to an Acceleration Right such that: (i) at any time after the date that is four months and one day after the issue date of the Warrants, if, for at least ten (10) consecutive trading days, the closing price at which the Shares trade on the Canadian Securities Exchange (the "Exchange") each day exceeds \$1.25 per Share, the Company may issue a notice (the "Acceleration Notice") to the holder (which Acceleration Notice will be given to the holder by the Company by disseminating a press release) to accelerate the expiry date of the Warrants (the "First Acceleration Right"); (ii) 50% of the then unexercised Warrants will terminate on the date that is thirty (30) days from the date of the Acceleration Notice in the event that the holder has not exercised the Warrants in accordance with the terms of the Acceleration Notice by such date; (iii) at any time after the date that is four months and one day after the issue date, if, for at least ten (10) consecutive trading days, the closing price at which the Shares trade on the Exchange each day exceeds \$1.75 per Share, the Company may issue a notice (the "Second Acceleration Notice") to the holder (which Second Acceleration Notice will be given to the holder by the Company by disseminating a press release) to accelerate the expiry date of the Warrants (the "Second Acceleration Right" and together with the First Acceleration Right, the "Acceleration Right"), and (iv) 50% of the then outstanding Warrants will terminate on the date that is thirty (30) days from the date of the Second Acceleration Notice in the event that the holder has not exercised the Warrants in accordance with the terms of the Second Acceleration Notice by such date. Finders' fees of \$15,459 were paid and 28,272 broker's warrants were issued with a fair value of \$28,525. The broker's warrants have the same terms and conditions of the warrants.

On December 9, 2020, the Company closed a non-brokered private placement of 1,896,679 units (each, a "Unit") at a price of \$0.90 per Unit for aggregate proceeds of \$1,707,011. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of \$1.50 per Share for a period of two years following the closing of the Offering, subject to an Acceleration Right such that in the event that the common shares of the Company have a closing price on the Canadian Securities Exchange (or such other exchange on which the common shares may be traded at such time) of \$1.85 or greater per common share for a period of ten (10) consecutive trading days at any time from the date that is four months and one day after the closing date of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the Warrants) and, in such case, 100% of the then unexercised Warrants will expire on the thirtieth day after the date of such notice (the "Acceleration Provision"). Finders' fees of \$64,087 were paid and 62,947 broker's warrants were issued with a fair value of \$37,159. The broker's warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

Issued share capital during the year ended April 30, 2020

On May 24, 2019, 550,000 warrants priced at \$0.10 were exercised for proceeds of \$55,000.

On June 4, 2019, 75,000 warrants priced at \$0.10 were exercised for proceeds of \$7,500.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

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6. SHARE CAPITAL (continued)

Issued share capital during the year ended April 30, 2020 (continued)

On February 11, 2020, 6,150,000 shares were issued for warrants that were exercised at a price of \$0.20 per share for proceeds of \$1,230,000 due to a warrant exercise incentive program, whereby for each warrant exercised before February 7, 2020, the holder will receive one additional warrant (an "Incentive Warrant"). Each Incentive Warrant will entitle the warrant holder to purchase one additional common share at a price of \$0.20 per share for a period of two years from the date of issuance.

Stock Options

Stock option transactions during the year ended April 30, 2021

On May 7, 2020, the Company granted 150,000 stock options to a consultant with an exercise price of \$0.26 and expiring on November 6, 2020.

On May 20, 2020, the Company granted 100,000 stock options to a consultant and 100,000 stock options to an investor services provider with an exercise price of \$0.20 and expiring on May 19, 2022.

On June 4, 2020, the Company granted 100,000 stock options to a consultant with an exercise price of \$0.17 and expiring on June 3, 2022.

On August 28, 2020, the Company granted 300,000 stock options to a consultant with an exercise price of \$0.75 and expiring on August 26, 2022. On December 1, 2020, 300,000 of the stock options issued to the consultant were cancelled.

On September 15, 2020, the Company granted 100,000 stock options to a consultant with an exercise price of \$0.72 and expiring on September 14, 2022.

On November 1, 2020, the Company issued 700,000 stock options to consultants, priced at 1.32 expiring on November 1, 2022. On December 1, 2020, the Company cancelled 300,000 of these stock options.

On December 9, 2020, the Company granted a total of 300,000 stock options to two consultants at an exercise price of \$1.17 for a period of 2 years.

On January 7, 2021, the Company granted a total of 100,000 stock options to a consultant at an exercise price of \$1.25 for a period of 2 years.

On February 19, 2021, the Company granted a total of 400,000 stock options at an exercise price of \$1.08 for a period of 2 years. Of the total, 100,000 stock options were granted to an officer of the Company.

All options granted during the year ended April 30, 2021 are vested immediately.

The weighted average grant date fair value of stock option granted during the year was \$0.42 per option, estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 0.5-2 years, volatility of 98-115%, dividend yield of 0% and risk-free interest rate of 0.18-.32%. The Company recognized share-based compensation expense of \$1,023,582 (2020 - \$253,718) in connection with the vesting of stock options.

IZOTROPIC CORPORATION

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6. SHARE CAPITAL (continued)

Stock Options (continued)

Stock option transactions during the year ended April 30, 2020

On April 22, 2020, the Company granted a total of 200,000 stock options to an advisor of the Company. These options have an exercise price of \$0.22 per share, vest immediately, and may be exercised for a period of 2 years from the date of grant.

On April 22, 2020, the Company cancelled 100,000 stock options that were previously issued to a director and 50,000 stock options that were previously issued to a consultant.

On April 14, 2020, the Company granted a total of 200,000 stock options to a consultant of the Company. These options have an exercise price of \$0.32, vest immediately, and may be exercised for a period of 2 years from the date of grant.

On April 14, 2020, the Company granted a total of 200,000 stock options to an investor relations consultant of the Company. These options have an exercise price of \$0.32, vest quarterly, and may be exercised for a period of 2 years from the date of grant.

On February 11, 2020, the Company cancelled 200,000 stock options that were previously issued to two directors.

On February 11, 2020, the Company the Company granted 300,000 stock options to consultants and 100,000 stock options to a director. These options have an exercise price of \$0.37 per share, vest immediately, and may be exercised for a period of 5 years from the date of grant. On April 14, 2020, 250,000 of these stock options issued to consultants were cancelled.

On January 22, 2020, the Company granted a total of 200,000 stock options to an advisor of the Company. These options have an exercise price of \$0.20 per share, vest immediately, and may be exercised for a period of 5 years from the date of grant.

On July 1, 2019, the Company granted a total of 200,000 stock options to an investor relations consultant of the Company. These options have an exercise price of \$0.36, vest immediately, and may be exercised for a period of 2 years from the date of grant. On December 31, 2019, the 200,000 options granted to the consultant were cancelled at the expiry of the contract.

On June 1, 2019, the Company granted a total of 300,000 stock options, 100,000 to an officer and 200,000 to a consultant of the Company. These options have an exercise price of \$0.30 per share, vest immediately, and may be exercised for a period of 2 years from the date of grant.

IZOTROPIC CORPORATION

Notes to the Consolidated Financial Statements

For the year ended April 30, 2021

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6. SHARE CAPITAL (continued)

Stock Options (continued)

As at April 30, 2021, the Company had the following options outstanding and exercisable:

Date of Grant	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
September 20, 2017	September 20, 2022	\$ 0.10	1,000,000	1,000,000
October 20, 2017	October 20, 2022	\$ 0.10	200,000	200,000
January 22, 2020	January 22, 2025	\$ 0.20	200,000	200,000
February 11, 2020	February 11, 2025	\$ 0.37	150,000	150,000
April 22, 2020	April 21, 2022	\$ 0.22	200,000	200,000
May 20, 2020	May 19, 2022	\$ 0.20	200,000	200,000
June 4, 2020	June 3, 2022	\$ 0.17	100,000	100,000
September 15, 2020	September 14, 2022	\$ 0.72	100,000	100,000
November 1, 2020	November 1, 2022	\$ 1.32	400,000	400,000
December 9, 2020	December 8, 2022	\$ 1.17	300,000	300,000
January 7, 2021	January 6, 2023	\$ 1.25	100,000	100,000
February 19, 2021	February 17, 2023	\$ 1.08	400,000	400,000
			3,350,000	3,350,000

A continuity of the Company's options is as follows:

	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,450,000	\$0.20	1,550,000	\$0.10
Granted	2,350,000	0.92	1,700,000	0.31
Exercised	(850,000)	0.28	-	-
Cancelled	(600,000)	1.04	(800,000)	0.23
Outstanding, end of year	3,350,000	\$0.55	2,450,000	\$0.20

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6. SHARE CAPITAL (continued)

Share Purchase Warrants

As at April 30, 2021, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price		Number of warrants outstanding
October 12, 2017	October 12, 2022**	\$	0.20	300,000
February 11, 2020	May 26, 2022	\$	0.20	5,750,000
October 20, 2020	October 20, 2022	\$	0.75	4,093,066
October 20, 2020	October 20, 2022*	\$	0.75	165,723
October 30, 2020	October 30, 2022	\$	0.75	2,442,334
October 30, 2020	October 30, 2022*	\$	0.75	28,272
December 9, 2020	December 9, 2022	\$	1.50	1,896,679
December 9, 2020	December 9, 2022*	\$	1.50	62,947
				14,739,021

*These are broker warrants

**On June 2, 2020, the Company extended the expiry date of 300,000 warrants with an exercise price of \$0.10, issued to an officer, from May 31, 2020 to October 12, 2022.

A continuity of the Company's warrants is as follows:

	2021		2020	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
Outstanding, beginning of year	6,459,500	\$0.20	10,759,499	\$0.18
Expired	(9,500)	0.10	(3,674,999)	0.14
Issued	9,537,021	0.90	6,150,000	0.20
Exercised	(1,248,000)	0.57	(6,775,000)	0.20
Outstanding, end of year	14,739,021	\$0.62	6,459,500	\$0.20

On January 28, 2020, the Company announced a warrant incentive program to encourage the exercise of the warrants expiring on May 31, 2020. For each warrant exercised before February 7, 2020, the holder will receive one additional warrant (an "Incentive Warrant"). Each incentive warrant will entitle the warrant holder to purchase one additional common share at a price of \$0.20 per share for a period of two years from the date of issuance. The expiry date of the incentive warrants is May 26, 2022.

On May 31, 2020, 9,500 broker warrants priced at \$0.10 expired unexercised.

During the year ending April 30, 2021, 400,000 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$80,000 and 848,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$636,000.

IZOTROPIC CORPORATION

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6. SHARE CAPITAL (continued)

Reserves

Reserves include items recognized as share-based payment and other stock compensation payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Long-term Incentive Plan

On July 10, 2020, the Company announced that its board of directors has adopted a long-term incentive plan (the "LTIP"). A total of 2,996,549 common shares, being 10% of the total number of issued and outstanding common shares on the date of adoption of the LTIP, are issuable under the LTIP.

On January 11, 2021, the Company issued 1,550,000 Restricted Stock Units ("RSU" or "RSU's") to advisors, consultants and a director. The RSU's vest either four tranches over 1.5 years or based on achieving performance milestones. At April 30, 2021, 662,500 of the RSU's had vested. The Company recognizes the share-based payment expense over the vesting terms and for the year ended April 30, 2021 recognized \$1,192,849. The share-based compensation costs for RSUs granted are based on the share price at the date of grant at a price of \$1.23 per RSU. On January 11, 2021, and 500,000 Performance Stock Units ("PSU" or "PSU's") to the Company's Commercial Operations Executive, with a vesting schedule determined by performance (milestone) based incentives. For the year ended April 30, 2021, the Company recognized share-based payment expense of \$38,256 relating to the PSU's.

7. RELATED PARTY TRANSACTIONS

Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and members of its Board of Directors.

	2021	2020
Consulting fees, former President and CEO	\$ 135,000	\$ 78,000
Consulting fees, Corporate Secretary	99,000	69,406
Consulting fees, current President and CEO	23,025	-
Product development, current President and CEO	130,475	-
Professional fees, Director's law firm	23,960	-
Consulting fees, Director	6,000	9,000
Consulting fees, VP Marketing	-	1,500
Professional fees, CFO	9,000	8,000
Share-based payments, directors and officers	865,136	35,342
Total	\$ 1,291,596	\$ 201,248

As at April 30, 2021, included in accounts payable and accrued liabilities is \$nil (2020: \$10,000) due to the VP Marketing, \$4,888 (2020: \$nil) due to the former President and CEO, and \$nil (2020: \$3,500) due to a director. The amounts are non-interest bearing, unsecured and have no set repayment terms.

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8. LICENSING AGREEMENT

On April 25, 2017, the Company entered into a licensing agreement with the Regents granting the Company an exclusive worldwide license for the Biopsy Systems for breast computed tomography patent and other related patents.

In consideration for this license, the Company agreed to the following terms:

- cash payment of USD \$10,000 (CDN \$13,971 - paid) due within 30 days;
- cash payment of USD \$200,000 (CAD \$261,668 – paid during the year ended April 30, 2021) due 30 days of the earlier of the following:
 - change of control transaction (“Change of Control”), which means the acquisition, merger, reorganization or other transactions where the Company transfers more than 50% of the voting power of the Company is transferred to a third party; and,
 - licensee financing which means the issuance of debt or equity securities of the Company, in bona fide financing transactions with cumulative proceeds of USD \$3,000,000.
- cash payment of 2% of total consideration received by the Company within 30 days of the completion of a Change of Control;
- 3% of net sales from the first 15 commercial sales of all licensed products, in any country;
- 1% royalty of net sales of all licensed services; and
- Reimbursement of \$79,872 USD in patent costs incurred prior to agreement effective date, as follows per the license agreement and as amended on February 26, 2020:
 - 1/3 on or before the 1st anniversary of agreement effective date, amended to May 12, 2017 (paid).
 - 1/3 on or before the 2nd anniversary of agreement effective date, amended to October 25, 2019 (paid).
 - 1/3 on or before the 3rd anniversary of agreement effective date, amended to October 25, 2020 (paid).

The Company is obligated to further develop, manufacture, and market the licensed products and services to meet market demand (“Milestones”) as follows:

- to submit an application covering a licensed product or licensed services to the U.S. Food and Drug Administration (“FDA”) or equivalent foreign agency by June 30, 2018;
- to obtain FDA or equivalent foreign agency approval by December 31, 2021; and,
- to achieve commercial sale and fill the market demand by June 30, 2022.

The June 30, 2018 milestone has been extended by mutual agreement with licensor to allow for the inclusion of a new patent application, that is in the process of being filed, that will form part of the commercial unit that will be submitted for FDA approval. On February 26, 2020, the Company announced that it had extended the terms of its licensing agreement and now has until January 2027 to execute on the terms agreed to under the commercialization plan.

If the Company is unable to meet the above Milestones, the Company has the right to extend the target date of any Milestones for 1 year for USD \$10,000. The Company has a further right to extend the target date of any Milestone for an additional 1 year upon a payment of USD \$15,000. Furthermore, three additional 1 year extensions may be granted upon written agreement by the parties for USD \$20,000 per extension.

IZOTROPIC CORPORATION

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9. PRODUCT DEVELOPMENT

On May 13, 2020, the Company engaged StarFish Medical to complete the final design and development of the Company's commercial breast CT model. As at April 30, 2021, the Company's product development cost consists of the following:

	2021	2020
Product development – management	\$ 130,475	\$ -
Design engineering	662,561	-
Total	\$ 793,036	\$ -

10. CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any external restrictions on its capital.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. Cash is held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company's sole source of funding will be the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. During the year ended April 30, 2017, the Company entered into a licensing agreement denominated in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

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11. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earn interest income at variable rates. The fair value of cash is minimally affected by changes in short term interest rates.

Classification of financial instruments

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash as measured at fair value in the statement of financial position using level 1 inputs. Accounts payable is carried at amortized cost.

12. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2021	2020
Net loss	\$ (4,976,126)	\$ (1,155,842)
Statutory tax rate	27%	27%
Expected income tax recovery	(1,343,554)	(318,946)
Permanent differences	460,237	93,935
Increase in unrecognized deferred assets	891,378	167,793
Other	(8,061)	56,767
Income tax recovery	\$ -	\$ -

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	2021	2020
Deferred income tax assets		
Non-capital loss carry-forwards	\$ 1,292,724	\$ 451,913
Share issuance costs	50,568	-
Less: Valuation allowance	(1,343,292)	(451,913)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$4,787,866 available for carry-forward to reduce future years' income for income tax purposes. These losses expire beginning in 2037 to 2040.

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13. SUBSEQUENT EVENTS

On June 30, 2021, the Company granted 450,000 stock options with a price of \$0.74 with a term of 2 years.

On May 5, 2021, 48,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$36,000.

On May 17, 2021, 80,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$60,000.

On July 11, 2021, the second vesting of the RSU's initially granted January 11, 2021 were vested. A total of 262,500 shares were issued to directors, officers, and consultants of the Company.

On July 30, 2021, 150,000 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$30,000.