

Izotropic Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended October 31, 2021
(Unaudited - Expressed in Canadian Dollars)**

The accompanying unaudited condensed interim consolidated financial statements of Izotropic Corporation for the six months ended October 31, 2021, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | October 31, 2021 | April 30, 2021 |
|---------------------|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 2,651,456 | \$ 4,063,756 |
| GST receivable | 102,138 | 43,894 |
| Prepays (Note 4) | 34,241 | 577,374 |
| | <u>2,787,835</u> | <u>4,685,024</u> |
| Equipment (Note 3) | 29,109 | 1,631 |
| TOTAL ASSETS | <u>\$ 2,816,944</u> | <u>\$ 4,686,655</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Current

| | | |
|--|------------------|----------------|
| Accounts payable and accrued liabilities (Notes 5 and 7) | \$ 1,276,888 | \$ 169,282 |
| Total liabilities | <u>1,276,888</u> | <u>169,282</u> |

Shareholders' equity

| | | |
|-----------------------------------|------------------|------------------|
| Share capital (Note 6) | 10,505,947 | 10,041,597 |
| Reserves (Note 6) | 2,140,077 | 1,801,081 |
| Deficit | (11,105,968) | (7,325,305) |
| Total shareholders' equity | <u>1,540,056</u> | <u>4,517,373</u> |

| | | |
|---|---------------------|---------------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 2,816,944</u> | <u>\$ 4,686,655</u> |
|---|---------------------|---------------------|

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

Approved on behalf of the Board:

"Bob Thast"
Bob Thast, Director

"John McGraw"
John McGraw, Director

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

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | For the three months ended October 31, | | For the six months ended October 31, | |
|---|---|-------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating expenses | | | | |
| Depreciation (Note 3) | \$ 3,524 | \$ 411 | \$ 4,433 | \$ 822 |
| Consulting (Note 7) | 162,150 | 132,378 | 322,000 | 379,355 |
| Filing and listing fees | 25,636 | 16,551 | 47,838 | 24,055 |
| Investor relations | 69,000 | 15,000 | 102,000 | 52,500 |
| Office | 44,625 | 12,365 | 59,323 | 20,696 |
| Patent maintenance | 15,010 | 1,176 | 15,010 | 1,413 |
| Product development (Note 9) | 1,778,586 | - | 2,266,298 | - |
| Professional fees | 132,826 | 31,369 | 164,106 | 54,417 |
| Share-based payments (Notes 6, 7) | 185,449 | 156,825 | 546,371 | 204,013 |
| Travel, promotion and meals | 139,313 | 5,244 | 253,284 | 82,866 |
| Loss and comprehensive loss | \$ 2,556,119 | \$ 371,319 | \$ 3,780,663 | \$ 820,137 |
| Basic and diluted loss per share | \$ 0.06 | \$ 0.01 | \$ 0.09 | \$ 0.03 |
| Weighted average number of common shares outstanding – basic and diluted | 42,623,137 | 30,749,170 | 42,204,075 | 30,160,880 |

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

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

For the six months ended October 31, 2021 and 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | Share Capital | | Share subscriptions | Reserves | Deficit | Total |
|---|-------------------|----------------------|---------------------|---------------------|------------------------|---------------------|
| | Number of Shares | Amount | | | | |
| Balance at April 30, 2020 | 29,965,499 | \$ 2,729,503 | \$ - | \$ 326,895 | \$ (2,349,179) | \$ 707,219 |
| Shares issued for cash (Note 6) | 7,383,400 | 4,060,870 | - | - | - | 4,060,870 |
| Share issuance costs (Note 6) | - | (242,602) | - | 118,751 | - | (123,851) |
| Options exercised (Note 6) | 250,000 | 93,291 | - | (24,291) | - | 69,000 |
| Warrants exercised (Note 6) | 150,000 | 30,000 | - | - | - | 30,000 |
| Share-based payments (Note 6) | - | - | - | 204,013 | - | 204,013 |
| Share subscriptions received (Note 11) | - | - | 33,015 | - | - | 33,015 |
| Net loss for the period | - | - | - | - | (820,137) | (820,137) |
| Balance at October 31, 2020 | 37,748,899 | \$ 6,671,092 | \$ 33,015 | \$ 625,368 | \$ (3,169,316) | \$ 4,160,129 |
| | | | | | | |
| | Share Capital | | Share subscriptions | Reserves | Deficit | Total |
| | Number of Shares | Amount | | | | |
| Balance at April 30, 2021 | 42,006,078 | \$ 10,041,597 | \$ - | \$ 1,801,081 | \$ (7,325,305) | \$ 4,517,373 |
| Share issued on vesting of RSU's (Note 6) | 262,500 | 207,375 | - | 65,338 | - | 272,713 |
| Warrants exercised (Note 6) | 819,300 | 256,975 | - | - | - | 256,975 |
| Share-based payments (Note 6) | - | - | - | 273,658 | - | 273,658 |
| Net loss for the period | - | - | - | - | (3,780,663) | (3,780,663) |
| Balance at October 31, 2021 | 43,087,878 | \$ 10,505,947 | \$ - | \$ 2,140,077 | \$ (11,105,968) | \$ 1,540,056 |

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

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended October 31, 2021 and 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Operating activities | | |
| Net loss for the period | \$ (3,780,663) | \$ (820,137) |
| Item not affecting cash: | | |
| Depreciation | 4,433 | 822 |
| Share-based payments | 546,371 | 204,013 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (58,244) | (985,433) |
| Accounts payable and accrued liabilities | 1,107,606 | 14,052 |
| Prepays | 543,133 | 26,667 |
| Cash flows used in operating activities | (1,637,364) | (1,560,016) |
| Investing activities | | |
| Purchase of equipment | (31,911) | - |
| Cash flows used in investing activities | (31,911) | - |
| Financing activities | | |
| Proceeds from issuance of shares | - | 4,060,870 |
| Proceeds from warrants exercises | 256,975 | 30,000 |
| Options exercised | - | 69,000 |
| Share subscriptions received | - | 33,015 |
| Share issuance costs | - | (123,851) |
| Cash flows provided by financing activities | 256,975 | 4,069,034 |
| Increase (decrease) in cash | (1,412,300) | 2,509,018 |
| Cash, beginning of period | 4,063,756 | 613,572 |
| Cash, end of period | \$ 2,651,456 | \$ 3,122,590 |

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

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 condensed interim 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

These condensed interim statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

The condensed interim consolidated financial statements for the six months ended October 31, 2021 were authorized for issue by the Board of Directors on December 30, 2021.

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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.

Accounting policies

The policies applied in these condensed interim consolidated financial statements are consistent with policies disclosed in Note 2 of the financial statements for the year ended April 30, 2021 and therefore, should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2021.

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

3. EQUIPMENT

| | Computer Equipment |
|----------------------------|-------------------------------|
| Cost: | |
| At April 30, 2020 and 2021 | 17,617 |
| Change for the period | 31,911 |
| At October 31, 2021 | \$ 49,528 |
| Depreciation: | |
| At April 30, 2020 | 14,356 |
| Change for the period | 1,630 |
| At April 30, 2021 | 15,986 |
| Change for the period | 4,433 |
| At October 31, 2021 | \$ 20,419 |
| Net book value: | |
| At April 30, 2020 | \$ 3,261 |
| At April 30, 2021 | \$ 1,631 |
| At October 31, 2021 | \$ 29,109 |

4. PREPAIDS

| | October 31, 2021 | April 30, 2021 |
|------------------------------|-------------------------|-----------------------|
| Consulting | \$ - | \$ 60,000 |
| Product development advances | - | 501,400 |
| Insurance | 21,352 | - |
| Legal retainers | 6,504 | 9,589 |
| Promotional services | 6,385 | 6,385 |
| Total | \$ 34,241 | \$ 577,374 |

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | October 31, 2021 | April 30, 2021 |
|---------------------|-------------------------|-----------------------|
| Accounts payable | \$ 1,276,888 | \$ 94,666 |
| Accrued liabilities | - | 74,616 |
| Total | \$ 1,276,888 | \$ 169,282 |

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued:

Issued share capital during the six months ended October 31, 2021

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.

On October 18, 2021, 500,000 share purchase warrants priced at \$0.20 and 31,300 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$123,475.

On October 25, 2021, 10,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$7,500.

Issued share capital during the year ended April 30, 2021

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 Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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.

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. Also 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

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL (continued)

Stock Options

Stock option transactions during the six months ended October 31, 2021

On June 30, 2021, the Company granted 450,000 stock options to consultants with an exercise price of \$0.74 and expiring on June 30, 2023.

On September 7, 2021, 100,000 stock options priced at \$0.84 and expiring March 7, 2023 and 100,000 stock options priced at \$0.84 and expiring September 7, 2023 were granted to consultants.

On September 7, 2021, the Company cancelled 400,000 stock options previously issued to consultants that are no longer engaged by the company.

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 six months ended October 31, 2021 and the year ended April 30, 2021 vest immediately.

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL (continued)

Stock Options (continued)

The weighted average grant date fair value of stock option granted during the period was \$0.40 per option, estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1.5 - 2 years, volatility of 105-107%, dividend yield of 0% and risk-free interest rate of 0.40 – 0.45%. The Company recognized share-based compensation expense of \$273,658 (October 31, 2020 - \$204,013) in connection with the vesting of stock options.

As at October 31, 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 |
| 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 |
| June 30, 2021 | June 30, 2023 | \$ 0.74 | 450,000 | 450,000 |
| September 7, 2021 | March 7, 2023 | \$ 0.84 | 100,000 | 100,000 |
| September 7, 2021 | September 7, 2023 | \$ 0.84 | 100,000 | 100,000 |
| | | | 3,600,000 | 3,600,000 |

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

| | October 31, 2021 | | April 30, 2021 | |
|----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of period | 3,350,000 | \$0.55 | 2,450,000 | \$0.20 |
| Granted | 650,000 | 0.77 | 2,350,000 | 0.92 |
| Exercised | - | - | (850,000) | 0.28 |
| Cancelled | (400,000) | 1.32 | (600,000) | 1.04 |
| Outstanding, end of period | 3,600,000 | \$0.50 | 3,350,000 | \$0.55 |

IZOTROPIC CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL (continued)

Share Purchase Warrants

As at October 31, 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 | 5,100,000 |
| October 20, 2020 | October 20, 2022 | \$ | 0.75 | 4,061,766 |
| October 20, 2020 | October 20, 2022* | \$ | 0.75 | 165,723 |
| October 30, 2020 | October 30, 2022 | \$ | 0.75 | 2,304,334 |
| 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 |
| | | | | 13,919,721 |

*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:

| | October 31, 2021 | | April 30, 2021 | |
|----------------------------------|--------------------|----------------|--------------------|----------------|
| | Number of Warrants | Exercise Price | Number of Warrants | Exercise Price |
| Outstanding, beginning of period | 14,739,021 | \$0.62 | 6,459,500 | \$0.20 |
| Expired | - | - | (9,500) | 0.10 |
| Issued | - | - | 9,537,021 | 0.90 |
| Exercised | (819,300) | 0.31 | (1,248,000) | 0.57 |
| Outstanding, end of period | 13,919,721 | \$0.64 | 14,739,021 | \$0.62 |

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.

During the six months ending October 31, 2021, 650,000 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$130,000 and 169,300 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$126,975.

See Note 12.

IZOTROPIC CORPORATION

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Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 October 31, 2021, 925,000 (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 six months ended October 31, 2021 recognized \$219,007 (October 31, 2020 - \$nil, April 30, 2021 - \$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 for the initial grant and \$0.79 per share for the vesting on July 11, 2021. On January 11, 2021, 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 six months ended October 31, 2021, the Company recognized share-based payment expense of \$53,705 (October 31, 2020 - \$nil, April 30, 2021 - \$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.

| | October 31, 2021 | October 31, 2020 |
|--|-------------------|-------------------|
| Consulting fees, director (former President and CEO) | \$ 85,000 | \$ 60,000 |
| Consulting fees, Corporate Secretary | 64,000 | 45,000 |
| Consulting fees, current President and CEO | 71,600 | - |
| Product development, President and CEO | 107,400 | - |
| Professional fees, Director | - | 6,000 |
| Professional fees, CFO | 61,000 | 4,000 |
| Restricted stock units | 128,899 | - |
| Total | \$ 517,899 | \$ 115,000 |

As at October 31, 2021, included in accounts payable and accrued liabilities is \$nil (April 30, 2021: \$4,888) due to a director (the former President and CEO), and \$36,012 (April 30, 2021: \$nil) due to the President and CEO. 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.

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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 October 31, 2021 and April 30, 2021, the Company's product development costs consists of the following:

| | October 31, 2021 | April 30, 2021 |
|-----------------------------------|------------------|----------------|
| Product development – management | \$ 107,400 | \$ 130,475 |
| Product development – consultants | 388,460 | - |
| Design engineering | 1,765,965 | 662,561 |
| Supplies | 4,473 | - |
| Total | \$ 2,266,298 | \$ 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. SUBSEQUENT EVENTS

On November 17, 2021, 10,000 share purchase warrants priced at \$0.75 were exercised for gross proceeds of \$7,500.

On November 29, 2021, 30,000 share purchase warrants priced at \$.20 were exercised for gross proceeds of \$6,000.

On November 30, 2021, 49,581 broker warrants priced at \$.75 were exercised for gross proceeds of \$37,186.

On December 2, 2021, 50,000 stock options priced at \$.10 were exercised for gross proceeds of \$5,000.