Izotropic Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended January 31, 2019
(Unaudited - Expressed in Canadian Dollars)

The accompanying unaudited condensed interim consolidated financial statements of Izotropic Corporation for the nine months ended January 31, 2019 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)

	January 31, 2019	April 30, 2018
ASSETS		
Current		
Cash	$ 353,555	$ 471,945
Amounts receivable (Note 3)	9,926	6,500
Prepaid expense	77,294	112
	440,775	478,557
Equipment (Note 4)	8,135	13,080
TOTAL ASSETS	$ 448,910	$ 491,637
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 5,8)	$ 12,747	$ 83,874
Total liabilities	12,747	83,874
Shareholders' equity		
Share capital (Note 7)	1,376,383	1,160,000
Reserves (Note 7)	114,514	42,563
Deficit	(1,054,734)	(794,800)
Total shareholder's equity	436,163	407,763
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 448,910	$ 491,637

Approved on behalf of the Board:

"Bob Thast"
Bob Thast, Director

"D. Barry Lee"
D. Barry Lee, 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 January 31, 2019	For the three months ended January 31, 2018	For the nine months ended January 31, 2019	For the nine months ended January 31, 2018
Operating expenses				
Amortization	**$ 1,648**	$ 1,829	**$ 4,945**	$ 2,389
Accretion expenses (Note 6)	**-**	-	**-**	24,726
Consulting (Note 8)	**1,113**	16,330	**20,341**	61,523
Donation	**-**	-	**-**	106,497
Filing and listing fees	**1,904**	-	**37,578**	-
Investor relations	**18,000**	-	**24,000**	-
License fee	**-**	-	**-**	200,000
Office	**13,024**	8,769	**43,226**	16,866
Patent maintenance	**-**	(13,480)	**-**	492
Professional fees	**8,422**	30,146	**49,790**	110,402
Share-based payments (Notes 7, 8)	**6,174**	25,393	**27,609**	49,040
Travel, promotion and meals	**27,343**	-	**52,445**	3,081
Loss and comprehensive loss	**$ 77,628**	$ 68,987	**$ 259,934**	$ 575,016
Basic and diluted loss per share	**$ 0.00**	$ 0.01	**$ 0.01**	$ 0.04
Weighted average number of common shares outstanding – basic and diluted	**23,005,999**	13,043,955	**22,035,457**	14,472,028

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

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statement of Changes in Shareholder's Equity (Deficiency)
For the nine months ended January 31, 2019 and 2018
Expressed in Canadian Dollars
(Unaudited – prepared by management)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total
Balance at April 30, 2017	**1**	**$ -**	**$ 33,648**	**$ (98,318)**	**$ (64,671)**
Private Placements (Note 7)	20,499,998	1,160,000	-	-	1,160,000
Share-based payments (Note 7)	-	-	49,040	-	49,040
Re-allocation of promissory note (Note 6)	-	-	(33,648)	33,648	-
Loss for the period	-	-	-	(575,016)	(575,016)
Balance at January 31, 2018	**20,499,999**	**$ 1,160,000**	**$ 49,040**	**$ (570,700)**	**$ 569,353**
Balance at April 30, 2018	**20,499,999**	**$ 1,160,000**	**$ 42,563**	**$ (794,800)**	**$ (407,763)**
Private Placements (Note 7)	2,500,000	300,000	-	-	300,000
Share issuance costs (Note 7)	-	(85,588)	45,713	-	(39,875)
Agent warrants exercised (Note 7)	6,000	1,971	(1,371)	-	600
Share-based payments (Note 7)	-	-	27,609	-	27,609
Loss for the period	-	-	-	(259,934)	(259,934)
Balance at January 31, 2019	**23,005,999**	**$ 1,376,383**	**$ 114,514**	**$ (1,054,734)**	**$ 436,163**

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 nine months ended January 31, 2019 and 2018
Expressed in Canadian Dollars
(Unaudited – prepared by management)

		2019		2018
Operating activities				
Loss for the period	**$**	**(259,934)**	$	(575,016)
Item not affecting cash:				
Accretion expenses		**-**		24,726
Amortization		**4,945**		2,389
Share-based payments		**27,609**		49,040
Changes in non-cash working capital items:				
Amount receivable		**(3,426)**		(3,939)
Accounts payable and accrued liabilities		**(77,182)**		9,919
Prepaid expense		**(71,127)**		(380)
Cash flows (used in) operating activities		**(379,115)**		(493,261)
Investing activities				
Purchases of equipment		**-**		(17,617)
Cash flows (used in) financing activities		**-**		(17,617)
Financing activities				
Proceeds from issuance of shares		**300,600**		1,160,000
Share issuance costs		**(39,875)**		-
Repayment of promissory note		**-**		(200,000)
Repayment of interest on promissory note		**-**		(15,000)
Cash flows provided by financing activities		**260,725**		945,000
Increase (decrease) in cash		**(118,390)**		434,122
Cash, beginning		**471,945**		149,441
Cash, ending	**$**	**353,555**	$	583,563
Interest paid in cash	**$**	**-**	$	15,000
Income tax paid in cash	**$**	**-**	$	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Izotropic Corporation (the "Company") 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.

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 9).

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 interim financial statements. These consolidated interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. 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.

Use of estimates
The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and 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.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the going concern of operations and the recoverability of deferred tax assets.

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

Accounting policies
The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 2 of the financial statements for the year ended April 30, 2018. Therefore, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2018.

Expressed in Canadian Dollars

3. AMOUNTS RECEIVABLE

	January 31, 2019	April 30, 2018
GST receivable	$ 9,926	$ 6,500
Total	$ 9,926	$ 6,500

4. EQUIPMENT

	Computer Equipment
Cost:	
At April 30, 2017	$ -
Additions during the year	17,617
At April 30, 2018	$ 17,617
Additions during the period	-
At January 31, 2019	$ 17,617
Amortization:	
At April 30, 2017	$ -
Change for the year	4,537
At April 30, 2018	$ 4,537
Change for the period	4,945
At January 31, 2019	$ 9,482
Net book value:	
At April 30, 2017	$ -
At April 30, 2018	$ 13,080
At January 31, 2019	$ 8,135

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2019	April 30, 2018
Accounts payable	$ 12,747	$ 69,874
Accrued liabilities	-	14,000
Total	$ 12,747	$ 83,874

6. PROMISSORY NOTE

On April 25, 2016, the Company entered into a secured promissory note for a principal amount of $200,000, bearing interest at a rate of 5%. The proceeds were received on May 30, 2016 and is due on demand after May 30, 2018. As security for the promissory note, the Company provided an assignment agreement, exercisable at the sole discretion of the lender, to transfer 1,000,000 escrow shares of the Company, as collateral. Upon full repayment of the promissory note and accrued interest, the assignment agreement will be cancelled.

On issuance, the estimated fair value of the promissory note was determined to be $166,352, resulting in the recognition of a discount of $33,648 upon issuance, which was recorded as promissory note reserve and amortized over the term of the promissory note.

On October 12, 2017, the Company fully repaid the promissory note and accrued interest of $215,000. During the year ended April 30, 2018, the Company recognized interest and accretion of $24,726 (2017: $23,922), which has been recorded as interest expense. On settlement, the Company reclassified the amount originally recorded to the reserve to deficit.

7. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Issued and outstanding:

The total issued and outstanding shares of the Company total 23,005,999 as at January 31, 2019 (April 30, 2018 – 20,499,999).

Issued share capital during the nine months ended January 31, 2019

On May 31, 2018, the Company completed its initial public offering (the "IPO") and issued 2,000,000 common shares at $0.10 per share for gross proceeds of $200,000. The Company paid the agent a cash commission of $20,000 and issued 200,000 agents options priced at $0.10 expiring on May 31, 2020. The Company also paid the Agent a work fee. The fair value of agent options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 2 years, volatility of 100%, dividend yield of 0% and risk-free interest rate of 1.9%. During the nine months ended January 31, 2019, the Company recognized share issuance costs of $45,713 (January 31, 2018 - $nil) on the issuance of agent options.

7. SHARE CAPITAL (continued)

Issued share capital during the nine months ended January 31, 2019 (continued)

On September 14, 2018, the Company issued 500,000 Units at $0.20 per Unit for gross proceeds of $100,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"), with each Warrant entitling the holder to acquire one common share of the Company at a price of $0.40 for a period of one year.

On August 27, 2018, 6,000 agents' options priced at $0.10 were exercised for gross proceed of $600.

Issued share capital during the year ended April 30, 2018

On July 17, 2017, the Company issued 1,800,000 common shares at $0.01 per share for gross proceeds of $18,000.

On July 18, 2017, the Company issued 5,200,000 common shares at $0.01 per share for gross proceeds of $52,000.

On August 22, 2017, the Company closed a private placement of 6,499,998 units at a price of $0.06 per unit for gross proceeds of $390,000. Each unit consists of one common share and half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the date common shares of the Company are listed for trading on a stock exchange.

On October 12, 2017, the Company closed a private placement of 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the date common shares of the Company are listed for trading on a stock exchange (the "First Trading Day") and at $0.20 per share from the date that is 12 months and a day from the First Trading Day until the date that is 24 months from the First Trading Day.

On October 31, 2017, the Company closed a private placement of 2,000,000 units at a price of $0.10 per unit for gross proceeds of $200,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the First Trading Day and at $0.20 per share from the date that is 12 months and a day from the First Trading Day until the date that is 24 months from the First Trading Day.

Expressed in Canadian Dollars

7. SHARE CAPITAL (continued)

Stock Options

As at January 31, 2019, 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	1,750,000	875,000
October 20, 2017	October 20, 2022	$ 0.10	200,000	100,000
October 10, 2018	October 10, 2019	$ 0.40	100,000	100,000
			2,050,000	1,075,000

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

	January 31, 2019		April 30, 2018	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Outstanding, beginning of period	1,950,000	$0.10	-	-
Granted	100,000	$0.40	2,150,000	$0.10
Cancelled	-	-	(200,000)	$0.10
Outstanding, end of period	2,050,000	$0.12	1,950,000	$0.10

On September 20, 2017, the Company granted 1,950,000 stock options to the consultants, directors and employee of the Company at an exercise price of $0.10 per share at any time until September 20, 2022. The stock options vest and become exercisable over three years (25% on the grant date and 25% on each anniversary of the grant date). On October 20, 2017, the Company cancelled 200,000 stock options granted to the director.

On October 20, 2017, the Company granted 200,000 stock options to an independent consultant at an exercise price of $0.10 per share at any time until October 20, 2022. The stock options vest and become exercisable over three years (25% on the grant date and 25% on each anniversary of the grant date).

On October 10, 2018, the Company granted 100,000 stock options to an investor relations consultant at an exercise price of $0.40 per share at any time until October 10, 2019. The stock options vest immediately.

Expressed in Canadian Dollars

7. SHARE CAPITAL (continued)

Stock Options (continued)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1 - 5 years, volatility of 100%, dividend yield of 0% and risk-free interest rate of 1.63 – 2.12%. During the nine months ended January 31, 2019, the Company recognized share-based compensation of $27,609 (January 31, 2018 - $49,040).

Share Purchase Warrants

As at January 31, 2019, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price		Number of warrants outstanding
August 22, 2017	June 4, 2019	$	0.10	3,249,999
October 12, 2017	June, 4, 2020	$	0.10	5,000,000
October 31, 2017	June 4, 2020	$	0.10	2,000,000
May 31, 2018	May 31, 2020	$	0.10	194,000
September 14, 2018	September 14, 2019	$	0.40	500,000
				10,943,999

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

	January 31, 2019		April 30, 2018	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
Outstanding, beginning of period	10,249,999	$0.10	-	-
Issued	700,000	0.31	10,249,999	$0.10
Exercised	(6,000)	0.10	-	-
Outstanding, end of period	10,943,999	$0.11	10,249,999	$0.10

See Note 13.

Reserves
Reserves include the discount recognized upon the issuance of the promissory note (Note 6) and 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.

8. RELATED PARTY TRANSACTIONS

During the nine months ended January 31, 2019, the Company paid the VP Marketing $12,000 (October 31, 2017: $22,000) in consulting fees, $34,134 (October 31, 2017: $2,812) in administration fees to a party related to a director, recorded professional fees of $6,375 (October 31, 2017: $Nil) to the CFO, and recorded share-based payments of $16,515 (October 31, 2018: $13,517) to directors. As at January 31, 2019, included in accounts payable and accrued liabilities is $nil (April 30, 2018: $1,859) due to the CEO and $10,000 (April 30, 2018: $4,000) due to the VP Marketing. The amounts are non-interest bearing, unsecured and have no set repayment terms.

9. 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) due within 30 days (paid);
- cash payment of USD $200,000 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; and,
- 1% royalty of net sales of all licensed services.
- Reimbursement of 1/3 of $79,871.80 patent costs incurred prior to agreement effective date on or before the 1st anniversary of agreement effective date.
  - Reimbursement of the second 1/3 of patent costs on or before 2nd anniversary.
  - Reimbursement of the third 1/3 of patent costs on or before 3rd anniversary.

9. LICENSING AGREEMENT (continued)

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.

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.

10. DONATION

During the year ended April 30, 2018, the Company donated USD $85,000 (CDN $106,497) to the Regents of the University of California for breast cancer research.

11. 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.

12. 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.

12. FINANCIAL RISK MANAGEMENT (continued)

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.

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

Financial assets included in the statement of financial position are as follows:

		January 31, 2019		April 30, 2018
Loans and receivables:				
Cash	$	353,481	$	471,945
Receivables		9,926		6,500
	$	363,481	$	478,445

Financial liabilities included in the statement of financial position are as follows:

		January 31, 2019		April 30, 2018
Non-derivative financial liabilities:				
Accounts payable and accrued liabilities	$	12,747	$	83,874
	$	12,747	$	83,874

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

13. SUBSEQUENT EVENTS

i. On February 21, 2019, 184,500 agents options priced at $0.10 were exercised for gross proceeds of $18,450.