Izotropic Corporation

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

The accompanying unaudited condensed interim consolidated financial statements of Izotropic Corporation for the six months ended October 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)

	October 31, 2019	April 30, 2019
ASSETS		
Current		
Cash	$ 107,132	$ 308,504
GST receivable	9,638	12,287
Prepaids (Note 4)	26,092	11,727
	142,862	332,518
Equipment (Note 3)	4,892	6,540
TOTAL ASSETS	$ 147,754	$ 339,058
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5, 7)	$ 10,072	$ 22,215
Total liabilities	10,072,	22,215
Shareholders' equity		
Share capital (Note 6)	1,499,503	1,437,003
Reserves (Note 6)	133,322	73,177
Deficit	(1,495,143)	(1,193,337)
Total shareholders' equity	137,682	316,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 147,754	$ 339,058

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 condensed interim consolidated financial statements.

IZOTROPIC CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the six months ended October 31, 2019 and 2018
Expressed in Canadian Dollars
(Unaudited – prepared by management)

	For the three months ended October 31,		For the six months ended October 31,	
	2019	**2018**	**2019**	**2018**
Operating expenses				
Depreciation (Note 3)	**$ 824**	$ 1,649	**$ 1,648**	$ 3,297
Consulting (Note 7)	**9,000**	13,228	**23,308**	19,228
Filing and listing fees	**23**	4,039	**5,818**	35,674
Investor relations (Note 9)	**15,000**	6,000	**20,000**	6,000
Office (Note 7)	**17,105**	14,465	**33,124**	30,202
Professional fees	**67,691**	11,848	**70,323**	41,368
Share-based payments (Notes 6, 7)	**8,759**	21,435	**61,145**	21,435
Travel, promotion and meals	**36,983**	21,730	**87,440**	25,102
Loss and comprehensive loss	**$ 155,385**	$ 94,394	**$ 301,806**	$ 182,306
Basic and diluted loss per share	**$ 0.01**	$ 0.00	**$ 0.01**	$ 0.01
Weighted average number of common shares outstanding – basic and diluted	**23,815,499**	22,762,527	**23,462,211**	21,403,807

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 six months ended October 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, 2018	**20,499,999**	**$ 1,160,000**	**$ 42,563**	**$ (794,800)**	**$ 407,763**
Initial Public Offering	2,000,000	200,000	-	-	200,000
Private placements	500,000	100,000	-	-	100,000
Share issuance costs	-	(44,446)	4,571	-	(39,875)
Agent warranted exercised	6,000	1,971	(1,371)	-	600
Share-based payments	-	-	21,435	-	21,435
Net loss for the period	-	-	-	(182,306)	(182,306)
Balance at October 31, 2018	**23,005,999**	**$ 1,417,525**	**$ 67,198**	**$ (977,106)**	**$ 507,617**

	Share Capital				
	Number of Shares	**Amount**	**Reserves**	**Deficit**	**Total**
Balance at April 30, 2019	**23,190,499**	**$ 1,437,003**	**$ 73,177**	**$ (1,193,337)**	**$ 316,843**
Warrants exercised	625,000	62,500	-	-	62,500
Share-based payments	-	-	60,145	-	60,145
Net loss for the period	-	-	-	(301,806)	(301,806)
Balance at October 31, 2019	**23,815,499**	**$ 1,499,503**	**$ 133,322**	**$ (1,495,143)**	**$ 137,682**

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, 2019 and 2018
Expressed in Canadian Dollars
(Unaudited – prepared by management)

		2019		2018
Operating activities				
Loss for the period	**$**	**(301,806)**	$	(182,306)
Item not affecting cash:				
Depreciation		**1,648**		3,297
Share-based payments		**60,145**		21,435
Changes in non-cash working capital items:				
Amount receivable		**2,649**		(7,536)
Accounts payable and accrued liabilities		**(12,143)**		(61,202)
Prepaid expense		**(14,365)**		(120,510)
Cash flows (used in) operating activities		**(263,872)**		(346,822)
Financing activities				
Proceeds from issuance of shares		**-**		300,600
Warrants exercised		**62,500**		-
Share issuance costs		**-**		(39,875)
Cash flows provided by financing activities		**62,500**		260,725
Increase (decrease) in cash		**(201,372)**		(86,097)
Cash, beginning		**308,504**		471,945
Cash, ending	**$**	**107,132**	$	385,848

Interest paid in cash	**$**	**-**	$	-
Income tax paid in cash	**$**	**-**	$	-
Supplemental cash flow information				
Share subscription receivable	**$**	**-**	$	200,000

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. Izotropic is a public company 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.

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 six months ended October 31, 2019 were authorized for issue by the Board of Directors on December 16, 2019.

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.

Expressed in Canadian Dollars

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

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 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 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, 2019 and therefore, should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2019.

3. EQUIPMENT

		Computer Equipment
Cost:		
At October 31, 2019 and April 30, 2019	$	17,617
Depreciation:		
At April 30, 2018	$	4,537
Change for the year		6,540
At April 30, 2019		11,077
Change for the period		1,648
At October 31, 2019	$	12,725
Net book value:		
At April 30, 2019	$	6,540
At October 31, 2019	$	4,892

Expressed in Canadian Dollars

4. PREPAIDS

The Company's current prepaid expenses consist of membership fees and consulting fees paid in advance of service, insurance premiums for the fiscal year, and retainers for legal fees.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2019	April 30, 2019
Accounts payable	$ 10,072	$ 10,215
Accrued liabilities	-	12,000
Total	$ 10,072	$ 22,215

6. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Issued:

Issued share capital during the six months ended October 31, 2019

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

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

Issued share capital during the year ended April 30, 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 a cash commission of $20,000 and issued 200,000 agent's warrants priced at $0.10 expiring on May 31, 2020The fair value of agent's warrants granted was estimated to be $45,713 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%. The Company incurred other share issuance costs of $19,877 in connection with the IPO.

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 agent's warrants priced at $0.10 were exercised for gross proceeds of $600.

On February 21, 2019, 184,500 agent's warrants priced at $0.10 were exercised for gross proceeds of $18,450.

Expressed in Canadian Dollars

6. SHARE CAPITAL (continued)

Stock Options

On July 1, 2019, the Company entered into an investor relations consulting agreement, for a term of 12 months and granted 200,000 stock options to the consultant priced at $0.36 for a term of one year from date of grant. The stock options vest and become exercisable over one year (25% on the grant date and 25% on each three months anniversary of the grant date).

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.

On January 29, 2019, the Company cancelled 200,000 stock options held by directors that were not fully vested.

On October 10, 2018, the Company cancelled 200,000 stock options held by directors that were not fully vested.

The fair value of stock options granted for the six months ended October 31, 2019 was $60,145 (October 31, 2018 - $21,435), estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1-2 years, volatility of 92-97%, dividend yield of 0% and risk-free interest rate of 1.43-1.47%.

As at October 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	1,350,000	1,012,500
October 20, 2017	October 20, 2022	$	0.10	200,000	150,000
June 1, 2019	May 31, 2021	$	0.30	300,000	300,000
July 1, 2019	May 31, 2020	$	0.36	200,000	-
				2,050,000	1,462,500

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

	October 31, 2019		April 30, 2019	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Outstanding, beginning of period	1,550,000	$0.10	1,950,000	$0.10
Granted	500,000	$0.32	-	-
Cancelled	-	-	(400,000)	0.10
Outstanding, end of period	2,050,000	$0.16	1,550,000	$0.10

Expressed in Canadian Dollars

6. SHARE CAPITAL (continued)

Share Purchase Warrants

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

Date issued	Expiry date	Exercise price		Number of warrants outstanding
October 12, 2017	June, 4, 2020	$	0.20	4,450,000
October 31, 2017	June 4, 2020	$	0.20	2,000,000
May 31, 2018	May 31, 2020	$	0.10	9,500
				6,459,500

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

	October 31, 2019		April 30, 2019	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
Outstanding, beginning of period	10,759,499	$0.18	10,249,999	$0.10
Expired	(3,674,999)	0.14	-	-
Issued	-	-	700,000	0.31
Exercised	(625,000)	0.10	(190,500)	0.10
Outstanding, end of period	6,459,500	$0.20	10,759,499	$0.18

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.

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 certain members of its Board of Directors.

During the six months ended October 31, 2019, the Company paid $18,000 (2018: $nil) to the President and CEO in consulting fees, $nil to the VP Marketing (2018: $12,000) in consulting fees, $25,080 (2018: $24,625) in administration fees and $7,500 in promotional expense to a party related to a director, professional fees of $4,000 (2018: $4,375) to the CFO, and recorded share-based payments of $11,900 (2018: $11,010) to an officer of the Company. As at October 31, 2019, included in accounts payable and accrued liabilities is $10,000 (April 30, 2019: $10,000) due to the VP Marketing and included in prepaids is $3,150 (April 30, 2019: $nil) advanced to the CEO. The amounts are non-interest bearing, unsecured and have no set repayment terms.

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) 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 USD 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.

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. 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.

9. COMMITMENTS

On July 1, 2019, the Company entered into an investor relations consulting agreement, for a term of 12 months at $5,000 per month and granted 200,000 stock options to the consultant priced at $0.36 for a term of one year from date of grant.

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.

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.

11. FINANCIAL RISK MANAGEMENT (continued)

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.