



Consolidated Financial Statements

For the years ended April 30, 2024 and 2023
(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, 2024 and 2023, and the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (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, 2024 and 2023, 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 indicates that the Company's proposed business involves a high degree of risk and as of April 30, 2024, the Company's current liabilities exceeded its total assets by \$3,897,104. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that 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.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Surrey

200 - 1688 152 St.
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Tri-Cities

700 - 2755 Lougheed Hwy
Port Coquitlam, BC V3B 5Y9
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Victoria

320 - 730 View St.
Victoria, BC V8W 3Y7
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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "DMCL." The letters are bold and slightly slanted, with a small dot under the "L".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

August 26, 2024

IZOTROPIC CORPORATION

Consolidated Statements of Financial Position

As at April 30, 2024 and 2023

(Expressed in Canadian dollars)

	Notes	2024	2023
		\$	\$
Assets			
Current			
Cash and cash equivalents		38,602	165,685
GST recoverable		-	13,406
Prepaid expenses and deposits	3	127,624	138,253
		166,226	317,344
Property and equipment	4	66,150	124,769
Total assets		232,376	442,113
Liabilities			
Current			
Accounts payable and accrued liabilities	5.9	2,022,240	1,376,948
Promissory notes	6	2,000,000	2,050,000
Lease liability	7	41,090	33,223
		4,063,330	3,460,171
Lease liability	7	15,300	55,701
Total liabilities		4,078,630	3,515,872
Shareholders' deficit			
Share capital	8	14,090,857	13,353,439
Reserves	8	1,163,342	1,665,674
Accumulated other comprehensive loss		(2,570)	(822)
Deficit		(19,097,883)	(18,092,050)
Total shareholders' deficit		(3,846,254)	(3,073,759)
Total liabilities and shareholders' deficit		232,376	442,113
Nature of operations and going concern	1		
Subsequent events	6, 16		

Approved on behalf of the Board of Directors:

(Signed) "Bob Thast"

Director

(Signed) "Ralph Procevia"

Director

IZOTROPIC CORPORATION

Consolidated Statements of Comprehensive Loss

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

	Notes	2024	2023
		\$	\$
Operating expenses			
Consulting fees	9	467,178	720,727
Depreciation	4	59,073	30,883
Filing and regulatory fees		73,813	79,473
Investor relations		-	25,300
Office		67,319	68,627
Professional fees	9	120,049	446,656
Research and development	9,10	795,158	2,393,510
Share-based compensation	8(d), 8(e), 9	80,276	1,148,157
Travel and promotion		36,333	427,655
Loss before other items		(1,699,199)	(5,340,988)
Other items			
Accretion	6, 7	(11,111)	(47,457)
Interest	6	(242,000)	(246,955)
Foreign exchange loss		(37,046)	(25,750)
Gain on debt forgiveness	9(c)	428,000	-
		137,843	(320,162)
Net loss		(1,561,356)	(5,661,150)
Other comprehensive loss			
Foreign currency translation		(1,748)	(822)
Comprehensive loss		(1,563,104)	(5,661,972)
Net loss per share - basic and diluted		(0.03)	(0.11)
Weighted average number of shares outstanding		53,860,543	50,091,083

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

IZOTROPIC CORPORATION

Consolidated Statements of Changes in Shareholders' Deficit

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

	Notes	Share capital		Reserves			Accumulated Other Comprehensive			
		Number	Amount	Options	RSUs/PSUs	Warrants	Total Reserves	Loss	Deficit	Total
		#	\$				\$	\$	\$	\$
Balance, April 30, 2023		51,855,021	13,353,439	1,251,570	348,584	65,520	1,665,674	(822)	(18,092,050)	(3,073,759)
Shares issued for cash	8(b)(i)	2,841,325	681,918	-	-	28,415	28,415	-	-	710,331
Shares issued on vested RSUs	8(b)(ii)	300,000	55,500	-	(55,500)	-	(55,500)	-	-	-
Forfeited RSUs and PSUs	8(e)(i)	-	-	-	(348,584)	-	(348,584)	-	348,584	-
Forfeited and expired options	8(d)	-	-	(206,939)	-	-	(206,939)	-	206,939	-
Share-based compensation	8(d)	-	-	24,776	55,500	-	80,276	-	-	80,276
Comprehensive loss for the year		-	-	-	-	-	-	(1,748)	(1,561,356)	(1,563,104)
Balance, April 30, 2024		54,996,346	14,090,857	1,069,407	-	93,935	1,163,342	(2,570)	(19,097,883)	(3,846,256)
Balance, April 30, 2022		44,841,454	11,278,117	1,571,490	583,324	172,477	2,327,291	-	(13,979,997)	(374,589)
Shares issued for cash	8(b)(iii)	2,500,000	1,000,000	-	-	-	-	-	-	1,000,000
Share issuance costs	8(b)(iii)	-	(62,071)	-	-	24,129	24,129	-	-	(37,942)
Warrants exercised	8(c)	3,900,000	780,000	-	-	-	-	-	-	780,000
Broker warrants exercised	8(b)	51,067	61,136	-	-	(33,049)	(33,049)	-	-	28,087
Expired broker warrants	8(c)	-	-	-	-	(98,037)	(98,037)	-	98,037	-
Stock options exercised	8(d)	375,000	65,632	(21,132)	-	-	(21,132)	-	-	44,500
Forfeited and expired options	8(d)	-	-	(1,266,560)	-	-	(1,266,560)	-	1,266,560	-
Shares issued on vested RSUs	8(e)	187,500	230,625	-	(415,125)	-	(415,125)	-	184,500	-
Share-based compensation	8(d)(e)	-	-	967,772	180,385	-	1,148,157	-	-	1,148,157
Comprehensive loss for the year		-	-	-	-	-	-	(822)	(5,661,150)	(5,661,972)
Balance, April 30, 2023		51,855,021	13,353,439	1,251,570	348,584	65,520	1,665,674	(822)	(18,092,050)	(3,073,759)

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

IZOTROPIC CORPORATION

Consolidated Statements of Cash Flows

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

	2024	2023
	\$	\$
Operating activities		
Net loss for the year	(1,561,356)	(5,661,150)
Items not affecting cash		
Depreciation	59,073	30,883
Accrued interest expense	176,000	246,955
Accretion	11,111	47,457
Share-based payments	80,276	1,148,157
Gain on debt settlement	428,000	-
Changes in non-cash working capital items:		
GST recoverable	13,406	27,855
Prepaid expenses and deposits	10,629	213,961
Accounts payable and accrued liabilities	189,290	679,478
Cash flows used in operating activities	(593,571)	(3,266,404)
Investing activities		
Purchase of property and equipment	-	(36,184)
Cash flows used in investing activities	-	(36,184)
Financing activities		
Shares issued for cash, net of share issue costs	710,331	1,814,645
Repayment of promissory notes	(50,000)	-
Interest paid on promissory notes	(148,000)	(184,500)
Payment of lease liability	(44,150)	(17,682)
Cash flows provided by financing activities	468,181	1,612,463
Decrease in cash	(125,390)	(1,690,125)
Effect of foreign currency translation on cash	(1,693)	(763)
Cash and cash equivalents, beginning of year	165,685	1,856,573
Cash and cash equivalents, end of year	38,602	165,685
Cash and cash equivalents consist of:		
Cash	9,852	136,935
GIC	28,750	28,750
Supplementary cash flow information		
Right-of-use asset addition	-	100,102

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

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

1. Nature of operations and going concern

(a) Nature 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. The common shares of Izotropic are listed on the Canadian Securities Exchange in Canada under the symbol “IZO”, on the OTC markets in the USA under the symbol “IZOZF” and the Frankfurt Stock Exchange in Germany under the symbol “1R3”.

On April 25, 2017, the Company entered into an agreement with the Regents of the University of California for an Exclusive License Agreement related to breast cancer detection and treatment (Note 11).

(b) Going concern

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. At April 30, 2024, the Company had a working capital deficiency of \$3,897,104 (2023 - \$3,142,827) and has no sources of cash from operations. 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. Material accounting policy information

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation currency of the Company is the Canadian dollar.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(a) Basis of presentation (continued)

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 26, 2024.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following controlled entities:

Entity	Ownership	Jurisdiction	Functional Currency
Izotropic Imaging Corp.	100%	Nevada, USA	US Dollar
Izotropic Development Corp.	100%	California, USA	US Dollar

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial results of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

(c) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. The functional currencies of the Company's subsidiaries are outlined in Note 2(b).

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences arising on the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on deposit with banks, demand deposits, and money market instruments with maturities of three months or less, which are readily convertible into cash and are subject to insignificant changes in value.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(e) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, except in the year of acquisition, where the amortization is pro-rated over the period the asset is held as follows:

Computer software and hardware	2 years
Furniture and fixtures	5 years
Leasehold improvements	term of lease

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

(f) Leased assets

The Company has entered into a lease agreement for its corporate office located in Sacramento, California. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(f) Leased assets (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(g) 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. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from share capital. Proceeds received for shares that have not yet been issued as at the reporting date are recorded as share subscriptions.

Shares issued for non-monetary consideration are recorded at fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Warrants issued as purchase consideration in non-monetary transactions are recorded at fair value using the Black-Scholes Option Pricing Model and warrants issued as part of a private placement unit are valued using the residual method.

(h) Share-based compensation

Stock Options

Stock options issued to employees are measured at fair value at the grant date and are recognized as an expense over the relevant vesting periods with a corresponding credit to share reserves.

Stock options issued to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. The fair value of non-employee stock options is recorded as an expense at the date the goods or services are received with a corresponding credit to share reserves.

When the stock options are forfeited, expired or cancelled unexercised, the amount previously recognized in the reserve is transferred to deficit.

The fair value of options is calculated using the Black-Scholes Option Pricing Model. When determining the fair value of stock options, management is required to make certain assumptions and estimates related to expected lives, volatility, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(h) Share-based compensation (continued)

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of stock options, proceeds received from stock option holders are recorded as an increase to share capital and the related share reserve is transferred to share capital.

Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs")

RSUs are equity-settled share-based payments. RSUs are measured at their fair value on the date of grant based on the closing price of the Company's shares on the date prior to the grant, and is recognized as share-based compensation expense over the vesting period with a corresponding credit to share reserves.

Under IFRS, the Company's DSUs and PSUs are classified as equity-settled share-based payment transactions as they are settled in either cash or common shares at the sole discretion of the Company. As such, the DSUs and PSUs are measured in the same manner as RSUs.

The amount recognized for services received as consideration for the RSUs, DSUs and PSUs granted is based on the number of equity instruments that eventually vest. Upon the release of RSUs, DSUs and PSUs, the related share reserve is transferred to share capital.

(i) Loss per share

The Company calculates basic earnings or loss per share by dividing net income or loss by the weighted average number of common shares outstanding during the reporting period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

Diluted earnings per share is computed in a manner similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from restricted and deferred stock units and the assumed exercise of stock options and warrants, if dilutive.

(j) Financial instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVOCI") or at amortized cost.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(j) Financial instruments (continued)

The Company determines the classification of financial assets at initial recognition. The classification of financial assets is generally based on the business model in which the financial assets are managed 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 FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 the Company has opted to measure them at FVTPL.

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognized in profit or loss. Transaction costs are expensed as incurred.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(j) Financial instruments (continued)

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial liabilities at amortized cost	These are subsequently measured at amortized cost using the effective interest method. Other financial liabilities are derecognized, when the obligations are discharged, cancelled or expired.
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The following table shows the classification of financial instruments under IFRS 9:

Financial asset/liabilities	IFRS 9 Classification
Cash and cash equivalent	FVTPL
Accounts payable	Amortized costs
Promissory notes	Amortized costs

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost the Company applies the expected credit loss model. 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 recognizes in profit or 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.

(k) Research and development

Research expenditures undertaken with the prospect of gaining new scientific or technical knowledge are expensed as incurred. Development expenditures are deferred when they meet the criteria for capitalization in accordance with IFRS, and the future benefits could be regarded as being reasonably certain. The criteria to be fulfilled in order to capitalize development costs are if such costs can be measured reliably, if the product or process is technically and commercially feasible, if future economic benefits are probable and if the Company intends to and has sufficient resources to complete the development and to use or sell the asset. As at April 30, 2024 and 2023, no development costs were deferred.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

(l) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise judgments and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

Estimates and associated assumptions are based on historical experience and other factors. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated for reasonableness and relevancy. Where revisions to accounting estimates are required, they are recognized in the period in which the estimates are revised for the current as well as future periods that are affected.

The Company has identified the following areas where significant estimates, assumptions and judgments are made and where actual results may differ from the estimates under different assumptions and conditions and may materially affect financial results of the Company reported in future periods.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2. Material accounting policy information (continued)

- (m) Significant accounting judgments, estimates and assumptions (continued)

Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes Option Pricing Model as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of the Company's share price, expected life of options, rate of forfeiture of awards granted, changes in subjective input assumptions can materially affect the fair value estimate.

Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

Functional currencies

The determination of an entity's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each entity within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each entity.

- (n) New accounting pronouncements

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

3. Prepaid Expenses and Deposits

	2024	2023
	\$	\$
Consulting	-	95,833
Filing and regulatory fees	9,923	12,272
Insurance	1,898	1,944
Lease	3,373	3,060
Legal retainers	-	6,505
Research and development	5,178	1,387
Promotional services	107,252	17,252
	127,624	138,253

4. Property and Equipment

	Furniture and equipment	Right-of-use lease asset (a)	Leasehold improvement	Total
	\$	\$	\$	\$
Cost				
Balance, April 30, 2022	41,845	-	-	41,845
Additions (Note 7)	20,729	100,102	15,455	136,286
Foreign currency translation	-	683	70	753
Balance, April 30, 2023	62,574	100,785	15,525	178,884
Foreign currency translation	-	1,247	192	1,439
Balance, April 30, 2024	62,574	102,032	15,717	180,323
Accumulated depreciation				
Balance, April 30, 2022	22,858	-	-	22,858
Depreciation	13,164	14,955	2,764	30,883
Foreign currency translation	-	315	59	374
Balance, April 30, 2023	36,022	15,270	2,823	54,115
Depreciation	16,785	36,446	5,842	59,073
Foreign currency translation	-	845	140	985
Balance, April 30, 2024	52,807	52,561	8,805	114,173
Net book value				
Balance, April 30, 2023	26,552	85,515	12,702	124,769
Balance, April 30, 2024	9,767	49,471	6,912	66,150

- (a) The Company entered into a property lease on June 9, 2022 for a research and development facility in Sacramento, California. The lease was effective December 1, 2022 and expires on August 31, 2025 (Note 7).

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

5. Accounts Payable and Accrued Liabilities

	2024	2023
	\$	\$
Accounts payable	1,791,957	1,145,942
Accrued interest (Note 6)	176,000	82,000
Accrued liabilities	41,000	149,006
GST payable	13,283	-
	2,022,240	1,376,948

6. Promissory Notes

	\$
Balance, April 30, 2022	2,028,154
Interest	246,955
Accretion	41,391
Interest payments	(184,500)
Accrued interest	(82,000)
Balance, April 30, 2023	2,050,000
Repayment of principal	(50,000)
Balance, April 30, 2024	2,000,000

On April 1, 2022, the Company completed an offering (the "Offering") of unsecured promissory notes ("Notes") in the aggregate principal amount of \$2,050,000. The Notes bear interest at 12% per annum and matured on March 31, 2023. Pursuant to the Offering, the Company issued 826,613 warrants exercisable at a price of \$0.62 per share expiring March 31, 2025. The Company calculated the present value of the Notes of 2,008,609, discounted by the Company's incremental borrowing rate of 15%. The residual value of \$41,391 was allocated to the warrants and recorded in reserves.

During the year ended April 30, 2024, the Company paid or accrued interest of \$242,000 (2023 - \$246,955) on the Notes, of which, \$176,000 was included in accrued liabilities as of April 30, 2024 (2023 - \$82,000).

As at April 30, 2024, the remaining Note was in default and was due and payable on demand. Subsequent to April 30, 2024, the Company entered into an amended loan agreement and promissory note dated June 30, 2024 ("Amended Note"). The Amended Note is secured and matures on September 30, 2024. In consideration for the extension, the Company shall accrue an extension fee of 5% of the principal amount of the Note every 6 months retroactive from April 1, 2023, of which \$200,000 is to be accrued as of the date of the agreement (calculated from April 1, 2023 to March 31, 2024) and another \$100,000 on September 30, 2024. In addition, the Company issued 9,660,000 warrants exercisable at \$0.10 per share expiring July 19, 2029.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

7. Lease Liability

The changes in the carrying value of current and non-current lease liabilities are as follows:

	\$
Balance, April 30, 2022	-
Lease liability recognized	100,102
Lease payments	(17,682)
Accretion	6,066
Foreign currency translation	438
Balance April 30, 2023	88,924
Lease payments	(44,150)
Accretion	11,111
Foreign currency translation	505
Balance April 30, 2024	56,390
Current portion	41,090
Long-term	15,300

The remaining life of the Company's property lease as of April 30, 2024 was 1.34 years. Lease payments were discounted using an incremental borrowing rate of 15%.

The minimum annual lease payments, undiscounted, are as follows:

Years ending April 30,	\$
2025	45,738
2026 and after	15,422
	61,160

8. Share capital

(a) Authorized

The authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued and outstanding

As at April 30, 2024, the Company's outstanding share capital consisted of 54,996,346 (2023 – 51,855,021) issued and fully paid common shares.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

8. Share capital (continued)

(b) Issued and outstanding (continued)

The following shares were issued during the year ended April 30, 2024:

- (i) On September 20, 2023, the Company completed a private placement of 2,841,325 units at \$0.25 per unit for gross proceeds of \$710,331. Each unit consisted of one common share and one warrant exercisable at \$0.50 per share until September 20, 2025. A residual value of \$28,415 was attributed to the warrants issued.
- (ii) 300,000 common shares were issued pursuant to vested RSUs. The fair value of the RSUs of \$55,500 was reclassified from reserves to share capital on the issuance of these shares.

The following shares were issued during the year ended April 30, 2023:

- (iii) On November 10, 2022, the Company completed a non-brokered private placement of 2,500,000 units at a price of \$0.40 per unit for gross proceeds of \$1,000,000 (the "Offering"). Each unit consisted of one common share and one-half of one transferable common share purchase "A" warrant (each whole "A" warrant, an "A" Warrant) and one-half of one transferable common share purchase "B" warrant (each whole "B" warrant, a "B" Warrant) of the Company. Each A Warrant and B Warrant is exercisable into one common share at a price of \$0.70 and \$0.80 per share, respectively, for a period of two years from the date of issuance.

Total share issue costs with respect of the Offering were \$62,071 which consisted of finder's fees of \$25,942, professional fees of \$12,000 and 64,855 broker's warrants with a fair value of \$24,129. The broker's warrants are exercisable at a price of \$0.40 per share for a period of two years. The fair value of the broker's warrants was estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk free rate of 3.82%; dividend yield of 0%; stock price volatility of 87.96%; and an expected life of 2 years.

- (iv) An aggregate of 375,000 common shares were issued at a weighted average exercise price of \$0.12 per share for gross proceeds of \$44,500 pursuant to options exercises. The fair value of the options of \$21,132 was reclassified from reserves to share capital on the exercise of these options.
- (v) 187,500 common shares at a fair value of \$230,625 were issued for vested RSUs. The fair value of the RSUs of \$230,625 was reclassified from reserves to share capital on the issuance of these shares.
- (vi) An aggregate of 3,900,000 common shares were issued at a price of \$0.20 per share for gross proceeds of \$780,000 pursuant to warrants exercises.
- (vii) An aggregate of 51,067 common shares were issued at a price of \$0.55 per share for gross proceeds of \$28,087 pursuant to broker warrants exercises. The fair value of the broker warrants of \$33,049 was reclassified from reserves to share capital on the exercise of these warrants.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

8. Share capital (continued)

(c) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

	Warrants	Weighted average exercise price
	#	\$
Balance, April 30, 2022	13,486,753	0.68
Issued	2,564,855	0.74
Exercised ⁽¹⁾	(3,951,067)	0.20
Expired ⁽²⁾	(8,709,073)	0.90
Balance, April 30, 2023	3,391,468	0.72
Issued	2,841,325	0.50
Balance, April 30, 2024	6,232,793	0.62

(1) The weighted average price of the shares on the dates of exercise of the warrants was \$0.50.

(2) This includes 156,294 expired broker warrants at a weighted average price of \$0.93 per share. The fair value of expired warrants of \$98,037 was reclassified from reserves to deficit.

As at April 30, 2024, the weighted average contractual life of the warrants was 0.97 year (2023 – 1.63 years).

The following table summarizes the warrants outstanding as at April 30, 2024:

Exercise Price	Expiry date	Warrants
\$		#
0.40	November 10, 2024	64,855
0.70	November 10, 2024	1,250,000
0.80	November 10, 2024	1,250,000
0.62	March 31, 2025	826,613
0.50	September 20, 2025	2,841,325
		6,232,793

(d) Stock Options

The Company has a Stock Option Plan which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants stock options (“Options”) to purchase common shares of the Company. The aggregate maximum number of common shares that may be issued under the Option Plan upon the exercise of Options shall not exceed 10% of the Company’s issued and outstanding common shares from time to time.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

8. Share capital (continued)

(d) Stock options (continued)

A summary of the status of the options outstanding is as follows:

	Stock options	Weighted average exercise price
	#	\$
Balance, April 30, 2022	3,475,000	0.52
Granted	2,160,000	0.61
Exercised ⁽¹⁾	(375,000)	0.12
Forfeited ⁽²⁾	(100,000)	0.84
Expired ⁽²⁾	(2,100,000)	0.59
Balance, April 30, 2023	3,060,000	0.59
Granted	400,000	0.275
Forfeited ⁽³⁾	(200,000)	0.20
Expired ⁽³⁾	(450,000)	0.74
Balance, April 30, 2024	2,810,000	0.55

⁽¹⁾ The weighted average price of the shares on the dates of exercise of the Options was \$0.45.

⁽²⁾ The aggregate fair value of forfeited and expired options of \$1,266,560 was reclassified from reserves to deficit.

⁽³⁾ The fair values of forfeited options of \$22,761 and expired options of \$184,178 were reclassified from reserves to deficit

The following table summarizes the Options outstanding and exercisable as at April 30, 2024:

Exercise Price	Expiry date	Options outstanding	Options exercisable
\$		#	#
0.37	February 11, 2025	150,000	150,000
0.275	June 26, 2025	400,000	400,000
0.65	March 10, 2027	100,000	100,000
0.61	October 31, 2027	2,160,000	2,160,000
		2,810,000	2,810,000

As at April 30, 2024, the weighted average contractual life of the stock options was 1.58 years (2023 – 2.01 years).

During the year ended April 30, 2024, the Company recorded share-based compensation of \$24,776 (2023 – \$967,772) for stock options granted and vested during the period.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

8. Share capital (continued)

(d) Stock options (continued)

The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model based on the following assumptions at the time of grant:

	2024	2023
Risk-free annual interest rate	4.43%	3.54%
Expected annual dividend yield	0%	0%
Expected stock price volatility	104.9%	96.7%
Expected life of options (years)	1.62	5.00

The fair value of stock options granted during the year ended April 30, 2024 was \$0.06 (2023 - \$0.45) per option.

(e) Long-term Incentive Plan

The Company has a long-term incentive plan (the "LTIP") which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, key employees and consultants of the Company, LTIP in the form of restricted share units, performance share units and deferred share units. The LTIP provides that the aggregate maximum number of common shares that may be issued upon the settlement of awards granted under the LTIP shall not exceed 2,996,549 common shares.

(i) Restricted stock units ("RSU's")

Each RSU gives the participant the right to receive one common share of the Company. A summary of the status of the RSUs outstanding is as follows:

	RSU	Weighted average issue price
	#	\$
Balance, April 30, 2022	287,500	1.23
Vested ⁽¹⁾	(187,500)	1.23
Balance, April 30, 2023	100,000	1.23
Forfeited ⁽²⁾	(100,000)	1.23
Awarded	300,000	0.19
Vested ⁽¹⁾	(300,000)	0.19
Balance, April 30, 2024	-	-

⁽¹⁾ The weighted average closing price of the Company's shares on the dates of issuance of shares was \$0.19 (2023 - \$0.43).

⁽²⁾ The fair value of forfeited RSUs of \$69,579 was reclassified from reserves to deficit.

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

8. Share capital (continued)

(e) Long-term Incentive Plan (continued)

(i) Restricted stock units ("RSU's") (continued)

During the year ended April 30, 2024, the Company recorded share-based compensation of \$55,500 (2023 – \$60,010) for RSUs awarded and vested during the period.

The fair value of the RSUs awarded during the year ended April 30, 2024 was \$0.19 (2023 - \$Nil) per share.

(ii) Performance Stock Units ("PSUs")

A summary of the status of the PSUs outstanding is as follows:

	PSU #	Weighted average issue price \$
Balance, April 30, 2022 and 2023	500,000	1.23
Forfeited ⁽¹⁾	(500,000)	1.23
Balance, April 30, 2024	-	-

⁽¹⁾ The fair value of forfeited PSUs of \$279,005 was reclassified from reserves to deficit.

During the year ended April 30, 2024, the Company recorded share-based compensation of \$Nil (2023 – \$120,375) for PSUs vested during the period.

9. 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. Key management compensation for the years ended April 30, 2024 and 2023 consisted of:

(a) Compensation of key management personnel

	2024	2023
	\$	\$
Interim President, CEO and Director ⁽¹⁾ Note 9(c)	279,000	274,000
Corporate Secretary ⁽²⁾	-	57,500
COO ⁽³⁾	614,975	497,435
Former President & CEO ⁽⁴⁾	30,000	360,000
Former CFO ⁽⁵⁾	-	68,000
	923,975	1,256,935

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023

(Expressed in Canadian dollars)

9. Related party transactions (continued)

(a) Compensation of key management personnel (continued)

	2024	2023
Share-based compensation ⁽⁶⁾	-	336,476

- ⁽¹⁾ Paid or incurred to a company controlled by a director and Interim President & CEO of the Company. Of this amount, \$270,000 (2023 - \$220,500) was allocated to a director and Interim President & CEO of the Company for business development services, strategic capital markets and corporate strategic financing advisory services, \$Nil (2023 - \$49,500) was allocated to the Company's Corporate Secretary for corporate secretarial, office administration, accounting, shareholder communications, marketing and branding services and \$9,000 to rent (2023 - \$4,000). See Note 9(c)
- ⁽²⁾ Paid to the Corporate Secretary of the Company for corporate secretarial, office administration, accounting, shareholder communications, marketing and branding services.
- ⁽³⁾ Included consulting fees under research and development of \$614,975 during the year ended April 30, 2024 (2023 - \$497,435).
- ⁽⁴⁾ Included consulting fees under research and development of \$30,000 during the year ended April 30, 2024 (2023 - \$360,000).
- ⁽⁵⁾ Included consulting fees of \$nil during the year ended April 30, 2024 (2023 - \$68,000).
- ⁽⁶⁾ Share-based compensation represents the fair value of options and RSUs/PSUs granted and vested to directors and officers of the Company.

(b) Related party balances

As at April 30, 2024, included in accounts payable and accrued liabilities were amounts due to directors and officers of \$1,039,924 (2023 - \$583,649). The amounts are unsecured, non-interest-bearing and without fixed terms of repayment.

During the year ended April 30, 2024, the Interim President & CEO and Corporate Secretary of the Company forgave all amounts due to them of \$428,000, of which \$270,000 relates to unpaid management and consulting fees and \$9,000 relates to rent for fiscal 2024 (2023 - \$149,000). See Note 9(a)⁽¹⁾

IZOTROPIC CORPORATION

Notes to Consolidated Financial Statements

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10. Research and development

For the years ended April 30, 2024 and 2023, the Company's research and development costs consisted of the following:

	2024	2023
	\$	\$
Clinical study	36,005	114,368
Consulting	124,354	493,900
Contractor fees	597,876	1,355,069
Freight and logistics	-	34,893
Materials	15,284	318,353
Patient maintenance	8,711	12,384
Software	12,928	64,543
	795,158	2,393,510

11. License Agreement

On April 25, 2017, the Company entered into a license agreement (the "License Agreement") with the Regents for the University of California (the "Licensor") which granted the Company an exclusive worldwide license for the Biopsy Systems for breast computed tomography patent and other related patents ("Licensed Patent Rights").

In consideration for the license, the Company paid an aggregate of US\$210,000 (CAD \$275,639) and reimbursed US\$79,872 of patent costs to the Licensor. In addition, the Company agreed to pay the Licensor:

- 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 sales of all products produced by the Licensee in connection with the License Agreement and sold by the Company in the U.S.;
- 3% of net sales from the sale of the first 15 commercial sales of all products produced by the Licensee in connection with the License Agreement in any other country excluding the U.S.; and
- 1% royalty of net sales of all methods and services sold by the Licensee in connection with the License Agreement.

Under the License Agreement, the Company may grant a sublicense to affiliates of the Company, or to third parties. The Company has agreed to pay the Licensor 25% of any cash consideration, or the cash equivalent of any other form of consideration, due to the Licensee for the grant of rights under a sublicense.

Under the License Agreement, the Company is obligated to further development, manufacture, marketing and sale of products, methods, and services offered by the Company in connection with the License Agreement in quantities sufficient to meet the market demand ("Milestones") as follows:

- submit an application covering a product or service to the U.S. Food and Drug Administration ("FDA") or equivalent foreign agency by June 30, 2018. The timeline to accomplish this condition was later revised and extended and the Company initially engaged with the FDA in the third quarter of 2020;

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Notes to Consolidated Financial Statements

Years ended April 30, 2024 and 2023
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11. License Agreement (continued)

- obtain FDA or equivalent foreign agency approval by December 31, 2021. This condition has also been revised and timeline extended for up to 7 years. The Company will make annual payments of up to \$15,000 until this milestone is accomplished; and
- achieve commercial sale and fill the market demand by June 30, 2022. This milestone timeline has also been revised for up to 7 years based on a number of factors.

If the Company is unable to meet any of the above License Agreement Milestones, the Company has the right to extend the target date of any of the above Milestones by 1 year upon payment of US\$10,000 to the Licensor. The Company has a further right to extend the target date of any Milestones for an additional 1 year for US\$15,000. Under the License Agreement, the total period of time to complete any Milestone must not exceed seven years from the date of the License Agreement, unless the parties mutually agree in writing otherwise. If the Company does not complete a Milestone and does not opt to extend the period to complete the Milestone, or opts to extend the period to complete the Milestone and does not complete the Milestone within the extended time period, then the Licensor has the right to terminate the License Agreement, or reduce the Company's exclusive License to a non-exclusive license.

12. Fair value of financial instruments

As at April 30, 2024, the Company's financial instruments consist of cash and cash equivalents measured at FVTPL and accounts payable and promissory note which were measured at amortized cost. The carrying amounts of cash and cash equivalents and accounts payable approximate fair value due to their immediate or short-term maturity. The carrying values of promissory note was measured at the effective interest rate which approximate fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

During the year, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

Cash was measured using Level 1 inputs.

IZOTROPIC CORPORATION

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13. Financial instruments risk

The Company is exposed to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

(a) Credit risk

Credit risk is the risk of a potential loss to the Company associated with a counterparty's inability to fulfill its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and other assets. The risk for cash and cash equivalent balances are mitigated by holding these instruments with highly rated and reputable Canadian financial institutions. Credit risk is low.

(b) Liquidity risk

As at April 30, 2024, the Company's contractual obligations consist of:

	Total	<1 year	1 - 3 years	3 – 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,022,240	2,022,240	-	-
Promissory notes	2,000,000	2,000,000	-	-
Lease liability	61,160	45,738	15,422	-
	4,083,400	4,067,978	15,422	-

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities as they come due. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. As at April 30, 2024, the Company had working capital deficiency of \$3,897,104 (2023 – \$3,142,827). The Company is pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and development of its product. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. Liquidity risk is high. Note 1(b)

(c) Currency risk

Currency risk is related to the fluctuation of the exchange rates of currencies different of functional currency of the Company (Canadian Dollars). The Company's exposure to currency risk arises from its operations in the US where payments to vendors and consultants are in local currency. Further, the Company holds a portion of its cash in US dollars ("USD"). To manage this risk, the Company holds as small of an amount as practical in foreign currencies.

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than their functional currency. The results of the Company's operations are subject to currency transaction and translation risks.

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13. Financial instruments risk (continued)

The Company holds cash in Canadian and US dollars. The Company's main risk is associated with fluctuations in the US dollars and assets and liabilities are translated based on the foreign currency translation policy described in Note 2(c). Credit risk is medium.

(c) Currency risk (continued)

The Company has determined that an effect of a 10% increase or decrease in the USD against the Canadian dollar on financial assets and liabilities, as at April 30, 2024, including cash, accounts payable and accrued liabilities and lease liability denominated in USD, would result in an increase or decrease of approximately \$141,794 (2023 - \$77,049) to the net loss and comprehensive loss for the year April 30, 2024.

At April 30, 2024, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Currency risk is medium.

(d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at April 30, 2024, the Company did not have any financial instruments subject to significant interest rate risk.

14. 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.

15. Income taxes

The Company and its subsidiaries are subject to income taxes in Canada and US on its taxable income as reported in its statutory accounts at a tax rate in accordance with the relevant income tax laws.

A reconciliation of the combined taxes at statutory rates and the Company's effective income tax expense is as follows:

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15. Income taxes (continued)

	2024	2023
	\$	\$
Net loss before tax	(1,561,356)	(5,661,150)
Statutory tax rate	27%	27%
Income tax recovery at statutory rate	(421,566)	(1,528,511)
Increase (reduction) in income taxes:		
Deductible and non-deductible items	(58,873)	331,267
Change in tax assets not recognized	482,488	1,199,293
Share issuance costs	(2,049)	(2,049)
Total income tax recovery	-	-

Deferred income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The Company has temporary differences between the tax and accounting bases of assets.

The temporary differences that give rise to deferred income tax assets (liabilities) at April 30, 2024 and 2023, are as follows:

	2024	2023
		\$
Losses carried forward	3,384,089	2,888,629
Share issuance costs	6,147	19,119
Deferred tax assets not recognized	(3,390,236)	(2,907,748)
	-	-

The Company has Canadian non-capital losses carried forward of approximately \$12,533,664 as at April 30, 2024. The non-capital losses expire from 2038 to 2044.

16. Subsequent event

Subsequent to April 30, 2024, the Company closed a non-brokered private placement of 1,800,000 units at \$0.10 per unit for gross proceeds of \$180,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.25 per share expiring June 14, 2027.