



COGNETIVITY NEUROSCIENCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
For the period ended April 30, 2021 and 2020
(EXPRESSED IN CANADIAN DOLLAR)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Cognetivity Neurosciences Ltd. for the three months ended April 30, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the interim financial statements by an entity's auditor

Cognetivity Neurosciences Ltd.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	Note	April 30, 2021	January 31, 2021
		\$	\$
ASSETS			
Current			
Cash		1,298,882	1,359,851
Due from related parties		14,562	14,939
Interest and tax receivable		119,650	67,402
Prepays		330,953	309,013
Total Current Assets		1,764,047	1,751,205
Equipment	5	50,006	44,415
Intangible assets	6	120,005	32,179
TOTAL ASSETS		1,934,058	1,827,799
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		799,509	637,299
Convertible debentures	7	319,179	313,658
Due to related parties	9	20,312	13,931
		1,139,000	964,888
Non-Current Liabilities			
Loan Facility	10	553,125	-
Total Liabilities		1,692,125	964,888
SHAREHOLDERS' EQUITY			
Common shares	8	10,136,304	9,873,571
Equity portion of convertible debentures	7	34,851	34,851
Reserves	8	1,801,235	1,821,894
Deficit		(11,714,148)	(10,837,531)
Accumulative other comprehensive income (loss)		(16,309)	(29,874)
Total Shareholders' Equity (Deficiency)		241,933	862,911
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,934,058	1,827,799

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

Approved on Behalf of the Board of Directors on June 29, 2021:

"Sina Habibi" Director
Sina Habibi

"David Velisek" Director
David Velisek

The accompanying notes are integral to these interim condensed consolidated financial statements.

Cognetivity Neurosciences Ltd.**Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**
(Expressed in Canadian dollars, except per share amounts)

		For the Periods Ended April 30,	
	Notes	2021	2020
		\$	\$
Expenses			
Accretion expenses	7	5,521	20,410
Consulting fees		170,932	121,792
Depreciation	6	4,790	2,575
Foreign exchange loss (gain)		184	14
General and administration		25,524	37,332
Marketing and advertising		269,302	33,250
Professional fees		18,147	20,341
Rent		31,735	30,346
Research and development		129,768	(307,071)
Salaries and benefits		313,184	174,992
Share-based payment	8	41,279	19,370
Transfer agent and regulatory		11,453	13,193
Travel		2,182	3,237
		(1,024,001)	(169,781)
Other Income (Expense)			
Interest income (expense)		(2,348)	8
Other income (expense)	11	149,732	-
Net Loss		(876,617)	(169,773)
Other Comprehensive Loss (Income)			
<i>Items that will be reclassified subsequently to loss (income)</i>			
Unrealized gain (loss) on foreign exchange translation		13,565	(2,022)
Comprehensive Loss		(863,052)	(171,795)
Basic and diluted loss per common share		(0.01)	(0.00)
Weighted average number of common shares outstanding –			
Basic and diluted		70,720,605	49,809,291

The accompanying notes are integral to these interim condensed consolidated financial statements

Cognetivity Neurosciences Ltd.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	<u>Common Share</u>		<u>Class B Share</u>	Equity Portion of Convertible Debentures	Reserves	AOCI	Deficit	Shareholders' Equity (Deficiency)
	Number of Shares		Number of Shares					
	#	\$	#					
Balance - January 31, 2020	49,466,487	7,031,074	10,000,002	41,028	1,587,105	(12,808)	(8,909,434)	(263,035)
Shares issued from debt settlement	405,952	85,250	-	-	-	-	-	85,250
Stock options granted and vested	-	-	-	-	19,370	-	-	19,370
Net loss and comprehensive loss for the period	-	-	-	-	-	2,022	(169,773)	(167,751)
Balance - April 30, 2020	49,872,439	7,116,324	10,000,002	41,028	1,606,475	(10,786)	(9,079,207)	(326,166)
Balance - January 31, 2021	70,487,707	9,873,571	-	34,851	1,821,894	(29,874)	(10,837,531)	862,911
Shares issued from warrant exercised	334,946	149,415	-	-	(45,120)	-	-	104,295
Shares issued from option exercised	50,000	38,318	-	-	(16,818)	-	-	21,500
Shares issued for services	115,132	75,000	-	-	-	-	-	75,000
Stock options granted and vested	-	-	-	-	35,966	-	-	35,966
Issuance of restricted share units	-	-	-	-	5,313	-	-	5,313
Net loss and comprehensive loss for the period	-	-	-	-	-	13,565	(876,617)	(863,052)
Balance - April 30, 2021	70,987,785	10,136,304	-	34,851	1,801,235	(16,309)	(11,714,148)	241,933

The accompanying notes are integral to these interim condensed consolidated financial statements

Cognetivity Neurosciences Ltd.
Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the Periods Ended April 30,	
	2021	2020
	\$	\$
Net loss for the period	(876,617)	(169,773)
Non-cash items:		
Accretion expense	5,521	20,410
Depreciation	4,790	2,575
Shares-based payment	41,279	19,370
Shares issued for services	34,392	-
Foreign exchange gain or loss	(5,107)	-
Changes in non-cash operating working capital:		
Interest and tax receivable	(55,477)	14,530
Prepays	16,147	38,868
Research and development credit	-	(468,525)
Accounts payable and accrued liabilities	183,758	(63,262)
Due to related parties	24,565	56,557
Net cash used in operating activities	(626,749)	(549,250)
Cash flows from investing activities:		
Acquisition of equipment	(10,829)	(765)
Acquisition of patents	(23,775)	-
Development cost	(67,842)	-
Net cash provided (used) by investing activities	(102,446)	(765)
Cash flows from financing activities:		
Proceeds from loan facility	567,276	-
Proceeds from warrants exercised	104,294	-
Proceeds from options exercised	21,500	-
Net cash provided by financing activities	693,070	-
Effect of foreign exchange on cash	(7,177)	(1,456)
Net increase in cash	(43,302)	(551,471)
Cash, beginning of the period	1,359,851	578,229
Cash, end of the period	1,316,549	26,758

Non-cash financing and investing activities (Note 12)

The accompanying notes are integral to these interim condensed consolidated financial statements.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Cognetivity Neurosciences Ltd. (the “Company”) was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at Suite 2250, 1055 West Hastings Street, Vancouver BC, V6E 2E9, Canada and registered office is located at Suite 1500, 1055 W. Georgia St., Vancouver, BC, V6E 4N7, Canada. The Company is a technology company developing a cognitive testing platform, the Integrated Cognitive Assessment (ICA), for use in medical and commercial environments for potentially allowing early diagnosis of dementia.

The Company’s common shares commenced trading on the Canadian Securities Exchange (the “CSE”) on March 19, 2018 under the stock symbol “CGN”. The Company also commenced trading on the Frankfurt Stock Exchange in Germany under the stock symbol “IUB” and the OTCQB in USA under the stock symbol “CGNSF” on May 3, 2018 and September 4, 2018 respectively.

These consolidated financial statements have been prepared using International Financial Reporting Standards 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.

Going Concern & Impact of COVID-19

The Company’s operations have been adversely affected by the effects of a widespread global outbreak of the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the ultimate impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

The development of the Company’s business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On April 30, 2021, the Company has not yet achieved profitable operations, has an accumulated deficit of \$11,714,148 (January 31, 2021 - \$10,837,531), and working capital of \$625,047 (January 31, 2021 – \$786,317), and expects to incur losses in the development of its business. Accordingly, there is a material uncertainty that may cast significant doubt on Company’s ability to continue as going concern. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and balance sheet classification used, that would be necessary if the Company were unable to continue as a going concern.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Condensed Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) on a basis consistent with the significant accounting policies disclosed in note 2 of the most recent annual financial statements as at and for the year ended January 31, 2021 as filed on SEDAR at www.sedar.com. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on June 29, 2021.

Basis of Measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company has initially applied IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2) from February 1, 2020, but they do not have a material impact on these consolidated financial statements.

a. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and Cognetivity Ltd. (“Cog UK”), the Company’s wholly owned subsidiary incorporated in United Kingdom (“UK”). Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b. Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar (“C\$”) and Cognetivity Ltd. is the British Pounds (“GBP”). The reporting currency of the Company is Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, “The Effects of Changes in Foreign Exchange Rates”.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Foreign currency translation (continued)

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

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

c. Cash

Cash consists of cash balances with bank.

d. Equipment

Equipment is stated at cost less accumulated amortization and any accumulated impairment losses. The cost of equipment includes the acquisition costs and any direct costs to bring the asset into productive use at its intended location.

Amortization of equipment is calculated using the straight-line method to write-off the cost, net of any estimated residual value, over their estimated useful life as follows:

Computer equipment	5 years
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e. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Patents

Patents represent the expenditures incurred. Patents are carried at cost less accumulated amortization. Patents are amortized over the term of 13 years using the straight-line method.

Development costs

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible asset and use or sell it.
- the ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Intangible assets (continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful life of the internally generated intangible asset is determined through the exercise of management's judgment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statements of loss when the asset is derecognized.

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. An impairment loss is recognized immediately in the consolidated statements of loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

f. Research and development

Research and development costs are expensed as incurred except for costs associated with intangible assets that are in the development stage.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Capitalized development expenditures will be amortized over the useful life, once the platform is available for use and are measured at cost less accumulated amortization and accumulated impairment losses.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Research and development (continued)

R&D tax credits are recorded as a reduction of the related research and development expenditures upon receipts from the tax authority in the UK. These non-repayable R&D tax credits are earned in respect to research and development costs incurred in the UK and are recorded as a reduction of the related research and development expenditures, provided that there is reasonable assurance that the credit will be recovered.

g. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h. Financial instruments

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

Financial assets	Classification
Cash	Amortized cost
Interest receivable	Amortized cost
Due from related parties	Amortized cost

Financial liabilities	Classification
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Due to related parties	Amortized cost

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

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

(iii) Impairment of financial assets

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

i. Convertible debentures

Upon issuance, convertible debentures are separated into the debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into units of the Company at the holder's option. As a result of this obligation, the convertible debentures are convertible into equity, and accordingly, the conversion feature component of the convertible debentures is also equity.

j. Share capital

Common shares, Class B Shares, and special warrants are classified as equity. Transaction costs directly attributable to the issuance of common shares, Class B Shares and special warrants are recognized as a deduction from equity.

k. Share-based payments transactions

The Company's stock-based compensation includes grants of stock options and restricted share units ("RSUs"). The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated,

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Share-based payments transactions (continued)

the fair value of the share purchase options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

The Company accounts for RSUs issued to employees and non-employees (consultants and advisory board members) based on the fair market value of the Company's common stock as of the date of issuance.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

l. Warrants

Proceeds from issuances by the Company of units consisting of common shares and warrants other than the special warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, a nil carrying amount is assigned to the warrants.

m. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of operation and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. Government grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in profit or loss to offset the corresponding expenses on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

o. Loss per share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

p. Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss is presented in the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Changes in Equity.

q. New accounting standard adopted

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods ending after these consolidated financial statements. Some are not applicable or do not have a significant impact to the Company and have been excluded from the discussion below.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q. New accounting standard adopted (continued)

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company has concluded that no significant impact will result from the application of the Phase 2 amendments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

a. Key sources of estimation uncertainty

Recoverability of deferred tax assets

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the 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.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

b. Critical judgments in applying accounting policies

Fair value calculation of share-based payments

The fair value of share-based payments in relation to the reverse takeover is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

Fair value calculation of liability portion of convertible debentures

The Company applied judgment and estimates when determining the fair value of its convertible debenture (see Note 6).

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended January 31, 2021. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its access to replacement financing for the future twelve months.

Development costs

Development costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically feasible and have future economic benefits, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

5. EQUIPMENT

	\$
Cost	
As at January 31, 2020	51,484
Additions	18,479
Effect of change in exchange rate with GBP	630
As at January 31, 2021	70,593
Additions	10,559
Effect of change in exchange rate with GBP	(2,138)
As at April 30, 2021	79,014
Accumulated depreciation	
As at January 31, 2020	14,438
Additions	11,450
Effect of change in exchange rate with GBP	290
As at January 31, 2021	26,178
Additions	3,623
Effect of change in exchange rate with GBP	(793)
As at April 30, 2021	29,009
Net book value	
January 31, 2021	44,415
April 30, 2021	50,006

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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6. Intangible assets

	Patents	Development costs	Total
	\$	\$	\$
Cost			
As at January 31, 2020	-	-	-
Additions	32,179	-	32,179
Disposal	-	-	-
Effect of change in exchange rate with GBP	-	-	-
As at January 31, 2021	32,179	-	32,179
Additions	23,182	66,665	89,847
Disposal	-	-	-
Effect of change in exchange rate with GBP	(975)	-	(975)
As at April 30, 2021	54,385	66,665	121,051
Accumulated depreciation			
As at January 31, 2020	-	-	-
Additions	-	-	-
Disposal	-	-	-
Effect of change in exchange rate with GBP	-	-	-
As at January 31, 2021	-	-	-
Additions	1,046	-	1,046
Disposal	-	-	-
Effect of change in exchange rate with GBP	-	-	-
As at April 30, 2021	1,046	-	1,046
Net book value			
January 31, 2021	32,179	-	32,179
April 30, 2021	53,340	66,665	120,005

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURES

- a) On August 14, 2019, the Company entered into convertible loan agreements with arm's length lenders and issued convertible notes (the "Notes") in the aggregate principal amount of \$168,000. The Notes bear interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Notes can be converted into a number of units of the Company (the "Units") at \$0.26. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at \$0.30 per share for two years. During the year ended January 31, 2021, \$50,000 of Notes with unpaid interest of \$5,688 were converted into the Company's common shares and a total of 214,183 common shares were issued upon conversion. The equity component of the Notes of \$8,462 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion. During the year ended January 31, 2021, \$118,000 of Notes matured. Upon its maturity, the outstanding loan balance became unsecured, due on demand and bear interest at of 8% per annum.
- b) On September 26, 2019, the Company entered into a convertible loan agreement with the CEO and Director of the Company and issued a convertible note (the "Note") in the aggregate principal amount of \$164,110. The Note bears interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Note can be converted into a number of units of the Company (the "Units") at \$0.13. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at \$0.15 per share for two years. During the year ended January 31, 2021, the Note matured. Upon its maturity, the outstanding loan balance became unsecured, due on demand and bear interest at of 8% per annum.

The fair value allocated to the equity component of the Convertible Debentures is offset by deferred taxes of \$15,175.

Convertible Debentures	(a)	(b)	Total
Gross proceeds received in convertible debentures	\$168,000	\$164,110	\$332,110
Less: Equity component of convertible debentures	(28,431)	(27,772)	(56,203)
Liability component recognized in convertible debentures	139,569	136,338	275,907
Accretion and interest expense recognized during the year	18,087	13,014	31,101
January 31, 2020	\$157,656	\$149,352	\$307,008
Accretion and interest expense recognized during the year	29,894	32,444	62,338
Conversion to common shares	(55,688)	-	(55,688)
January 31, 2021	\$131,862	\$181,796	\$313,658
Accretion and interest expense recognized during the year	2,328	3,193	5,521
April 30, 2021	\$134,190	\$184,989	\$319,179

8. SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited Class B Shares without par value

The holders of the Class B Shares are not entitled to receive notice of and to attend any meeting of the shareholders of Cognetivity or to vote on any matter at any meetings of shareholders of Cognetivity.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares shall be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Company's shareholders for the purpose of winding up its affairs, to share rateably, together with the holders of common shares in such assets of Cognetivity as are available for distribution.

Each Class B Share shall automatically convert into one common share, without payment of additional consideration, upon Cognetivity attaining the CE Marketing approval for the cognitive assessment tool kit as a medical device.

All Class B Shares are not subject to any pre-emptive rights, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Class B Shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the common shares are adjusted proportionately.

A. Issued shares

- a) On March 24, 2021, the Company issued 115,132 common shares to a consultant for services provided to the Company for a amount of \$75,000.
- b) During the period ended April 30, 2021, 50,000 stock options were exercised at \$0.43 each for a total of \$21,500. In relation to the exercise of the stock option, the fair value of \$16,818 was allocated from reserves.
- c) During the period ended April 30, 2021, 197,889 warrants were exercised at \$0.25 each for a total of \$49,472. In relation to the exercise of the warrants, the proportionate fair value of \$nil was allocated from reserves (see Note 8B).
- d) During the period ended April 30, 2021, 137,057 warrants were exercised at \$0.40 each for a total of \$54,823. In relation to the exercise of the warrants, the proportionate fair value of \$45,119 was allocated from reserves (see Note 8B).
- e) On January 14, 2021, as a result of the conversion of convertible debentures, the Company issued 214,183 common shares (see Note 7a).
- f) On December 22, 2020, the Company completed a non-brokered private placement of 8,984,167 units at a price of \$0.30 per Unit for gross proceeds of \$2,695,250. Each unit consists of one common share and one-half of one common share purchase warrant. (each whole common share purchase warrant, a "Warrant"). Each whole warrant will entitle the holder to purchase an additional share at a price of \$0.40 for a period of 24 months from closing. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was in excess of the unit offering price, the residual value assigned to the warrants is \$nil.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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8. SHARE CAPITAL (continued)

In connection with the Offering, the Company has paid finders' fees equal to \$156,818 in cash and 522,725 non-transferrable warrants (the "Finder's Warrants"). Each Finder's Warrant has the same terms as the Warrants issued under the Offering (see Note 8B).

- g) On October 5, 2020, the Company issued 50,000 common shares at a price of \$0.285 per common share to a consultant for services provided to the Company.
- h) On May 8, 2020, as a result of the conversion of Class B Shares, the Company issued 10,000,002 common shares.
- i) On May 4, 2020, the Company entered into a debt settlement agreement with an arms-length party to settle an aggregate \$56,340 in debt. In settlement of the debt, the Company issued an aggregate of 315,616 common shares in the capital of the Company at a deemed price of \$0.15 per share. The Company recognized a gain of \$8,998 at the time of the settlement. The debt has been completely satisfied and extinguished upon the issuance of the shares.
- j) On February 14, 2020, the Company entered into a debt settlement agreement with an arms-length party to settle an aggregate \$85,250 in debt. In settlement of the debt, the Company issued an aggregate of 405,952 common shares in the capital of the Company at a deemed price of \$0.21 per share. The debt has been completely satisfied and extinguished upon the issuance of the shares.
- k) During the year ended January 31, 2021, 100,000 stock options were exercised at \$0.145 each for a total of \$14,500. In relation to the exercise of the stock option, the fair value of \$12,201 was allocated from reserves.
- l) During the year ended January 31, 2021, 951,300 warrants were exercised at \$0.25 each for a total of \$237,825. In relation to the exercise of the warrants, the proportionate fair value of \$628 was allocated from reserves (see Note 8B).

B. Warrants

- a) During the period ended April 30, 2021, 197,889 warrants were exercised at \$0.25 each for a total of \$49,472. In relation to the exercise of the warrants, the proportionate fair value of \$nil was allocated from reserves (see Note 8B).
- b) During the period ended April 30, 2021, 137,057 warrants were exercised at \$0.40 each for a total of \$54,823. In relation to the exercise of the warrants, the proportionate fair value of \$45,119 was allocated from reserves (see Note 8B).
- c) During the year ended January 31, 2021, 951,300 warrants were exercised at \$0.25 each for a total of \$237,825. In relation to the exercise of the warrants, the proportionate fair value of \$628 was allocated from reserves (see Note 8A).
- d) On December 22, 2020, as part of the private placement, the Company issued 4,492,084 warrants which were valued at \$nil (see Note 8A(b)).

The Company issued 522,725 non-transferrable broker's warrants with the same terms as the warrants as finder's fees. The broker's warrants were valued at \$172,082 using the Black-

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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8. SHARE CAPITAL (continued)**B. Warrants (continued)**

Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.22%; dividend yield of 0%; expected volatility of 138.97% and expected life of 2 years.

- e) On January 14, 2021, as a result of the conversion of convertible debentures, the Company issued 214,183 warrant at exercise price of 0.30 for a period of 7 months.

The following table reflects the continuity of warrants for the periods ended April 30, 2021 and January 31, 2021:

	April 30, 2021		January 31, 2021	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the year	5,948,945	0.38	3,340,263	0.35
Issued	-	-	5,228,992	0.4
Exercised	(334,946)	0.31	(951,300)	0.25
Expired	-	-	(1,669,010)	0.55
Warrants outstanding, end of the period	5,613,999	\$0.38	5,948,945	\$0.38

The warrants outstanding at April 30, 2021 are as follows:

Number Outstanding	Exercise Price	Grant Date	Expiry Date
522,064	\$0.25	January 30, 2020	January 30, 2022
4,877,752	\$0.40	December 22, 2020	December 22, 2022
214,183	\$0.30	January 14, 2021	August 14, 2021

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

For the Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**C. Options**

The Company has adopted a Stock Option Plan (the “Plan”) pursuant to which options may be granted to directors, officers and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the periods ended April 30, 2021 and January 31, 2021 is as follows:

	April 30, 2021		January 31, 2021	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
		\$		\$
Options outstanding and exercisable, beginning of the year	4,618,000	0.26	4,100,000	0.27
Granted	80,000	0.84	618,000	0.27
Exercised	(50,000)	0.43	(100,000)	0.145
Options outstanding, end of the year	4,648,000	0.28	4,618,000	0.26
Options exercisable, end of the year	4,050,000	0.26	4,100,000	0.26

Cognetivity Neurosciences Ltd.

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(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**C. Options (continued)**

The options outstanding at April 30, 2021 are as follows:

Number of Options Outstanding	Exercise Price \$	Grant Date	Expiry Date
3,600,000	0.25	March 19, 2018	March 19, 2023
50,000	0.43	June 22, 2018	June 22, 2023
50,000	0.39	September 25, 2018	September 25, 2021
150,000	0.41	December 11, 2018	December 11, 2021
100,000	0.41	December 11, 2018	December 11, 2023
100,000	0.21	February 14, 2020	February 14, 2025
518,000	0.285	October 5, 2020	October 5, 2025
80,000	0.84	March 1, 2021	March 1, 2026

- a) On March 1, 2021, the Company granted 80,000 common share purchase options exercisable at \$0.84 per share expiring in five years to employees of the Company. 50% of the options will vest and become exercisable on March 1, 2022 and remainder 50% on March 1, 2023. Company valued the options at \$49,232 using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 0.81%; dividend yield of 0%; expected volatility of 98.98%; and expected option life of 5 years. During the period ended April 30, 2021, the Company recorded a total share-based payment amount of \$6,070.
- b) On October 5, 2020, the Company granted 518,000 options to employees of the Company. The options are exercisable at \$0.285, and will vest and become exercisable on or after October 5, 2021. The Company valued the options at \$123,543 using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 0.33%; dividend yield of 0%; expected volatility of 124.67%; and expected option life of 5 years. During the period ended April 30, 2021, the Company recorded a total share-based payment amount of \$29,896.
- c) On February 14, 2020, the Company granted 100,000 options to an employee of the Company. The options are exercisable at \$0.21, fully vested immediately and expire on February 14, 2025. The Company recorded a share-based payment amount of \$19,370. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.42%; dividend yield of 0%; expected volatility of 157.50%; and expected option life of 5 years.

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Notes to the Interim Condensed Consolidated Financial Statements

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8. SHARE CAPITAL (continued)

D. Restricted share units

The Company approved the implementation of a restricted share units (the “RSU”) plan on May 21, 2019, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSU may be exercised by any holder of RSU to receive an award payout of either: (a) one common share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

On May 8, 2020, the Company granted 332,000 RSUs to a consultant of the Company, in which 332,000 RSUs can be converted into common shares after May 1, 2022, and will expire on September 30, 2023.

During the year ended January 31, 2021, the Company recorded a total share-based payment of \$15,999 for the RSUs granted.

E. Escrow shares

As at April 30, 2021, the Company does not have any shares held in escrow (January 31, 2021 – 2,447,803) as the last release was on March 19, 2021.

9. RELATED PARTY TRANSACTIONS

During the periods ended April 30, 2021 and 2020, the Company incurred the following expenses to related parties:

		2021		2020
Consulting fees – CEO and a director	\$	52,296	\$	51,909
Salaries and wages – CMO and a director		39,049		15,573
Salaries and wages – CSO		29,286		15,573
Consulting fees – CCO and a director		19,522		15,573
Consulting fees – COO		39,049		15,573
	\$	179,202	\$	114,201

As at April 30, 2021 and 2020, the Company has the following balance owing to (due from) related parties:

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9. RELATED PARTY TRANSACTIONS (continued)

	April 30, 2021	January 31, 2020
	\$	\$
CEO and a director	(3,444)	(2,648)
CMO and a director	-	-
CSO	(11,118)	(12,291)
CCO and a director	7,616	5,260
COO	12,696	8,671

Due to/from related parties are unsecured, non-interest bearing, and due on demand with no specific terms of repayment.

On September 26, 2019, the Company entered into a convertible loan agreement with the CEO and Director of the Company and issued a convertible note in the aggregate principal amount of \$164,110 (see Note 7).

10. Loan Facility

During the period ended April 30, 2021, Cog UK has been granted a loan facility of up to GBP £740,000 (CAD \$1.28m) to support the Company in its product development and commercialisation activities through the coming year. The Company has previously received grant funding through the UK Government Innovate UK program, and this new facility will be made available through Innovate UK's Innovation Continuity Loans scheme.

The loan itself allows draw-downs throughout 2021 in an initial availability period of 12 months, followed by a 24 month extension period where no repayment needs to be made, carrying a deferred interest rate of 3.7% per annum, followed by a 36 month repayment period.

As at April 30, 2021, the Company received the GBP323,964 (\$564,928) from the loan facility and record GBP1,346 (\$2,348) interest payable.

11. GOVERNMENT GRANT

During the period ended April 30, 2021, the Company received \$85,565 payment from Innovate UK which has been recognized as other income. Innovate UK is a public body funded by the UK government.

Cognetivity Neurosciences Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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12. NON-CASH INVESTING AND FINANCING ACTIVITIES

	April 30, 2021	April 30, 2020
Shares issued for debt settlement (Note 8A)	\$ -	\$ 85,250
Shares issued from warrants exercised (Note 8A)	45,120	-
Shares issued from option exercised (Note 8A)	16,818	-
Share issued for services (Note 8A)	75,000	-

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are all carried at amortized cost. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as at April 30, 2021 and 2020 due to the short term nature of the instruments.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected short and long-term cash requirements by obtaining financing through the issuance of debt or common shares.

Contractual maturities of financial liabilities as at April 30, 2021 are presented below and all the liabilities will be due within 1 year:

Contractual Obligations

Accounts payable and accrued liabilities	\$ 799,509
Convertible debenture	319,179
Due to related parties	20,312
<hr/>	
Total	\$ 1,139,000

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not exposed to significant interest rate risk.

Cognetivity Neurosciences Ltd.

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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to foreign exchange risk because it has minimum transactions in foreign currency.

14. CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital restructure. There was no change in the Company's approach to capital management during the year ended April 30, 2021.

15. SUBSEQUENT EVENTS

Subsequent to period ended April 30, 2021, the Company issued 485,460 common shares pursuant to the exercise of 285,460 share purchase warrants for proceeds of \$92,615 and the exercise of 200,000 share purchase options for proceeds of \$50,000.