



**VENTRIPOINT DIAGNOSTICS LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Ventripoint Diagnostics Ltd. ("Diagnostics" or the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Ventripoint Diagnostics Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

| | As at March 31, 2021 | As at December 31, 2020 |
|---|----------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,560,909 | \$ 526,026 |
| Accounts receivable (note 3) | 160,869 | 165,341 |
| Prepaid expenses | 23,128 | 23,128 |
| Total current assets | 2,744,906 | 714,495 |
| Non-current assets | | |
| Property and equipment (note 4) | 26,221 | 25,257 |
| Right-of-use leased asset (note 8) | 52,987 | 61,818 |
| Total assets | \$ 2,824,114 | \$ 801,570 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 5) | \$ 1,442,672 | \$ 1,763,165 |
| Warrant liabilities (note 6) | 590,856 | 500 |
| Current portion of leases (note 8) | 44,230 | 42,755 |
| Interest payable on debentures (note 9) | - | 16,661 |
| Total current liabilities | 2,077,758 | 1,823,081 |
| Non-current liabilities | | |
| Other Loans (note 7) | 148,187 | 148,106 |
| Leases (note 8) | 22,882 | 34,562 |
| Convertible debentures (note 9) | - | 1,144,446 |
| Total liabilities | 2,248,827 | 3,150,195 |
| Shareholders' deficit | | |
| Share capital (note 10) | 34,923,195 | 31,009,342 |
| Contributed surplus (notes 11 and 12) | 6,843,979 | 6,400,369 |
| Accumulated other comprehensive income | 116,592 | 108,846 |
| Deficit | (41,308,479) | (39,867,182) |
| Total deficit | 575,287 | (2,348,625) |
| Total deficit and liabilities | \$ 2,824,114 | \$ 801,570 |

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

Nature of operations and going concern (note 1)
Commitments (note 17)
Subsequent events (note 18)

Approved on behalf of the Board:

(Signed) "Dr. George Adams " Director

(Signed) "Robert Hodgkinson" Director

Ventripoint Diagnostics Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|--|--|
| Revenue | \$ - | \$ - |
| Cost of Sales | - | - |
| Gross Margin | - | - |
| Operating expenses | | |
| General and administrative | 755,941 | 264,378 |
| Research and development | 89,009 | 49,715 |
| Sales and marketing | 44,502 | 36,047 |
| Total operating expenses | 889,452 | 350,140 |
| Loss from operations | (889,452) | (350,140) |
| Finance costs | (29,551) | (362,973) |
| Warrant liabilities revaluation adjustment (note 6) | (590,356) | (61,552) |
| Other income (note 13) | 75,953 | - |
| Foreign currency differences | (7,891) | (30,615) |
| Net loss for the period | \$ (1,441,297) | \$ (805,280) |
| Other comprehensive income (loss) | | |
| Gain on currency translation | \$ 7,746 | \$ - |
| Total loss and comprehensive loss for the period | \$ (1,433,551) | \$ (805,280) |
| Basic and diluted net loss per share (note 15) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 118,806,636 | 69,662,857 |

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

Ventripoint Diagnostics Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|--|--|--|
| Operating activities | | |
| Net loss for the period | \$ (1,441,297) | \$ (805,280) |
| Adjustments for: | | |
| Depreciation and amortization | 3,293 | 5,370 |
| Depreciation of right of use asset | 8,831 | 8,831 |
| Share-based compensation | 443,610 | 3,561 |
| Derivative liabilities revaluation adjustment | 590,356 | 61,552 |
| Accretion of debentures payable | 19,538 | 354,001 |
| Interest on debentures paid out in shares | 23,274 | - |
| Interest on leases | 1,934 | 2,978 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 64,472 | 52,590 |
| Prepaid expenses | - | 17,567 |
| Inventory | - | (20,600) |
| Amounts payable and other liabilities | (64,243) | 35,898 |
| Interest payable | (21,642) | 4,777 |
| Net cash used in operating activities | (371,874) | (278,755) |
| Investing activities | | |
| Additions to property and equipment | (4,257) | (3,763) |
| Net cash used in investing activities | (4,257) | (3,763) |
| Financing activities | | |
| Issuance of convertible debentures | - | 505,000 |
| Cash paid for debenture issuance costs | - | (35,764) |
| Lease payments | (12,139) | (11,829) |
| Proceeds received on exercise of warrants | 2,260,032 | - |
| Proceeds received on exercise of options | 155,375 | - |
| Net cash provided by financing activities | 2,403,268 | 457,407 |
| Effect of foreign exchange on cash and cash equivalents | 7,746 | - |
| Net change in cash and cash equivalents | 2,034,883 | 174,889 |
| Cash and cash equivalents, beginning of period | 526,026 | 13,761 |
| Cash and cash equivalents, end of period | \$ 2,560,909 | \$ 188,650 |

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

Ventripoint Diagnostics Ltd.

Condensed Interim Consolidated Statements of Changes in Deficit

(Expressed in Canadian Dollars)

Unaudited

| | Number of common shares | Share capital | Contributed surplus | Accumulated other comprehensive income | Deficit | Total |
|---|-------------------------------|----------------------|------------------------|---|------------------------|-----------------------|
| Balance, December 31, 2019 | 69,486,747 | \$ 29,480,435 | \$ 5,997,379 | \$ - | \$ (37,947,250) | \$ (2,469,436) |
| Warrants issued with sale of shares | - | - | 236,400 | - | - | 236,400 |
| Warrants issued with amendment of debenture | - | - | 178,500 | - | - | 178,500 |
| Finders warrants issued with sale of shares | - | - | 3,200 | - | - | 3,200 |
| Modification on convertible debt | - | - | 67,800 | - | - | 67,800 |
| Liabilities settled with shares | 239,195 | 19,940 | - | - | - | 19,940 |
| Share-based compensation | - | - | 3,561 | - | - | 3,561 |
| Net loss for the period | - | - | - | - | (805,280) | (805,280) |
| Balance, March 31, 2020 | 69,725,942 | \$ 29,500,375 | \$ 6,486,840 | \$ - | \$ (38,752,530) | \$ (2,765,315) |
| Balance, December 31, 2020 | 69,486,747 | 31,009,342 | \$ 6,400,369 | \$ 108,846 | \$ (39,867,182) | \$ (2,348,625) |
| Warrants exercised | 22,511,995 | 2,320,032 | - | - | - | 2,320,032 |
| Stock options exercised | 1,962,250 | 345,375 | - | - | - | 345,375 |
| Deferred share units exercised | 142,500 | 6,250 | - | - | - | 6,250 |
| Conversion of convertible debentures | 17,573,324 | 1,158,922 | - | - | - | 1,158,922 |
| Liabilities settled with shares | 763,627 | 83,274 | - | - | - | 83,274 |
| Share-based compensation | - | - | 443,610 | - | - | 443,610 |
| Currency translation adjustment | - | - | - | 7,746 | - | 7,746 |
| Net loss for the period | - | - | - | - | (1,441,297) | (1,441,297) |
| Balance, March 31, 2021 | 112,440,443 | \$ 34,923,195 | \$ 6,843,979 | \$ 116,592 | \$ (41,308,479) | \$ 575,287 |

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

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

1. Nature of operations and going concern

Ventripoint Diagnostics Ltd. ("Diagnostics" or the "Company") was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint Inc. ("Ventripoint", Diagnostics and Ventripoint, collectively referred to herein as the "Company" or "Companies") on September 18, 2007. Diagnostics is a Canadian public company with its shares listed on the TSX Venture Exchange ("TSXV" or the "Exchange") with the trading symbol "VPT" and on the OTCQB in the U.S. with the trading symbol "VPTDF". Ventripoint Inc. was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Ventripoint Inc.'s registration was migrated to the State of Delaware on December 21, 2017. The Companies' registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

In March 2020 the World Health Organization declared coronavirus COVID19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration of the return of public access to hospitals and how quickly marketing and installations can proceed.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of \$1,441,297 and had a negative cash flow from operating activities of \$371,874 for the three months ended March 31, 2021, and has accumulated \$41,308,479 of losses as at March 31, 2021. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result there exists a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

2. Significant accounting policies (continued)

Statement of compliance (continued)

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS's issued and outstanding as of June 1, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of Diagnostics and Ventripoint, its wholly-owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars ("CDN\$"), the Company's functional currency. The functional currency of the Company's wholly owned subsidiary is US dollars ("US\$") and has been translated to CDN\$ using the closing rate, the spot exchange rate or the annual average exchange rate.

Critical accounting judgements and estimates

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

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements includes the assumptions and model used to estimate share-based compensation (note 11), the allocation of convertible debentures to the liability and equity components (note 9), and the valuation of warrants and other derivative liabilities (note 6), the capitalization and expensing of development costs, the impairment of assets which requires judgement in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the allocation of revenues between amounts recognized upon installation and amounts deferred and recognized over the initial warranty period, the designation of the Canadian dollar as the Company's functional currency, and factors considered in inventory obsolescence.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

2. Significant accounting policies (continued)

New accounting standards adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 01, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

3. Accounts receivable

| | As at March 31, 2021 | As at December 31, 2020 |
|-------------------------------------|----------------------------|-------------------------------|
| Government contribution receivable | - | 103,010 |
| Goods and services taxes receivable | 100,869 | 62,331 |
| Other receivables | 60,000 | - |
| Total | 160,869 | 165,341 |

4. Property and equipment

| Cost | Total |
|-----------------------------------|-------------------|
| Balance, December 31, 2019 | \$ 160,088 |
| Additions | 3,764 |
| Balance, December 31, 2020 | 163,852 |
| Additions | 4,257 |
| Balance, March 31, 2021 | \$ 168,109 |

| Accumulated Depreciation | Total |
|-----------------------------------|-------------------|
| Balance, December 31, 2019 | \$ 118,980 |
| Depreciation for the year | 19,615 |
| Balance, December 31, 2020 | \$ 138,595 |
| Depreciation for the period | 3,293 |
| Balance, March 31, 2021 | \$ 141,888 |

| Carrying Value | Total |
|--------------------------------|------------------|
| Balance, December 31, 2020 | \$ 25,257 |
| Balance, March 31, 2021 | \$ 26,221 |

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

5. Accounts payable and accrued liabilities

| | As at March 31, 2021 | As at December 31, 2020 |
|---|----------------------------|-------------------------------|
| Trade and other payables | \$ 813,896 | \$ 1,013,543 |
| Accrued management salaries and other payroll liabilities | 617,334 | 590,314 |
| Accrued liabilities | 11,442 | 159,308 |
| Total | \$ 1,442,672 | \$ 1,763,165 |

6. Warrant liability

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. Certain warrants issued before 2020 have been treated as derivative financial liabilities as the exercise price of the warrants may be adjusted if the Company issues common shares at less than 95% of the quoted market price. The fair value movement during the period was recognized in profit or loss (however, warrants issued to agents and brokers are classified as equity and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The fair value of warrants issued in 2019 and 2020 is recorded to contributed surplus (note 12).

The following table summarizes the changes in the warrant liabilities for the periods ending March 31, 2021 and December 31, 2020:

Details related to the warrant liability are summarized below.

| | As at March 31, 2021 | As at December 31, 2020 |
|--|----------------------------|-------------------------------|
| Opening balance | \$ 500 | \$ 12,797 |
| Fair value adjustment at the report date | 590,356 | (12,297) |
| Closing balance | \$ 590,856 | \$ 500 |

- i) On March 8, 2019, the Company received final approval from the TSX Venture Exchange to amend the expiry date of 10,496,938 common share purchase warrants with an exercise price of \$0.50 issued by the Company in connection with a Private Placement financing on March 23, 2017. The expiry date was amended from March 23, 2019 to March 23, 2021 with all other terms to remain the same. During the three months ended March 31, 2021, the Company extend the expiry date again, from March 23, 2021, for 60 days to May 23, 2021. No other terms of the Warrants are to be amended and the exercise price remains at \$0.50.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

6. Warrant liability (continued)

| | As at March 31, 2021 | As at December 31, 2020 |
|--|----------------------------|-------------------------------|
| Opening balance, outstanding warrants | 10,496,938 | 11,646,938 |
| Warrants exercised | (189,063) | - |
| Warrants expired | - | (1,150,000) |
| Closing balance, outstanding warrants | 10,307,875 | 10,496,938 |

A summary of the assumptions used in the valuation model for re-measuring the warrants at end of the period is set out below.

| | As at March 31, 2021 | As at December 31, 2020 |
|--|----------------------------|-------------------------------|
| Common share market price | \$ 0.435 | \$ 0.090 |
| Weighted average risk free interest rate | 0.01 % | 0.01 % |
| Estimated common share weighted average price volatility | 119.81 % | 119.81 % |
| Expected dividend yield | nil % | nil % |
| Estimated weighted average life in years | 0.15 | 0.23 |

The following table reflects the warrant liability warrants outstanding as of March 31, 2021:

| Number of warrants outstanding | Exercise price (\$) | Expiry date |
|-----------------------------------|---------------------|--------------|
| 10,307,875 | 0.50 | May 23, 2021 |
| 10,307,875 | 0.50 | |

7. Federal loans

In April 2020, the Company received a \$40,000 loan through the Canada Emergency Business Account program ("CEBA"). The CEBA was launched by the Government of Canada in response to the global COVID-19 health crisis, and has been implemented by financial institutions in cooperation with Export Development Canada. In December 2020, the Government of Canada increased the CEBA loan for eligible businesses from \$40,000 to \$60,000. The loans have no repayment terms and are non-interest bearing during the initial term, until December 31, 2022. If the loan balances are repaid in full on or before December 31, 2022, 25% of the loans will be forgiven. The forgivable portion of the loan has been accounted for as a government grant. On December 31, 2022, any remaining outstanding loan balances will be converted into three-year term loans at fixed interest rates of 5% per annum.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

7. Federal loans (continued)

The loan is summarized as follows:

| | As at March 31, 2021 | As at December 31, 2020 |
|-------------------------|----------------------------|-------------------------------|
| Loan payable | \$ 30,000 | \$ 40,000 |
| Government grant income | - | (10,000) |
| | \$ 30,000 | \$ 30,000 |

In December 2020, the Company received \$130,400 as part of the Regional Economic Growth Through Innovation program (Regional Relief and Recovery Fund ("RRRF")) to support enterprises to enable recovery from economic disruptions associated with COVID-19. The loan is repayable starting April 1, 2023 until March 1, 2028 at an amount of \$2,717 per month. The loan has been recorded at its fair value on initial recognition based on the discounted future cash flow at a market rate of interest of 19.5%. The benefit of the below-market rate of interest was measured as the difference between the initial fair value of the loan and the proceeds received

| | As at March 31, 2021 | As at December 31, 2020 |
|-----------------------|----------------------------|-------------------------------|
| Loan payable | \$ 118,106 | \$ 130,400 |
| Fair value adjustment | 81 | (12,294) |
| | \$ 118,187 | \$ 118,106 |

8. Leases

The Company entered in to a 5 year office lease on October 1, 2017. The Company used its incremental borrowing rate of 10.92% as the discount rate of determine the value of its five year office premises lease. The asset is depreciated on a straight-line basis over the lease term, starting October 1, 2017.

| Right-of-use leased asset | Total |
|----------------------------|------------------|
| Balance, December 31, 2019 | \$ 97,143 |
| Amortization | (35,325) |
| Balance, December 31, 2020 | 61,818 |
| Amortization | (8,831) |
| Balance, March 31, 2021 | \$ 52,987 |

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

8. Leases (continued)

| Lease liability | Total |
|----------------------------|------------|
| Balance, December 31, 2019 | \$ 112,238 |
| Interest expense | 12,701 |
| Lease payments | (47,622) |
| Balance, December 31, 2020 | 77,317 |
| Interest expense | 1,934 |
| Lease payments | (12,139) |
| Balance, March 31, 2021 | \$ 67,112 |

| | As at March 31, 2021 | As at December 31, 2020 |
|------------------------------|----------------------------|-------------------------------|
| Short-term lease expense | \$ 44,230 | \$ 42,755 |
| Long-term lease expense | 22,882 | 34,562 |
| Total lease liability | \$ 67,112 | \$ 77,317 |

| | Under 1 year | Between 1 - 2 years | Between 3 - 5 years | Over 5 years | Total |
|-----------------|-----------------|------------------------|------------------------|-----------------|-----------|
| Lease liability | \$ 44,230 | \$ 22,882 | \$ - | \$ - | \$ 67,112 |

9. Convertible debentures

a) Debenture

In January 2019, the Company issued \$1,511,000 of convertible non-secured debentures ("Debentures I") which mature on January 25, 2022, and issued a total of 9,066,000 common share purchase warrants ("Warrants I") with an exercise price of \$0.175, exercisable until July 25, 2020. The securities issued were subject to a four month hold period which expired on May 26, 2019.

During the fiscal 2020, Debenture I was amended with the same terms as Debenture II (see note 9(b)) As a result, the Company treated it as a modification with: a maturity date of February 9, 2022; an annual interest rate of 6.5% for the first year and 10% in the second year; and a conversion feature of \$0.075 for the first year and \$0.10 in the second year. The Amendment was treated as an extinguishment of the old debenture and recognition of a new debenture with a gain on modification of \$35,329 recognized in the statement of profit and loss. The warrants held by the debentures from the original debenture issuance were also modified to have the same terms as the warrants issued under Debenture II.

On January 24, 2020, the Company issued 139,197 common shares at a price of \$0.075 per common shares in payment of \$19,940 of interest owing on the Convertible Debentures I.

On September 28, 2020 the Company issued 503,019 common shares at a price of \$0.075 per common shares in payment of \$37,727 of interest owing on the Convertible Debentures I.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

9. Convertible debentures (continued)

a) *Debenture (continued)*

On December 1, 2020 the Company issued 128,526 common shares at a price of \$0.10 per common shares in payment of \$12,852 of interest owing on the Convertible Debentures I

During the year ended December 31, 2020, \$822,000 of Debentures I were converted into 10,959,998 common shares with a carrying value of \$628,045 and recorded as Share Capital and a reduction to Debentures I balance.

During the three months ended March 31, 2021, \$373,000 of Debentures I were converted into 4,973,330 common shares with a carrying value of 339,809 and recorded as Share Capital and a reduction to Debentures I balance.

b) *Debenture II*

In February 2020, the Company issued \$725,000 of convertible non-secured debentures ("Debentures II") which mature on February 6, 2022, and issued a total of 8,700,000 common share purchase warrants ("Warrants II") with an exercise price of \$0.10, exercisable until February 6, 2022. The Warrants II are subject to a hold period that expires on June 9, 2020. Warrants II include an accelerated expiry clause such that the exercise period of the Warrants II will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant II (the "Premium Trading Days"), the closing price of the Company's shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

Debentures II bear interest at an annual rate of 6.5% for the first year and 10% in the second year, calculated on the principal amount, with any accrued but unpaid interest under the Debentures II due and payable quarterly in either cash or common shares (at the option of the Company). Debentures II may be converted by the holder at any time at price of \$0.075 for the first year and \$0.10 in the second year, and the conversion feature of \$NIL was recorded in share capital. Debentures II may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

Two directors and officers of the Company purchased \$300,000 of Debentures under the offering.

Cash transaction costs were \$35,763, and an aggregate of 117,600 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of \$0.10 per common share until February 6, 2022. The finder's warrants were valued at \$3,323 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 12))

On September 28, 2020 the Company issued 310,726 common shares at a price of \$0.075 per common shares in payment of \$23,305 of interest owing on the Convertible Debentures II.

During the year ended December 31, 2020, \$285,000 was converted into 2,466,666 common shares with a carrying value of \$252,214 and recorded as Share Capital and a reduction to Debentures II balance.

On December 1, 2020 the Company issued 104,839 common shares at a price of \$0.10 per common shares in payment of \$10,484 of interest owing on the Convertible Debentures II.

During the three months ended March 31, 2021, \$440,000 was converted into 5,999,996 common shares with a carrying value of \$385,814 and recorded as Share Capital and a reduction to Debentures II balance.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

9. Convertible debentures (continued)

c) Debenture III

In September 2020, the Company issued \$495,000 of convertible non-secured debentures ("Debentures III") which mature on February 6, 2022, and issued a total of 5,940,000 common share purchase warrants ("Warrants III") with an exercise price of \$0.10, exercisable until September 11, 2022. The Warrants III are subject to a hold period that expires on January 12, 2021. Warrants III include an accelerated expiry clause such that the exercise period of the Warrants III will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant III (the "Premium Trading Days"), the closing price of the Company's shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

Debentures III bear interest at an annual rate of 6.5% until February 9, 2021 and 10% thereafter calculated on the principal amount, with any accrued but unpaid interest under the Debentures III due and payable quarterly in either cash or common shares (at the option of the Company). Debentures III may be converted by the holder at any time at price of \$0.075 until February 9, 2021 and \$0.10 thereafter, and the conversion feature of \$nil was recorded in share capital. Debentures III may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

A directors and officers of the Company purchased \$50,000 of Debentures under the offering.

Transaction cash costs were \$30,984 and an aggregate of 130,200 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of \$0.10 per common share until February 6, 2022. The finder's warrants were valued at \$3,270 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 12))

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 19%. Based on this calculation, the liability component was \$441,000 and the residual equity component was \$54,000.

During the three months ended March 31, 2021, \$495,000 was converted into 6,599,998 common shares with a carrying value of \$433,299 and recorded as Share Capital and a reduction to Debentures III balance.

The following table summarizes the debt component of the debenture.

| | Debenture I | Debenture II | Debenture III | Total |
|-----------------------------------|-------------------|-------------------|-------------------|---------------------|
| Balance, December 31, 2019 | \$ 792,937 | \$ - | \$ - | \$ 792,937 |
| Extinguishment of old debt | (804,800) | - | - | (804,800) |
| Issuance of debenture | 1,095,000 | 725,000 | 495,000 | 2,315,000 |
| Gain on modification | 35,329 | - | - | 35,329 |
| Less fair value of warrants | (179,000) | (118,000) | (54,000) | (351,000) |
| Less transaction cost | - | (32,724) | (34,254) | (66,978) |
| Less conversion of debt | (628,045) | (252,214) | - | (880,259) |
| Less accrued interest | (68,070) | (35,819) | (10,725) | (114,614) |
| Accretion expense | 92,116 | 95,380 | 31,335 | 218,831 |
| As at December 31, 2020 | \$ 335,467 | \$ 381,623 | \$ 427,356 | \$ 1,144,446 |
| Less conversion of debt | (339,809) | (385,814) | (433,299) | (1,158,922) |
| Less accrued interest | (1,189) | (1,250) | (2,542) | (4,981) |
| Accretion expense | 5,531 | 5,441 | 8,485 | 19,457 |
| Balance, March 31, 2021 | \$ - | \$ - | \$ - | \$ - |

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

10. Share capital

a) Authorized share capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

b) Common shares issued

| | Number of common shares | Amount |
|-------------------------------------|-------------------------------|----------------------|
| Balance, December 31, 2019 | 69,486,747 | \$ 29,480,435 |
| Liabilities settled with shares (i) | 239,195 | 19,940 |
| Balance, March 31, 2020 | 69,725,942 | \$ 29,500,375 |
| Balance, December 31, 2020 | 69,486,747 | \$ 31,009,342 |
| Warrants exercised | 22,511,995 | 2,320,032 |
| Stock options exercised | 1,962,250 | 345,375 |
| Liabilities settled with shares (i) | 763,627 | 83,274 |
| Conversion of debenture (note 9) | 17,573,324 | 1,158,922 |
| Deferred share units exercised | 142,500 | 6,250 |
| Balance, March 31, 2021 | 112,440,443 | \$ 34,923,195 |

i) Liabilities settled with shares

- ◆ On January 24, 2020, the Company issued 239,197 common shares at a price of \$0.075 per common shares in payment of \$19,940 of interest owing on the Convertible Debentures I (note 9).
- ◆ On February 2, 2022, the Company issued 666,666 common shares to a consultant in payment of \$60,000 of consulting fees at a price of \$0.09
- ◆ On February 23, 2022 the Company issued 96,961 common shares at a price of \$0.24 per common shares in payment of \$23,270 of interest owing on the Convertible Debentures I and II (note 9).

11. Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to Directors, Officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance in any one period to any one optionee shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allotted to each Director, Officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

11. Stock options (continued)

| | Number of stock options | Weighted average exercise price |
|--|----------------------------|---------------------------------------|
| Balance, December 31, 2019 | 2,649,583 | \$ 0.30 |
| Expired ⁽ⁱ⁾ | (1,584,583) | 0.35 |
| Balance, March 31, 2020 | 1,065,000 | \$ 0.24 |
| | | |
| Balance, December 31, 2020 | 6,240,000 | \$ 0.12 |
| Granted ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾ ^(iv) | 3,985,000 | 0.16 |
| Exercised | (2,586,250) | 0.14 |
| Balance, March 31, 2021 | 7,638,750 | \$ 0.14 |

- i) On leaving the Company unvested options expire immediately, vested options expire 90 days later. During the three months ended March 31, 2020, 1,584,583 vested options expired.
- ii) On January 12, 2021, the Company granted 1,810,000 common share options with an exercise price of \$0.10 per share as follows:
- ◆ 500,000 to consultants, with an expiry date of 1 year, 300,000 vesting immediately, and 200,000 vesting equally over 4 months;
 - ◆ 750,000 to consultants, with an expiry date of 5 years, vesting immediately; and
 - ◆ 560,000 to directors, an officer, employees and consultants, with an expiry date of 10 years, 140,000 vesting immediately, and 420,000 vesting equally over 3 years.
- iii) On January 19, 2021, the Company granted 875,000 common share options to consultants, with an expiry date of January 12, 2022 as follows:
- ◆ 250,000 with an exercise price of \$0.135 per share 50,000 vesting immediately, and 200,000 vesting equally over 4 months;
 - ◆ 375,000 with an exercise price of \$0.15 per share 75,000 vesting immediately, and 300,000 vesting equally over 4 months; and
 - ◆ 250,000 with an exercise price of \$0.20 per share 50,000 vesting immediately, and 200,000 vesting equally over 4 months.
- vi) On February 5, 2021, the Company granted 900,000 common share options to consultants, with an exercise price of \$0.25 per share as follows:
- ◆ 400,000 with an expiry date of 2 years, vesting immediately; and
 - ◆ 500,000 with an expiry date of 5 years, 100,000 vesting immediately, and 400,000 vesting equally over 12 months;

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

11. Stock options (continued)

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes model with the following weighted average assumptions:

| | March 31, 2021 | |
|--------------------------|-----------------|-----|
| Expected option life | 1.00 - 10 years | |
| Risk-free rate | 0.14% - 0.85% | |
| Expected forfeiture rate | 0.01% to 6% | |
| Expected volatility | 96.8% - 138.4% | |
| Dividend yield | nil | nil |

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

- ◆ The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option.
- ◆ The volatility is based solely on historical volatility equal to the expected life of the option.
- ◆ The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise.
- ◆ The forfeiture rate is an estimate based on historical evidence and future expectations.
- ◆ The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The following table reflects the actual stock options issued and outstanding as of March 31, 2021:

| Grant price range | Weighted average exercise price (\$) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options outstanding vested |
|-------------------|--------------------------------------|---|-------------------------------|--------------------------------------|
| >\$0.25 | 0.12 | 6.39 | 7,013,750 | 4,141,250 |
| \$0.26 - \$0.32 | 0.32 | 1.58 | 625,000 | 612,500 |
| | 0.14 | 5.99 | 7,638,750 | 4,753,750 |

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

12. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2021 and March 31, 2020:

| | Number of warrants | Weighted average exercise price |
|-----------------------------------|--------------------|---------------------------------|
| Balance, December 31, 2019 | 16,652,825 | \$ 0.150 |
| Issued (i) | 17,883,600 | 0.100 |
| Cancelled | (9,066,000) | 0.175 |
| Balance, March 31, 2020 | 25,470,425 | \$ 0.140 |
| | | |
| Balance, December 31, 2020 | 23,586,132 | \$ 0.110 |
| Exercised | (22,322,932) | 0.100 |
| Balance, March 31, 2021 | 1,263,200 | \$ 0.115 |

i) Convertible Debenture II Private Placement (note 9)

As part of a Private Placement of Convertible Debentures II in February 2020, the Company issued 8,700,000 common share purchase warrants and 117,600 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.10 per common share for a period of 24 months after the issuance of the warrants on February 6, 2022. Directors and Officer of the Company purchased \$300,000 of Convertible Debentures II with 3,600,000 warrants. The residual value of the warrants attached to Convertible Debentures II is included in the \$118,000 residual value of equity. (See note 9).

Finder's warrants issued for this instruments were valued at \$3,200, using a Black-Scholes model with the assumptions outlined below

| | February 6, 2020 |
|----------------------|------------------|
| Share price | \$0.075 |
| Expected option life | 2.0 years |
| Risk-free rate | 1.49% |
| Expected volatility | 81.0% |
| Dividend yield | nil |

ii) In February 2020, the warrants associated to Debentures I (9,066,000 warrants outstanding) issued on January 25, 2019 were amended ("Amendment") to have the same terms and expiry date as the 8,700,000 warrants issued as part of a Private Placement of Convertible Debentures II in February 2020. The modification was accounted for as a cancellation of the old warrants followed by the issue of new warrants. There was no impact to the financial statements as a result of the modification.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

12. Warrants (continued)

The following table reflects the warrants outstanding as of March 31, 2021:

| | Number of warrants outstanding | Exercise price (\$) | Expiry date |
|--|-----------------------------------|---------------------|-----------------------|
| | 3,200 | 0.175 | April 2, 2021 |
| | 1,260,000 | 0.115 | October 2, 2022 (iii) |
| | 1,263,200 | 0.110 | |

- iii) The Company amended the 4,687,132 warrants, initially issued on October 2, 2019, at an exercise price of \$0.175 per common share to \$0.115 per share. All other provisions of the warrants will remain the same and all warrants will still expire on October 2, 2022.

13. Government Grants and Contributions

Other Income for the three months ended March 31, 2021 consists of a \$75,953 contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) under a Contribution Agreement for partial reimbursement of salary and contractor costs for research and development work on next generation product features.

14. Personnel costs

Personnel for the period ended March 31, 2021 and March 31, 2020 were as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| Salaries, fees and short-term benefits | \$ 143,354 | \$ 173,648 |
| Share-based compensation | 443,611 | 3,561 |
| Total personnel cost | \$ 586,965 | \$ 177,209 |

15. Loss per share

For the three months ended March 31, 2021, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$1,441,297 (three months ended March 31, 2020 - \$805,280) and the weighted average number of common shares outstanding of 118,806,636 (three months ended March 31, 2020 - 69,662,857). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

16. Related party transactions

The company defines key management personnel as Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Science Officer.

a) Remuneration of directors and key management personnel of the Company was as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2021 | 2020 |
| Salaries, fees and short term benefits | \$ 60,000 | \$ 70,000 |
| Share-based payments | 29,768 | 2,986 |
| Total remuneration | \$ 89,768 | \$ 72,986 |

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Officers also participate in the Company's health plan. Directors receive monthly and meeting fees for their services.

b) Other transactions of directors and key management personnel of the Company was as follows:

- i) In February 2020, two directors of the Company purchased \$300,000 of Convertible Debentures II (Note 9). During the three months ended March 31, 2021, the Company expensed \$3,295 in interest on the convertible debentures to these directors (three months ended March 31, 2020 - \$2,885).
- ii) For the three months ended March 31, 2021, the Company expensed \$13,178 (three months ended March 31, 2020 - \$5,103) to Marrelli Support Services Inc. ("Marrelli") for: Victor Hugo to act as the Chief Financial Officer of the Company; and for bookkeeping services. Victor Hugo is an employee of Marrelli. These services were incurred in the normal course of operations for general accounting and financial reporting matters.
- iii) As at March 31, 2021, \$577,908 (December 31, 2020 - \$571,432) was included in accounts payable and accrued liabilities due to related parties.

17. Commitments

The Company has the following contractual obligations as of March 31, 2021:

| Fiscal year ended | 2021 | 2022 | 2023-2029 | Total |
|--|----------|----------|-----------|-----------|
| University of Washington Technology License Minimum Annual Royalty ⁽¹⁾ | \$ 6,350 | \$ 6,350 | \$ 44,450 | \$ 57,150 |

- 1) The annual Royalty due to the University of Washington under the Technology License Agreement is the higher of 1.5% of gross sales or the Minimum Annual Royalty of US\$5,000.

Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

Unaudited

18. Subsequent events

- i) Subsequent to March 31, 2021, 675,000 options were exercised at an exercisable at a price of between \$0.10 and \$0.25. The options would have expired between January 12, 2022 and February 5, 2023.
- ii) Subsequent to March 31, 2021, 3,813,327 warrants were exercised at an exercisable at a price of between \$0.10 and \$0.50. The warrants would have expired between April 2, 2021 and October 2, 2022.
- iii) Subsequent to March 31, 2021, the Company granted 200,000 stock options to an employee and a consultant at an exercisable at a price of \$0.50 share, exercisable for a period of 1 year to 10 years. These options vest immediately and 100,000 of these options have been exercised. .