OVATION SCIENCE INC.

Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2018

Expressed in Canadian dollars

(Unaudited)

OVATION SCIENCE INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

		As at September 30, 2018		As at December 31, 2017
		(Unaudited)		
ASSETS				
Current assets				
Cash	$	153,473	$	277,956
Trade and other receivables		23,887		14,549
Inventory		4,340		-
Prepaid expense		9,375		-
		191,075		292,505
Non-current assets				
License (Note 3)		606,812		606,812
Total assets	$	797,887	$	899,317
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	135,460	$	28,920
Promissory notes (Note 4)		131,128		-
Related party notes (Note 6)		105,600		304,986
		372,188		333,906
Non-current liabilities				
Convertible notes (Note 5)		146,755		-
Total liabilities		518,943		333,906
Shareholders' equity				
Share capital (Note 7)		626,952		626,952
Reserves (Note 8)		16,225		-
Deficit		(364,233)		(61,541)
		278,944		565,411
Total liabilities and shareholders' equity	$	797,887	$	899,317

These financial statements were approved by the Board of Directors on November 29, 2018:

"Logan Anderson" Director *"Terry Howlett"* Director

OVATION SCIENCE INC.
Condensed Interim Statement of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited)

	Three Months ended September 30, 2018	From period of Incorporation July 18, 2017 to September 30, 2017	Nine Months ended September 30, 2018	From period of Incorporation July 18, 2017 to September 30, 2017
REVENUE	$ 28,924	$ -	$ 46,903	$ -
COST OF SALES	8,518	-	20,030	-
GROSS MARGIN	20,406	-	26,874	-
OPERATING EXPENSES				
Management fees (Note 6)	49,500	-	148,500	-
Office and general	11,187	382	35,253	382
Professional fees	24,605	-	76,689	-
Product development	4,726	-	26,478	-
Share-based payments (Note 8)	-	-	12,980	-
	90,018	382	299,901	382
OTHER EXPENSES				
Accretion expense (Note 4, 5, 6)	873	-	17,974	-
Interest expense (Note 4, 5, 6)	9,523	-	9,523	-
Foreign exchange loss	66	-	2,168	-
	10,462	-	29,665	-
Loss and comprehensive loss for the period	**$ (80,074)**	**$ (382)**	**$ (302,692)**	**$ (382)**
Loss per share – basic and diluted	**$ (0.01)**	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**
Basic and diluted weighted average number of common shares outstanding	**15,103,121**	**270,271**	**15,103,121**	**270,271**

OVATION SCIENCE INC
Condensed Interim Statement of Changes in Shareholders' Equity
Expressed in Canadian dollars
(Unaudited)

	Share Capital								
	Number		Amount		Reserves		Deficit		Total
Balance, July 18, 2017 (inception)	-	$	-	$	-	$	-	$	-
Shares issued for cash (Note 7)	5,000,001		25,000		-		-		25,000
Loss for the period	-		-		-		(382)		(382)
Balance at September 30, 2017	**5,000,001**	**$**	**25,000**	**$**	**-**	**$**	**(382)**	**$**	**24,618**
Balance at January 1, 2018	**15,103,121**	**$**	**626,952**	**$**	**-**	**$**	**(61,541)**	**$**	**565,411**
Equity portion of convertible note (Note 5)	-		-		3,245		-		3,245
Share-based payments (Note 8)					12,980				12,980
Loss for the period	-		-		-		(302,692)		(302,692)
Balance at September 30, 2018	**15,103,121**	**$**	**626,952**	**$**	**16,225**	**$**	**(364,233)**	**$**	**278,944**

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

OVATION SCIENCE INC.
Condensed Interim Statement of Cash Flows
Expressed in Canadian dollars
(Unaudited)

		Nine Months ended September 30, 2018		From period of Incorporation July 18, 2017 to September 30, 2017
OPERATING ACTIVITIES				
Loss for the period	$	(302,692)	$	(382)
Adjustments for non-cash items:				
Amortization on discount of debt		17,974		-
Unrealized exchange loss		3,326		-
Share based payments		12,980		-
Changes in working capital items:				
Trade and other receivables		(9,339)		-
Inventory		(4,340)		-
Prepaid expense		(9,375)		-
Accounts payable and accrued liabilities		106,540		-
Cash flows used in operating activities		**(184,925)**		**(382)**
INVESTING ACTIVITIES				
Purchase of License (Note 3)		-		(58,378)
Cash flows used in investing activities		**-**		**(58,378)**
FINANCING ACTIVITIES				
Payment of promissory note		(325,413)		-
Proceeds from related party notes (Note 6)		105,124		-
Proceeds from promissory notes (Note 4)		150,000		-
Proceeds from convertible notes (Note 5)		130,731		-
Proceeds from issuance of shares (Note 7)		-		149,740
Cash flows provided by financing activities		**60,442**		**149,740**
Increase (decrease) in cash		**(124,483)**		**90,980**
Cash, beginning of period		**277,956**		**-**
Cash, end of period	**$**	**153,473**	**$**	**90,980**

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

1. NATURE OF BUSINESS AND GOING CONCERN

Ovation Science Inc. (the "Company") was incorporated in the Province of British Columbia on July 18, 2017, under the Business Corporations Act of British Columbia. The Company is in the business of providing topical and transdermal cannabis products under the "Ovation" brand label utilizing patented "Invisicare" delivery technology which it acquired for exclusive use for cannabis formulated products from Skinvisible Pharmaceuticals, Inc. ("Skinvisible").

The Company's head office is located at Suite 1085, 555 Burrard Street, Vancouver, BC, V7X 1M8, and its registered office is Suite 704, 595 Howe Street, Vancouver BC V6C 2T5.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2018, the Company is not able to finance day to day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting.

The notes presented in these condensed interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and they do not include all of the information required in the Company's most recent annual financial statements. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by IASB.

Basis of measurement

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, unless otherwise noted.

Inventory

Inventory consists of raw materials and finished goods for polymer materials associated with the License (Note 5). Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

Cost of sales

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, as well as provisions for reserves related to excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible notes

The components of the compound financial instrument (convertible note) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible notes will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments are initially recorded to reserves. Subsequently, consideration paid for the shares on the exercise of share-based payments are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Estimates and judgements

There have been no changes in judgment or estimates from those disclosed in the financial statements for the year ended December 31, 2017 unless otherwise stated below.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The Company uses a Black Scholes model to fair value stock options; the assumptions used to fair value stock options during the period are disclosed in Note 11.

New standard IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

New standard IFRS 9 Financial Instruments

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

3. LICENSE

On September 15, 2017, Skinvisible entered into an agreement (the "Canopy Agreement") with Canopy Growth Corporation ("Canopy"), whereby Canopy will have the right to manufacture, distribute, market, sell and promote the Invisicare cannabis line of products.

On September 29, 2017, Skinvisible entered into a License and Assignment Agreement (the "Assignment Agreement") with the Company, whereby Skinvisible assigned the Canopy agreement to the Company and granted the exclusive worldwide right to manufacture, distribute, sell, market, sub-license and promote the Invisicare cannabis products including the right to use the subject matter of any of Skinvisible's patents and trademarks which cover the various products or polymer as it pertains to cannabis products. The agreement shall remain in effect, except for sub-licensees appointed by the Company. Skinvisible is a major shareholder of the Company (Note 10).

(Expressed in Canadian dollars)

Pursuant to the Assignment Agreement, the Company will be entitled to keep 100% of the royalties, license fees, development fees or any other fees associated with the Invisicare cannabis products and keep 100% of any funds generated under the Canopy Agreement (except for an initial non-refundable fee for development of Canopy products received by Skinvisible).

The consideration for the Assignment Agreement is US$500,000 payable as follows:

- $312,000 (US$250,000) within 90 days of execution of this agreement (paid);
- A promissory note for $294,812 (US $250,000) payable upon the earlier of the company completing an initial public offering or September 15, 2018 (Note 7).

		License
Balance, July 18, 2017 (inception)	$	-
Additions		606,812
Balance, December 31, 2017	$	606,812
Balance, September 30, 2018	$	606,812

4. PROMISSORY NOTES

As a consideration for the Assignment Agreement (Note 5), the Company executed a promissory note with Skinvisible for principal of US$250,000. The note is non-interest bearing, is unsecured and due upon the earlier of the Company completing an initial public offering or March 31, 2018. The initial fair value of the promissory note was $296,348 (US$236,228) which was determined using an estimated discount rate of 12% and term length assumption of March 31, 2018. The due date was amended to June 30, 2018 and then to September 15, 2018. The promissory note has been fully amortized over the original term using the effective interest rate method. The total accretion expense for the nine months ended September 30, 2018 was $17,101. During the nine months ending September 30, 2018, the Company paid $325,413 in payments on the promissory note.

As at September 30, 2018, the note was fully repaid.

On August 14th, the Company issued an unsecured promissory note to an arm's length party at 10%, due in 14 months on October 14th, 2019, for the USD $100,000. The initial fair value of the promissory note was $130,731 (US$97,837) which was determined using an estimated discount rate of 12% and term length assumption of October 14, 2019. The total accretion expense for the nine months ended September 30, 2018 was $397.

The note has been discounted to the market value according to IFRS 9.

Promissory note – ($100,000 USD)	$	131,128
As at September 30, 2018	$	131,128

During the nine months ended September 30, 2018, the Company recorded $3,208 in interest expense in relation to this promissory note and is included in accrued liabilities at September 30, 2018.

(Expressed in Canadian dollars)

5. CONVERTIBLE NOTES

On June 28, 2018 and June 29, 2018, the Company issued unsecured convertible notes for proceeds of $50,000 and $100,000, respectively. The convertible notes are unsecured, interest bearing at 10% and due on August 28, 2019 and August 29, 2019 respectively. The $100,000 note is from a director of the Company. At any time after issuance, the holder is entitled to convert, at their sole discretion, to be repaid all or a portion of the principal amount in common shares of the Company at a value of $0.30 per share. These convertible notes are accounted for according to the substance and include both a liability component and an equity component. The initial liability component was calculated at the present value of interest payments and expected return of capital at a rate of 12% representing the interest rate that would have been charged for a nonconvertible note (Note 7). The equity component of $3,245 was measured based on the residual value of the instrument taken as a whole after deducting the amount determined separately for the liability component.

The following table summarizes the continuity of the liability components of the Company's convertible notes:

As at December 31, 2017	$	-
Proceeds from issuance of convertible notes		150,000
Amount allocated to conversion options - equity		(3,245)
As at September 30, 2018	$	146,755

During the nine months ended September 30, 2018, the Company recorded $3,750 in interest expense in relation to these convertible notes and is included in accrued liabilities at September 30, 2018.

6. RELATED PARTY TRANSANCTIONS

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel for the nine months ended September 30 is as follows:

		September 30, 2018		**From period of Incorporation July 18, 2017 to September 30, 2017**
Management fees	$	148,500	$	49,500
Share-based payments		12,980		-
	$	161,480	$	49,500

Related party payables

On July 5th, the Company issued unsecured promissory notes to key management personnel at 10%, due in 14 months on September 5th, 2019. Both notes were issued for USD $40,000 to directors of the Company. The initial fair value of these promissory notes was $105,124 (US$78,270) which was determined using an estimated discount rate of 12% and term length assumption of October 14, 2019. The total accretion expense for the nine months ended September 30, 2018 was $476.

(Expressed in Canadian dollars)

These notes have been discounted to the market value according to IFRS 9.

	September 30, 2018	December 31, 2017
Related party promissory note - #1 ($40,000 USD)	$ 52,800	$ -
Related party promissory note - #2 ($40,000 USD)	52,800	-
	$ 236,728	$ -

During the nine months ended September 30, 2018, the Company recorded $2,566 in interest expense in relation to these promissory notes and is included in accrued liabilities at September 30, 2018.

As at September 30, 2018, $96,975 owing to directors and officers of the Company is included in accounts payable and accrued liabilities in relation to outstanding management fees and $897 in outstanding reimbursements which are all non-interest bearing, unsecured and due on demand.

7. SHARE CAPITAL

On July 18, 2017 the Company issued one Common Share at a price of $0.005 per share, which will be escrowed in accordance with the rules and regulations of the CSE.

On September 26, 2017, the Company issued 5,000,000 common shares to Skinvisible at a price of $0.005 per share for proceeds of $25,000. The shares will be held in escrow and will be released on a staged out basis pursuant to the rules and regulations of the CSE. On March 28, 2018 these shares were purchased by two directors of the Company.

8. RESERVES

A summary of stock option activity for the nine months ending September 30, 2018 were as follows:

For the nine months ending September 30, 2018	Number of options	Weighted avg. Exercise price
Outstanding, January 1, 2018	-	-
Granted	1,150,000	$ 0.30
Outstanding, September 30, 2018	1,150,000	0.30
Exercisable, September 30, 2018	1,150,000	$ 0.30

On April 10, 2018, the Company granted 1,150,000 to directors and officers of the Company. The expiry date on the above mentioned 1,150,000 stock options is April 10, 2020. In relation to the issuance of these options, the Company recorded share-based payments of $12,980 were included in the three- and nine-month period ended September 30, 2018 statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

The fair value of each stock option was estimated at the date of grant using the Black-Scholes options pricing model and the following average assumptions:

	September 30, 2018
Risk-free interest rate	1.82%
Expected life	1 year
Exercise price	$0.30
Expected volatility [(1)]	100%
Dividend yield	0.00%

[(1)] The estimated expected share price volatility to be 100% based on historical volatility for companies prior to completion of an exchange listing.

The weighted average remaining life of the stock options is 1.53 years.

9. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company made payments totaling an aggregate amount of USD $40,000 to a director of the Company against the first $40,000 USD related party promissory note.

Subsequent to September 30, 2018, the Company made payments totaling an aggregate amount of USD $15,000 to a director of the Company against the second $40,000 USD related party promissory note.

On October 26, 2018, the Company entered into an agreement (the “Agency Agreement”) with PI Financial Corp (the “Agent”) where PI Financial will act as agent to file a long form prospectus to offer the Company’s common shares in an initial public offering (the “IPO”) at a price of $0.30 per common share to raise minimum gross proceeds of $1,200,000 up to maximum gross proceeds of $2,100,000. Under the terms of the Agency Agreement, the Company agrees to pay a cash commission of 8% of the gross proceeds from the IPO, $25,000 in corporate finance advisory fees, and grant a non-transferable compensation warrants (the “Agent’s Warrants”) to purchase a number of common shares equal to 8% of offered securities sold at an exercise price of $0.45 per Agent’s Warrant Share, expiring 24 months from the date of listing on the Canadian Securities Exchange (the “Exchange”). In addition. the Company promises to grant the Agent the option to purchase up to 1,050,000 common shares (the “Additional Units”) at an exercise price of $0.30 per Additional Unit. Each Additional Unit is comprised of one common share and one half of one non-transferable common share purchase warrant (“Additional Warrant Share”). Each Additional Warrant Share can be exercised at a price of $0.45 per Additional Warrant Share for a period of two year from the closing of the IPO.

On November 15, 2018, the Company announced the closing of its Initial Public Offering (the “IPO”) of units at $0.30 per unit (the “Units”) pursuant to its final prospectus dated October 26, 2018 (the “Prospectus”). Each Unit consists of one common share and one half of a non-transferable share purchase warrant (the “Warrants”) with each whole Warrant entitling the holder to purchase one additional common share of the Company at a price of $0.45 per common share for a period of two years from closing of the Offering.

Under the terms of the Agency Agreement, the Agent for the Offering sold the maximum number of Units under the Prospectus being 7,000,000 Units. In addition the Agent fully exercised its Option to purchase up to an additional 1,050,000 Units. As a result, the Company issued 8,050,000 Units for gross proceeds of $2,415,000 and net proceeds (after deducting the Agent's commission, corporate finance fee and expenses) of $2,167,578.05. In addition the Company issued a total of 644,000 brokers warrants with each Warrant entitling the Agent and other members of the selling group to purchase one common share of the Company at a price of $0.45 per share for a period of two years from closing.

The common shares of the Company were listed on the Canadian Securities Exchange on November 14, 2018 and commenced trading on November 15, 2018.