OVATION SCIENCE INC.

Management Discussion & Analysis

For the years ended December 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of April 30, 2021 and should be read in conjunction with the audited financial statements For the year ended December 31, 2020, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of Ovation Science Inc. (the "Company" or "Ovation"), unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or its achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. See also "Cautionary Statement Regarding Forward-Looking Information".

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act of British Columbia on July 18, 2017. The Company was established to take advantage of a new business opportunity to use patented Invisicare® technology in the production of skin products containing cannabinoids from cannabis and hemp , including but not limited to THC, CBD and hemp seed oil. Under the terms of the Invisicare Agreement described in detail below, the Company holds the exclusive world wide right to manufacture, distribute, sell, market, sub-license and promote products formulated with Invisicare®, containing cannabinoids, hemp seed oil or synthetic derivatives of cannabis.

Invisicare® is a patented polymer-based technology for topical and transdermal skin care products. The advantages of products using Invisicare® are enhancement of drug delivery to the skin by delivering greater amounts and enhancing cannabinoid penetration to enter the blood stream as required. The technology also forms a protective bond that holds ingredients on skin resisting rub-off and wash off, is non-occlusive and allows for normal skin respiration and perspiration and the formulations do not contain alcohol, parabens, waxes or other organic solvents.

The Company's business model is to sublicense Invisicare® enhanced product formulations to licensed businesses engaged in the production of cannabis or hemp products for approved markets and/or geographic areas. The Company's licensee is Lighthouse Strategies, LLC, which held the exclusive license for the United States for licensed dispensaries and non-exclusive outside of dispensaries in the United States.. On October 28, 2020, the Company amended the Lighthouse Agreement in a one-year agreement which limits their exclusivity to the state of Nevada.

Under the Company's business model, it earns revenue from a number of sources including, licensing fees, product development fees, product royalties, and polymer sales to its licensees.

Since incorporation on July 18, 2017, the Company's activities have focused on developing product lines and entering licensing agreements, including the Lighthouse License Agreement. The Company intends to continue licensing with other government licensed companies engaged in the sale of cannabinoid and/or hemp seed oil containing products worldwide.

The Company develops skin care lines containing hemp seed oil and cannabis, and licenses rights to hemp seed oil and cannabis products. The Company has the exclusive world-wide rights to all hemp seed oil and cannabis products (hemp and marijuana) developed with Invisicare®, which enhances the delivery of drugs and other ingredients to and through the skin. The Company, through the Invisicare® Agreement has the right to use Invisicare®, a skin delivery technology covered by patents in eleven (11) countries including the USA and Canada. The Company has developed topical and transdermal creams and lotions made with CBD, THC and combinations thereof plus hemp seed oil. All formulations are formulated with Invisicare® and go through a rigorous pharmaceutical testing process to ensure the formulations are validated throughout the process. The Company does not handle product formulas containing marijuana and the production and testing of marijuana containing products are conducted at the licensed premises of its licensees. As previously discussed, the Company's business model is also to license the Invisicare® enhanced products to licensed businesses engaged in the production of cannabis or hemp products for certain markets and/or geographic areas.

In April 2019, the Company announced it will be launching its own hemp-derived CBD anti-aging skin care line called ARLO CBD Beauty. ARLO CBD Beauty will initially launch with four products with future line extensions available.. This announcement was followed by the results of Ovation's sunscreen testing. Ovation's CBD SPF 30 sunscreen passed independent testing for highest claims available: broad-spectrum and 80 minute water-resistance. This product will be added to the ARLO CBD Beauty product line.

To support the Company's continued efforts to develop science-based products, the Company entered into an exclusive agreement with Skincareguide.com Ltd., a leading international peer-reviewed publisher and an authoritative source of dermatology information for physicians and consumers since 2001, to act as the Company's Medical Dermatology Advisory Board for cannabis formulated products. The objective of the Medical Dermatology Advisory Board is to provide guidance, along with clinical, scientific, research and strategic advice to the Company as it continues to advance its topical and transdermal cannabis product development.

On May 22, 2019 the Company announced the completion of its second cannabidiol ("CBD") product line Invibe® MD. Invibe MD is a "health and wellness" product line infused with hemp-derived CBD and delivered by Ovation's patented skin delivery technology.

On February 13, 2020 the Company announced that it has entered into an extendable three-year, exclusive world-wide licensing agreement with Skinvisible Pharmaceuticals, Inc. to manufacture, market and sell its DermSafe® hand sanitizer. It is the first non-cannabis product distributed by Ovation Science Inc., DermSafe is proven to kill a host of bacteria and viruses, including envelope viruses and it provides an extra level of continued protection since it remains bound to the skin for up to four hours, resisting both wash-off and rub off.

Hemp and CBD regulatory environment in the United States

The Company is directly involved in the Industrial Hemp, hemp seed oil, and CBD marketplace in the State of Nevada and other states which have regulated such activity.

All Industrial Hemp produced and sold by the Company constitutes Industrial Hemp under the 2018 and 2014 Farm Bills, as well as the laws of the states in which it produces and sells such Industrial Hemp and its Products.

The Products will be legal as a matter of federal law because they will constitute hemp as defined in the Agriculture Improvement Act of 2018 ("***2018 Farm Bill***"). As a result, the Products may be legally shipped and transported in interstate commerce as a matter of federal law. The Products will be legal as a matter of the laws of Nevada for the same reason and may be legally offered for retail sale in Nevada.

It is noted, however, that topical products containing CBD fall within the regulatory jurisdiction of the U.S. Food and Drug Administration ("***FDA***") under the federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 *et seq.)* ("***Food and Drug Act***"). Accordingly, because they will contain CBD, certain of the Products, including the Company's skin care Products, may be subject to enhanced scrutiny or enforcement action by FDA.

2018 Farm Bill

On December 20, 2018 the 2018 Farm Bill became law in the United States. Under the 2018 Farm Bill, industrial and commercial hemp will no longer be classified as a Schedule I controlled substance in the United States. Under the 2018 Farm Bill, hemp includes the plant Cannabis sativa L. and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the 2018 Farm Bill, hemp must contain no more than 0.3 percent of delta-9-tetrahydrocannabinol (THC). Moving forward, the 2018 Farm Bill forever deems hemp an agricultural commodity. As such, federal law enforcement and regulatory officials can no longer mistake hemp for its illicit cousin, marijuana, also a subspecies of the cannabis plant.

The 2018 Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp. Ovation expects the removal of hemp as a controlled substance will positively impact the public perception of hemp and sales of its topical and transdermal products containing CBD should increase. In addition, Ovation expects that now that industrial and commercial hemp is federally authorized, the barriers to national distribution have been eliminated and therefore the trend should be product sales expanding nationally in the United States for Ovation and its licensees.

Accordingly, the Drug Enforcement Administration ("DEA") no longer has any possible claim to interfere with interstate commerce involving hemp products. This should give comfort to federally-regulated institutions -- pharmacies, banks, merchant services, credit card companies, e-commerce sites, and advertising platforms -- as well as private retailers, to conduct commerce involving hemp and the hemp product industry.

The U.S. Food & Drug Administration ("FDA") retains exclusive jurisdiction over the regulation of ingestible and topical hemp-derived products, as the 2018 Farm Bill does not amend or modify the Food and Drug Act, section 351 of the Public Health Service Act (42 U.S.C. 301 et seq.), or certain authorities of the Commissioner of Food and Drugs or Secretary of the U.S. Department of Health and Human Services.

The 2018 Farm Bill does not, however, pre-empt state or local law. As such, through their regulatory plans, states or tribes may impose separate (and greater) restrictions or requirements on hemp production in their jurisdiction.

Prior to enactment of the 2018 Farm Bill, the Agricultural Act of 2014 ("***2014 Farm Bill***") regulated the production of hemp at the federal level. Under this regime, states -- through their departments of agriculture -- were authorized to establish agricultural pilot programs for the production of hemp for research purposes, including marketing studies. The 2014 Farm Bill sanctioned, but did not require, states to establish agricultural pilot programs for the growth and cultivation of hemp for research purposes. At least forty-one (41) states, including Nevada, established agricultural pilot programs under the 2014 Farm Bill, some of them with broader permissions (and more sophisticated regulatory frameworks) than others.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the industrial hemp, hemp oil and cannabis industry in the State of Nevada and, if permitted, other states in the U.S. Accordingly, there are a number of significant risks associated with the business of the Company. If the FDA takes a position regulating all CBD products intended for human or pet consumption there is a risk that federal authorities may enforce this position, and some or all of the products produced by the business of the Company may be deemed unfit for consumption.

For these reasons, the Company's operations in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities.

There can be no assurance that third party service providers, including, but not limited to, suppliers, contractors and banks will not suspend or withdraw services which could negatively impact the business of the Company.

State Law

The Products will also be legal as a matter of Nevada law. The Products will derive from hemp lawfully grown and cultivated as part of IHRP and do not contain more than three tenths of one percent (0.3%) THC. Further, the Products

will be protected as hemp products and hemp-derived CBD products under Nevada law. As such, they will be removed from scheduled control as marijuana and may be legally distributed and sold as a matter of Nevada law.

Health Canada

On December 22, 2018, Health Canada published in the Canada Gazette, Part I, draft regulations for edible cannabis, cannabis extracts and cannabis topicals. These regulations cover the production and sale of cannabis topicals and permitting their legal sale by October 17, 2019.

This is positive news for Ovation as following legalization of topical CBD and THC products, Ovation can expand its business into Canada.

Cannabis Industry

The Company indirectly derives a portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Company is indirectly involved in the cannabis industry in the United States where local state law permits such activities.

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Federal Controlled Substances Act. The Company's sublicensees have assured that they are in compliance with state licensing and regulatory frameworks.

Almost half of U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on THC (as defined herein) while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule II controlled substance under the CSA in the United States and as such, is illegal under federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future investments in the United States, and such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "Risk Factors".

There can be no assurance that third party service providers, including, but not limited to, suppliers, subcontractors and banks will not suspend or withdraw services which could negatively impact the business of the Company.

Recreation transdermal cream

On February 19, 2019, the Company announced the creation of a new product category for the cannabis market: a recreational transdermal cream. This first-to-market recreational cannabis product has been formulated to quickly deliver a high-dose of THC into the blood stream (transdermal).

This new product is marketed and distributed in the USA by Cannabiniers under the name BASKiN GLOW. BASKiN GLOW contains 500 milligrams of THC and 50 milligrams of CBD in each 59 ml jar. This product will be a game-changer in the cannabis industry and the Company is the leader in this new category.

The recreational transdermal cream has been developed using Ovation's drug delivery technology and has the following unique distinctions; Proprietary polymer delivery system delivers high-dose THC to the blood stream; bypassing first-pass through the liver; Patent-protection means no other cream can deliver like Ovation's; The unique

formula delivers THC transdermally without the use of a patch; it's invisible; significant demand has been established with multiple pre-orders; Third-party testing verifies potency of each product; available in Nevada dispensaries and coming soon to California and other states where legalized.

With over twenty years of topical drug delivery experience, Ovation's management and science team has created a unique pipeline of over twenty-five topical and transdermal cannabis products including CBD, THC and combination products along with a line of anti-aging / beauty products made with CBD.

On May 21, 2019 the Company completed the development of its second cannabidiol ("CBD") infused product line focused on health and wellness Invibe® MD. The product line is infused with hemp-derived CBD and is delivered by Ovation's patented skin delivery technology. This new product line follows the Company's anti-aging skincare product line ARLO CBD Beauty.

Invibe MD will begin with three products: Troubled Skin, Keep Fit Sports Relief and R&R (Rest & Relaxation). The product line has additional products that have completed development and will be launched at a later time.

Invibe MD:

- Invibe MD wellness creams have been developed using Invisicare® drug delivery technology; a technology with over twenty years of research and development in the pharmaceutical industry; specifically dermatology and is patented in eleven countries;

- The Invibe MD products are enhanced with hemp-derived CBD to provide the maximum effect; CBD has many benefits when used topically and without the potential side-effects of smoking, vaping or edibles; CBD is non-psychoactive and does not contain THC so it does not get you high;

- All Ovation products are thoroughly tested to ensure product stability and to validate that they deliver the stated amount of high quality CBD.

There are many benefits to using a topically applied CBD product compared to other methods of delivery. Using products like ARLO CBD Beauty or Invibe MD allows the user to apply the cream or lotion directly on the area affected. The CBD is absorbed into the skin and since it does not have to be digested like oils or edibles, the products work quickly and effectively, focusing right on the area where it is needed.

Statements have not been evaluated by Health Canada or the Food and Drug Administration. These products are not intended to diagnose, treat, cure, or prevent any disease.

On June 25, 2019, the Company announced that its product under license in the USA, remains the #1 topical cannabis product sold in Nevada dispensaries. According to Headset data, a cannabis analytics company that provides key business intelligence to the cannabis industry, Ovation Science's transdermal CBD (cannabidiol) formulation under license again is ranked the #1 selling topical in Nevada during April, May and June by number of units sold according to their latest update. For more information, visit: https://www.headset.io

Ovation's patented skin delivery technology, Invisicare®, is the backbone of all products developed by Ovation Science. It provides exceptional topical and transdermal delivery of CBD and THC to and through the skin; greater than many products on the market according to the Company's research studies.

The continued #1 ranking of our product in Nevada will be a catalyst to expansion into other states by our licensee. This will add immediate royalty revenue and shareholder value as our products will have the opportunity to be offered in significantly more dispensaries than before.

The company also have interest from potential licensees outside of the USA including Canada and Europe and these opportunities would give Ovation's products the opportunity for global expansion. Ovation products are unique from

other infused product companies as the Company leverages its expertise in the pharmaceutical industry to develop highly effective, patent-protected products that have the results to prove it.

Ovation products are used for improved wellness, pain management and even anti-aging, to name a few. Ovation earns revenues from licensing and development fees, royalties and the sale of Invisicare to its licensees. In addition, the Company will be launching its new line of CBD Beauty products in July in the US both in the retail market and online. Statements have not been evaluated by Health Canada or the Food and Drug Administration. These products are not intended to diagnose, treat, cure, or prevent any disease.

On September 23, 2019 the Company announced that it has launched its e-commerce website www.ArloCBDBeauty.com featuring its anti-aging beauty line ARLO CBD Beauty. The website is designed for US consumers who want to purchase high quality anti-aging products infused with the benefits of CBD.

ARLO CBD Beauty products showcase Ovation's commitment to be a leader in the CBD skin care space and to elevate the standards surrounding the quality and efficacy of topical CBD products available to consumers. The website will serve as a platform to highlight Ovation Science's dedication to the following high standards:

High Quality CBD: Ovation uses only high quality, non-psychoactive CBD (cannabinoid), derived from US grown industrial hemp (with less than .03% THC) so our products are non-psychoactive;

Effective Products Backed By Science: Ovation is dedicated to bring only highly effective products to the market with ingredients that work synergistically to bring you the best possible results.

We Stand Behind Our Products: Customer satisfaction is guaranteed or your money is refunded.

Ovation continues to increase shareholder value by seeking expanded patent protection for its products as well as developing new unique, effective products that can be brought to the market in the US, Canada and globally. Ovation also persists in its negotiations with potential global partners for possible licensing opportunities and joint ventures.

DermSafe® Hand Sanitizer w/o Alcohol

During the nine-month period ended September 30, 2020, the Company launched its first non-cannabis product "DermSafe Hand Sanitizer", which uses chlorhexidine gluconate (CHG) as its active ingredient. CHG formulated hand care products including soaps have been used worldwide in hospitals as it has a proven ability to kill both bacteria and viruses. DermSafe binds to the hands and resists wash-off and rub-off for up to 4 hours post application while continuing to kill both bacteria and viruses. On February 3, 2020, the Company acquired the exclusive world-rights to DermSafe® Hand Sanitizer, www.dermsafe.com.

During the nine months ended September 30, 2020, the Company has generated revenues in China, the United Kingdom, Mexico, and Canada, from DermSafe product sales.

In Canada the Company has 1 distributor in Alberta and 1 in B.C. and 3 in Ontario. The distributors have expertise in retail, healthcare and commercial distribution. The Company expects to continue to add to its distributor list.

COVID-19

In March 2020, the World Health Organization declared the recent outbreak of coronavirus, also known as "COVID-19", 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. The impact on the Company is not currently determinable but management continues to monitor the situation.

For Ovation, COVID-19 has had both positive and negative effects on the business.

The Company's DermSafe product, which has proven to be effective at killing envelope viruses tested like H1N1, H5N1 and H3N2 (COVID-19 is also an envelope virus) has been in incredibly high demand, whereby demand has outstripped the Company's ability to provide materials like bottles, caps and ingredients which are harder to obtain

due to the worldwide demand arising from COVID-19. There is strong competition for these items as many traditional alcohol hand sanitizers use the same components.

Due to the mandatory closure of non-essential retail stores and dispensaries and the subsequent decrease in sales in the cannabinoid market, the Company has seen a decrease in sales of the Lighthouse products that are sold to their dispensary clients.

The offset of DermSafe sales has made up for where the sales to cannabinoids producers have decreased.

OVERALL PERFORMANCE

For the year ended December 31, 2020:

As at December 31, 2020, the Company had $380,621 (December 31, 2019 - $378,756) in cash. For the year ended December 31, 2020, the Company generated revenue of $750,010 (2019 - $302,382) and a gross profit of $548,022 (2019 - $283,934).

Working capital increased as at December 31, 2020 to $2,346,433 from $842,122 for the year ended December 31, 2019. Working capital increased as a result of the Company's increase in inventory, purchase of GICs, and a decrease in current liabilities.

Revenue and gross margin

Revenues and gross margins for the year ended December 31, 2020 were $750,010 and $548,022 respectively (2019 - $302,382 and $283,934, respectively). The Company primarily derived its revenue from its relationship with Lighthouse Strategies, LLC which commenced in April 2018 and the sale of its DermSafe product. Sales of DermSafe have increased significantly due to COVID19.

Operating expenses

Operating expenses for the year ended December 31, 2020 were $1,636,391 (2019 - $1,151,864). The increase primarily relates to an increase in professional fees, product development expenses, investor relations fees, and an increase in share-based payments.

The increase in professional fees relates to legal, accounting and consulting fees incurred. The increase in product development expense relates to further research on the Company's DermSafe product. The Company incurred more investor relations expenses than in the comparative period largely due to the private placement offering that was completed during the period. The increase in share-based payments expense relates to options issued in the current period, which were not issued in prior periods.

Other income (expenses)

Other expenses for the year ended December 31, 2020 were $96,505 (2019 – $31,987 income). The increase in other expenses primarily relates to foreign exchange loss of $53,825 (2019 - $5,867), and a loss on debt settlement of $52,356 (2019 - $nil). Also contributing to the increase in other expenses, in the prior year, the Company had a gain of $47,064 due to the change in the fair value of a derivative liability. There was no such gain during the year ended December 31, 2020 as the liability had been paid off.

Share capital activity:

On April 6, 2020, the Company issued 50,000 common shares to a related party pursuant to the exercise of 50,000 stock options with a weighted average exercise price of $0.30 per share for proceeds of $15,000. The proceeds were non-cash and was deducted from accrued interest on a promissory note payable to the related party. In connection with the exercise, an amount of $981 was reclassified from reserves to share capital.

On May 27, 2020, the Company closed a private placement of 5,040,000 units at a price of $0.42 per unit for gross proceeds of $2,116,800, net $1,968,624 after a cash payment of commissions totaling $148,176. The commissions fees totaled 7% of the total proceeds. Each unit consists of one common share of the Company and one half of one

non-transferable share purchase warrant. The Company issued a total of 352,800 brokers warrants exercisable to purchase one common share at $0.42 per share for 18 months from closing to registered investment dealers in connection with the offering. The brokers warrants totaled 7% of the total units issued and the fair value of these warrants were determined to be $121,606.

On July 28, 2020, the Company issued 300,000 common shares pursuant to the exercise of 300,000 stock options with a weighted average exercise price of $0.30 per share for proceeds of $90,000. In connection with the exercise, an amount of $37,890 was reclassified from reserves to share capital.

On September 28, 2020, the Company closed a shares for debt transaction where 536,455 common shares were issued at $0.40 per share to a creditor for settlement of $133,783 (USD$100,000) of a convertible promissory note and accrued interest of $28,442 (USD$21,260). The Company recorded a loss on settlement of debt of $52,356 in connection to this transaction.

During the year ended December 31, 2020, the Company issued 213,750 common shares pursuant to the exercise of 213,750 warrants with a weighted average exercise price of $0.45 per share for proceeds of $96,188. In connection with the exercise, an amount of $38,107 was reclassified from reserves to share capital.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2020 and 2019 and should be read in conjunction with the Company's financial statements and related notes thereto for such periods.

The year-end financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are expressed in Canadian dollars.

December 31,		**2020**		**2019**
Total assets	$	3,251,733	$	1,839,835
Total non-current financial liabilities	$	-	$	-
Revenues	$	750,010	$	302,382
Loss and comprehensive loss	$	(1,166,665)	$	(834,346)
Loss per share – Basic and diluted	$	(0.04)	$	(0.05)
Weighted average number of common shares outstanding		26,667,047		16,172,978

Total assets as of December 31, 2020 were $3,251,733 (2019 - $1,839,835). The increase in total assets is due to an increase in short-term investments as the Company acquired a GIC in the amount of $550,000, as well as an increase of $775,272 in inventory held as at December 13, 2020 due to higher sales and demand for the Company's DermSafe products.

Revenues were $750,010 for the year ended December 31, 2020 compared to revenues of $302,382 for the year ended December 31, 2019. The Company primarily derived its revenue from its relationship with Lighthouse Strategies, LLC which commenced in April 2018 and the sale of its DermSafe product. Sales of DermSafe have increased significantly due to COVID19.

Loss and comprehensive loss for the year ended December 31, 2020 was $1,166,665 (2019 - $834,346). The overall increase of $332,319 was due to an increase in operating expenses of $484,527, and an increase in other expenses of $128,492, offset against an increase in the Company's gross margin of $264,088.

DISCUSSION OF OPERATIONS

The following table summarizes the results of operations for the years ended December 31, 2020 and December 31, 2019:

		2020		2019
Revenues	$	750,010	$	302,382
Gross margin	$	548,022	$	283,934
Operating expenses	$	1,636,391	$	1,151,863
Loss from operations	$	(1,088,369)	$	(867,929)
Other items:	$	(78,296)	$	33,583
Loss and comprehensive loss	$	(1,166,665)	$	(834,346)

Operating expenses

During the year ended December 31, 2020, operating expenses increased by $484,527 as compared to the year ended December 31, 2019. The increase is due to an increase in professional fees, product development expenses, investor relations fees, and an increase in share-based payments, offset against a decrease in advertising and promotion expenses.

The increase in professional fees relates to legal, accounting and consulting fees incurred. The increase in product development expense relates to further research on the Company's DermSafe product. The Company incurred more investor relations expenses than in the comparative period largely due to the private placement offering that was completed during the period. The increase in share-based payments expense relates to options issued in the current period, which were not issued in prior periods.

The Company incurred advertising and promotions expense of $26,563 for the year ended December 31, 2020 whereas $138,274 was incurred during the year ended December 31, 2019. The reduction in advertising and promotion expenses was due to a redirection of the Company's efforts on obtaining investor relations services. The Company incurred $144,935 (2019 - $31,449) in investor relations fees during the year ended December 31, 2020.

An increase in professional fees of $66,634 to $241,023 from $174,389 in 2019 was due to an increase in legal, accounting, and audit expenses incurred.

The addition of product development expenses incurred during December 31, 2020 relates to further research on the Company's DermSafe product.

Lastly the Company granted stock options to directors and officers. The options were fair valued using a Black Scholes model and the Company recorded an expense of $413,022 (2019 - $94,826) in share-based payments.

Other income (expenses)

Other expenses for the year ended December 31, 2020 were $96,505 (2019 – $31,987 income). The increase in other expenses primarily relates to foreign exchange loss of $53,825 (2019 - $5,867), and a loss on debt settlement of $52,356 (2019 - $nil). Also contributing to the increase in other expenses, in the prior year, the Company had a gain of $47,064 due to the change in the fair value of a derivative liability. There was no such gain during the year ended December 31, 2020 as the liability had been paid off.

SUMMARY OF QUARTERLY RESULTS

The audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including

International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and are expressed in Canadian dollars.

Three months ended,	December 31, 2020 $	September 30, 2020 $	June 30, 2020 $	March 31, 2020 $
Total revenue	176,853	180,994	100,677	291,486
Net loss	(192,260)	(253,828)	(627,955)	(110,831)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.02)	(0.00)

Three months ended,	December 31, 2019 $	September 30, 2019 $	June 30, 2019 $	March 31, 2019 $
Total revenue	108,607	78,908	55,701	59,166
Net loss	(302,574)	(141,161)	(203,960)	(188,248)
Basic and diluted net loss per share	(0.02)	(0.01)	(0.01)	(0.01)

i) The Company's net loss decreased in the three months ended December 31, 2020, as compared to the preceding quarter largely due to a decrease in total operating expenses from $344,733 during the quarter ended September 30, 2020 to $323,552 during the quarter ended December 31, 2020. Other expenses also decreased from $51,273 during the quarter ended September 30, 2020 to $30,360 during the quarter ended December 31, 2020.

ii) The Company's net loss decreased in the three months ended September 30, 2020, as compared to the preceding quarter largely due to decrease in share-based payments from $342,690 to $nil.

iii) The Company's net loss increased in the three months ended June 30, 2020, as compared to the preceding quarter largely due to an increase in share-based payments from $45,130 to $342,690.

iv) The Company's net loss decreased in the three months ended March 31, 2020 as compared to the preceding quarter due to the increase in income generated from the sale of the Company's new product "DermSafe".

v) The Company's net loss increased in the three months ended December 31, 2019 as compared to the preceding quarter.

vi) The Company's net loss decreased in the three months ended September 30, 2019 as compared to the preceding quarter. The decrease is due to the change in the fair value of the derivative liability in Q3 from $25,082 to $72,304.

vii) The Company's net loss increased in the three months ended June 30, 2019 as compared to the preceding quarter. The increase is due to the Company incurring in advertising and promotion for $78,982 and $51,124 for office and general expense during the three months ended June 30, 2019 in comparison to $27,400 and $23,593 during the three months ended March 31, 2019, respectively. The increase was offset by a gain in the fair value of the derivative by $2,899 during the three months ended June 30, 2019 in comparison to the loss in the fair value of the derivative for $27,980 incurred during the three months ended March 31, 2019.

viii) The Company's net loss decreased in the three months ended March 31, 2019 as compared to the preceding quarter. The decrease is due to the Company incurring in legal expenses for $4,363 and transfer and filling fees for $2,327 during the three months ended March 31, 2019 in comparison to $10,156 and $13,635 during the three months ended December 31, 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020 the Company had a working capital of $2,346,433 (December 31, 2019 - $842,122) and cash of $380,621 (December 31, 2019 - $378,756). The cash balance as at December 31, 2020 remained relatively similar to the balance as at December 31, 2019.

Operating activities

Net cash used in operating activities for the year ended December 31, 2020 was $1,385,147 (2019 – $952,901). The increase in cash from operating activities mostly relates to the losses incurred during the year ended December 31, 2020 for $1,184,874 (2019 - $835,943) and by non-cash adjustments and changes in working capital items for $200,273 (2019 – $116,958). The non-cash adjustments are mainly comprised of share-based payments of $413,022 (2019 - $94,826), unpaid interest for $10,088 (2019 - $27,263), a change in fair value of derivative liability of $11,781 (2019 - $nil), a loss on debt settlement of $52,356 (2019- $nil). Cash consumed by changes in working capital increased to $666,126 from $176,503 in the comparative period largely due to an increase in inventory.

Investing activities

For the year ended December 31, 2020, cash used in investing activities was $685,183 (2019 – $895,196 generated). The Company used cash to acquire the license from Skinvisible for US$100,000. Additionally, the Company purchased a GIC of $1,500,000 during the period. This was offset by the redemption of a GIC of $600,000.

Financing activities

Net cash generated by financing activities for the year ended December 31, 2020 was $2,050,334 (2019 - $28,151 used). The increase in cash from financing activities relates mostly to $2,116,800 generated from a private placement that occurred during year ended December 31, 2020, offset by $148,176 share issuance costs. The Company also generated $90,000 (2019 - $nil) from the issuance of common shares pursuant to the exercise of 300,000 options and $96,188 (2019 - $nil) from the exercise of 213,750 warrants. Additionally, during the year ended December 31, 2020, the Company made a repayment of $100,000 towards the principal of its convertible note.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements During the year ended December 31, 2020.

RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

Logan Anderson, Chief Financial Officer
Terry Howlett, Chief Executive Officer
Doreen McMorran, Chief Operating Officer and Director
Ian Howard, Director
Joan Chypyha, Director
David Ryan, Head of Investor Relations and Director

The remuneration of directors and key management personnel for the period ended is as follows:

	December 31, 2020	December 31, 2019
Management fees	$ 371,475	$ 360,043
Director fees	8,000	5,000
Share-based payments	338,320	35,937

	$	717,795	$	400,980

Related party payables

As at December 31, 2020, due to related parties of $nil (2019 - 19,478) consists of management and directors' fees. As at December 31, 2020, trade and other payables consists of $9,063 (December 31, 2019 - $16,092) in directors fees, royalties, consulting fees, expense reimbursements, and rent expense owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

The Company entered into the following related party transactions during the year ended December 31, 2020:

a) Included in management fees, salaries and benefits fees are fees of $42,000 (2019 - $42,000) charged or incurred by Amteck Financial Corp., a company controlled by Logan Anderson, the Chief Financial Officer of the Company. Amounts payable as at December 31, 2020 were $nil (2019 - $nil);

b) Included in management fees, salaries and benefits are fees of $163,416 (2019 - $152,440) charged or incurred by Terry Howlett, the Chief Executive Officer ("CEO"). Amounts payable as at December 31, 2020 were $nil (2019 - $1,339)

c) Included in management fees, salaries and benefits are fees of $36,000 (2019 - $36,000) charged or incurred by David Ryan, Head of Investor Relations and Director of the Company; Amounts payable as at December 31, 2020 were $524 (2019 - $3,150)

d) Included in management fees, salaries and benefits are fees of $130,059 (2019 - $124,603) charged or incurred by Doreen McMorran, Chief Operating Officer and Director of the Company; Amounts payable As at December 31, 2020 were $nil (2019 - $6,276).

e) Included in management fees, salaries and benefits are directors' fees of $8,000 (2019 - $5,000) charged or incurred by directors of the Company. Amounts payable As at December 31, 2020 were $4,000 (2019 - $2,000)

Other related party transactions:

f) During the year ended December 31, 2020, the Company paid or accrued $12,000 (2019 - $nil) in consulting fees to a Company, Wynten Management Corp., owned by the CFO's spouse. Amounts owing as at December 31, 2020 were $1,050 (2019 - $nil).

g) During the year ended December 31, 2020, the Company paid or accrued $24,000 (2019 - $nil) in rent expenses to a Company, Westbrook Management Inc., controlled by a director and CFO of the Company. Amounts owing as at December 31, 2020 were $3,150 (December 31, 2019 - $nil).

h) During the year ended December 31, 2020, the Company paid or accrued $87,175 (2019 - $nil) in rent expenses to a Company, Skinvisible Pharmaceuticals Inc., with a common CEO and director. During the year ended December 31, 2020, the Company also paid or accrued $21,283 (2019 - $nil) in royalties to Skinvisible Pharmaceuticals Inc.. Amounts owing as at December 31, 2020 were $2,339 (December 31, 2019 - $nil).

i) During the year ended December 31, 2020, the Company issued 50,000 common shares to a Joan Chypyha, a Director of the Company, pursuant to the exercise of 50,000 stock options for a total of $15,000 which was deducted from accrued interest on a promissory note payable to Joan Chypyha and repaid the remainder of the promissory note payable of $105,520.

DISCLOSURE OF OUTSTANDING SECURITIES DATA

8,387,501 common shares (the "Escrowed Securities") are held by and are subject to the terms of an escrow agreement dated April 10, 2018 and the holders of the Escrowed Securities. The shares are subject to Escrow with the following release dates.

On the Listing Date	1/10 of the Escrowed Securities
6 months after the Listing Date	1/6 of the remaining Escrowed Securities
12 months after the Listing Date	1/5 of the remaining Escrowed Securities
18 months after the Listing Date	1/4 of the remaining Escrowed Securities
24 months after the Listing Date	1/3 of the remaining Escrowed Securities
30 months after the Listing Date	1/2 of the remaining Escrowed Securities
36 months after the Listing Date	the remaining Escrowed Securities

As at April 30, 2021, the total number of outstanding common shares, warrants and stock options are 29,374,836, 2,872,800 and 1,875,000, respectively.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

FINANCIAL INSTRUMENTS

The Company has classified its short-term investments, trade and other receivables, accounts payable and other liabilities, due to related parties and convertible notes as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The Company has classified its cash as a financial asset measured at fair value through profit and loss.

Financial assets and financial liabilities are offset, and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the statements of loss and comprehensive loss.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are in Note 2 of the audited financial statements for the year ended December 31, 2020.

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Future accounting standards issued but not yet in effect

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Pronouncements that may have a significant impact to the Company have been disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

ADDITIONAL INFORMATION

Additional information and the documents filed with the Canadian securities regulatory authorities are available at the Company's profile on http://www.sedar.com and on the Company's website http://ovationscience.com/