

OVATION SCIENCE INC.

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2021 and 2020

*Expressed in Canadian dollars
(Unaudited)*

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for Ovation Science Inc. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	Notes	As at June 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash		\$ 1,086,537	\$ 380,621
Short-term investment	3	-	1,157,575
Trade and other receivables	4	47,863	49,935
Prepaid expenses	5	32,391	15,281
Inventory	6	852,623	886,404
		2,019,414	2,489,816
Licenses	7	741,995	741,995
Furniture and equipment	8	15,446	19,922
Total assets		\$ 2,776,855	\$ 3,251,733
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	9, 13	\$ 70,353	\$ 143,383
Total liabilities		70,353	143,383
Shareholders' equity			
Share capital	10	4,280,458	4,280,458
Reserves	11	1,398,848	1,398,848
Accumulated other comprehensive income		(15,966)	19,806
Deficit		(2,956,838)	(2,590,762)
Total shareholders' equity		2,706,502	3,108,350
Total liabilities and shareholders' equity		\$ 2,776,855	\$ 3,251,733

Nature of business and going concern (Note 1)

These condensed consolidated interim financial statements were approved by the Board of Directors on August 30, 2021:

"Logan Anderson"

Director

"Terry Howlett"

Director

The accompany notes are an integral part of these condensed consolidated interim financial statements

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

		Three months ended		Six months ended	
		June 30,		June 30,	
	Note	2021	2020	2021	2020
Revenue					
Product sales	12	\$ 19,779	83,798	\$ 57,883	346,112
Royalty fees		41,560	16,879	76,949	82,294
Research		14,964	-	14,964	-
		76,303	100,677	149,796	428,406
Cost of sales	6	(23,435)	(48,101)	(35,283)	(147,971)
Gross margin		52,868	52,576	114,513	280,435
Operating expenses					
Advertising and promotion		4,658	-	21,175	-
Depreciation	8	1,960	2,212	3,958	4,354
Investor relations		54,182	63,445	84,273	84,445
Management and director fees	13	87,720	93,189	181,553	189,420
Office and general		86,634	49,992	116,663	100,531
Product development		2,648	63,297	26,066	104,275
Professional fees		29,247	43,673	55,575	87,106
Royalty fees		1,467	-	4,764	10,155
Share-based payments	11	-	342,690	-	387,820
		268,516	658,498	494,027	968,106
Loss from operations		(215,648)	(605,922)	(379,514)	(687,671)
Other income (expenses)					
Interest expense		-	(6,843)	-	(11,979)
Interest income	3	1,776	3,239	4,787	6,335
Change in fair value of derivative liability		-	(11,781)	-	-
Foreign exchange gain (loss)		9,165	(18,429)	8,651	(21,009)
Gain on expiration of conversion		-	11,781	-	11,781
Net loss		\$ (204,707)	(627,955)	\$ (366,076)	(702,543)
Foreign currency translation to reporting currency		(29,180)	5,359	(35,772)	11,185
Net loss and comprehensive loss		\$ (233,887)	(622,596)	\$ (401,848)	(691,358)
Loss per share – basic and diluted		\$ (0.01)	(0.02)	\$ (0.01)	(0.03)
Basic and diluted weighted average number of common shares outstanding		29,374,836	25,256,902	29,374,836	24,246,096

The accompany notes are an integral part of these condensed consolidated interim financial statements

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share capital		Reserves	Accumulated Other Comprehensive Loss	Deficit	Total shareholders' equity
	Number	Amount				
Balance at December 31, 2019	23,234,631	\$ 1,940,692	\$ 941,198	\$ 1,597	\$ (1,405,888)	\$ 1,477,599
Shares issued for cash	5,040,000	2,116,800	-	-	-	2,116,800
Share issuance costs		(269,782)	121,606			(148,176)
Options exercised	76,666	48,168	(13,668)	-	-	34,500
Warrants exercised	50,000	15,981	(981)	-	-	15,000
Share-based payments	-	-	387,820	-	-	387,820
Foreign currency translation adjustment	-	-	-	9,588	-	9,588
Loss for the period	-	-	-	-	(702,543)	(702,543)
Balance at June 30, 2020	28,401,297	\$ 3,851,859	\$ 1,435,975	\$ 11,185	\$ (2,108,431)	\$ 3,190,588
Balance at December 31, 2020	29,374,836	4,280,458	1,398,848	19,806	(2,590,762)	3,108,350
Foreign currency translation adjustment	-	-	-	(35,772)	-	(35,772)
Loss for the period	-	-	-	-	(366,076)	(366,076)
Balance at June 30, 2021	29,374,836	\$ 4,280,458	\$ 1,398,848	\$ (15,966)	\$ (2,956,838)	\$ 2,706,502

The accompany notes are an integral part of these condensed consolidated interim financial statements

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended June 30, 2021	Six months ended June 30, 2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (366,076)	\$ (702,543)
Adjustments for non-cash items:		
Interest expense	-	11,789
Share-based payments	-	387,820
Change in fair value of derivative liability	-	(11,781)
Interest earned	-	(6,275)
Depreciation expense	3,958	4,354
Changes in working capital items:		
Trade and other receivables	2,072	17,468
Inventory	33,781	(793,555)
Prepaid expense	(17,110)	24,355
Accounts payable and other liabilities	(73,030)	113,868
Cash flows used in operating activities	(416,405)	(954,500)
INVESTING ACTIVITIES		
Redemptions (purchases) of short-term investments	1,157,575	(1,096,993)
Intangibles	-	(135,184)
Cash flows (used in) provided by investing activities	1,157,575	(1,232,177)
FINANCING ACTIVITIES		
Repayment of related party loans	-	(9,233)
Proceeds from issuance of shares	-	2,116,800
Share issuance costs	-	(148,176)
Proceeds from exercise of warrants	-	34,500
Cash flows provided by financing activities	-	1,993,891
Effect of foreign exchange	(35,254)	14,421
Change in cash	705,916	(178,365)
Cash, beginning	380,621	378,756
Cash, ending	\$ 1,086,537	\$ 200,391
Non-cash transactions:		
Repayment of promissory note through issuance of shares	-	\$ 15,000

The accompany notes are an integral part of these condensed consolidated interim financial statements

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

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 Skininvisible Pharmaceuticals, Inc. (“Skininvisible”). On February 3, 2020, the Company acquired the exclusive world-wide rights to a DermSafe® Hand Sanitizer, the Company’s first non-cannabis product. The Company’s shares are traded on the Canadian Securities Exchange under the symbol “OVAT” and the US exchange OTCQB under the symbol “OVATF”.

The Company’s head office is located at Suite 1140 – 625 Howe Street, Vancouver, B.C. V6C 2T6, and its registered office is Suite 704, 595 Howe Street, Vancouver, B.C. V6C 2T5.

The Company’s wholly owned subsidiary, Ovation Science USA Inc.’s operations are located in Las Vegas, Nevada. All Research and Development is conducted in the Company’s own laboratory headed by its PhD. Chemist. Additionally, global sales and marketing are located in the US office.

These condensed consolidated 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 June 30, 2021 the Company is not able to finance day to day activities through operations and has incurred losses since inception. 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 consolidated statements of financial position.

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States, and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2020 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. Except as summarized below, the Company used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2020.

Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements 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 interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 30, 2021.

Basis of measurement

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

Basis of consolidation

These consolidated financial statements include the amounts of the Company and its wholly-owned subsidiary, Ovation Science USA Inc. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

Significant estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2020.

Accounting standards issued but not yet effective

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 new standards and determined that there are no standards that are relevant to the Company.

3. SHORT-TERM INVESTMENT

During the six months ended June 30, 2021, the Company redeemed its guaranteed investment certificate ("GIC") of \$1,150,000 (2020 - \$400,000) and earned \$4,783 (2020 - \$6,275) in interest income.

As at December 31, 2020, short-term investments consist of a GIC of \$1,150,000 which bore interest at 1.10% per annum and matured on May 27, 2021. As at December 31, 2020, the balance included interest receivable of \$7,575.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

4. TRADE AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020
Trade receivables	\$ 42,405	\$ 46,838
GST receivable	5,458	3,097
	\$ 47,863	\$ 49,935

5. PREPAID EXPENSES

	June 30, 2021	December 31, 2020
Prepaid expenses	\$ 23,194	\$ 12,781
Legal retainer	9,197	2,500
	\$ 32,391	\$ 15,281

6. INVENTORY

	June 30, 2021	December 31, 2020
Finished goods	\$ 624,956	\$ 659,069
Packaging	153,276	152,359
Raw materials	74,391	74,976
	\$ 852,623	\$ 886,404

During the three and six months ended June 30, 2021, the Company incurred \$23,453 and \$35,283 respectively (2020 - \$48,101 and \$147,971) in costs of sales related to inventory.

7. LICENSES

On September 29, 2017, the Company entered into a License and Assignment Agreement (the "Assignment Agreement") with Skinvisible, whereby Skinvisible granted the License to the Company. The agreement shall remain in effect, except for sub-licensees appointed by the Company. The consideration for the Assignment Agreement is US\$500,000 (\$606,812) 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) due upon the earlier of the Company completing an initial public offering or March 31, 2018, which was later amended to June 30, 2018 and September 15, 2018 (paid).

On November 10, 2017, the Company entered into a License Agreement (the "Agreement") with Lighthouse Strategies, LCC ("Lighthouse"), whereby the Company granted to Lighthouse the exclusive right to, utilize the License. The agreement shall remain in effect until terminated (with 30 days written notice from either party), unless failure to comply with the terms in the agreement. As part of the consideration related to this agreement, the Company has received a quarterly minimum packaging fee that started at the beginning of June 2018. On October 28, 2020, the Company amended the Lighthouse Agreement in a one-year agreement which makes CBD products non-exclusive and only THC products exclusive and limits their licensed territory to the state of Nevada.

On February 3, 2020, the Company entered into a License Agreement (the "License Agreement"), with Skinvisible, whereby Skinvisible granted the Company rights to Skinvisible's hand sanitizer with the brand name "DermSafe" or DermSafe PC ("DermSafe"). The License Agreement provides the Company with the right to extend the License and patent the DermSafe sanitizer by paying a renewal fee of \$135,183 (US\$100,000) in two payments over three and a half years from the date of the License Agreement.

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

7. LICENSES (Continued)

On June 10, 2020, the Company entered into a License Renewal Agreement (the “Renewal Agreement”) with Skinvisible, whereby Company shall accelerate the renewal payments to June 10, 2020, totaling \$135,183 (US\$100,000), in exchange for the DermSafe Health Canada Drug Identification numbers, trademarks, clinical data and certain rights to patent to the Company.

A continuity of the licenses is as follows:

As at December 31, 2019	\$ 606,812
Additions	135,183
As at December 31, 2020 and June 30, 2021	\$ 741,995

The key assumptions used in the calculations of the recoverable amounts include sales growth per year, changes in cost of sales and operating costs based on internal forecasts. Cash flows were projected out 5 years and a terminal value was calculated using a long-term steady growth of 13.4%. A pre-tax discount rate of 17.5% was used.

8. FURNITURE AND EQUIPMENT

	Furniture	Computer equipment	Total
Cost:			
At December 31, 2019	\$ 15,619	15,619	\$ 31,238
Additions	-	-	-
Foreign translation impact	(330)	(330)	(660)
At December 31, 2020	15,289	15,289	\$ 30,578
Foreign translation impact	(416)	(416)	(832)
At June 30, 2021	\$ 14,873	\$ 14,873	\$ 29,746
Accumulated amortization:			
At December 31, 2019	\$ 965	\$ 1,608	\$ 2,573
Depreciation	3,227	5,378	8,605
Foreign translation impact	(196)	(326)	(522)
At December 31, 2020	\$ 3,996	\$ 6,660	\$ 10,656
Depreciation	1,484	2,474	3,958
Foreign translation impact	(117)	(197)	(314)
At June 30, 2021	\$ 5,363	\$ 8,937	\$ 14,300
Net book value			
At December 31, 2020	\$ 11,293	\$ 8,629	\$ 19,922
At June 30, 2021	\$ 9,510	\$ 5,936	\$ 15,446

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	June 30, 2021	December 31, 2020
Accounts payable	\$ 64,012	\$ 102,566
Accrued liabilities	2,141	31,754
Due to related parties (Note 13)	4,200	9,063
	\$ 70,353	\$ 143,383

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Common shares

During the six months ended June 30, 2021:

There was no share capital activity during the six months ended June 30, 2021.

During the year ended December 31, 2020:

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. This was a non-cash transaction and was deducted from accrued interest on a promissory note payable to the related party.

On May 27, 2020, the Company issued 5,040,000 units for gross proceeds of \$2,116,800, net \$1,968,624 after a cash payment of commissions totaling \$148,176. Each unit consists of one common share and one-half 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 (Note 12).

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 with a fair value of \$0.40 per share to a creditor for settlement of \$133,784 (USD\$100,000) of a convertible promissory note and accrued interest of \$28,442 (USD\$21,260).

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.

Escrowed shares

In accordance with National Policy 46-201 - Escrow for Initial Public Offerings, all securities an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer's initial public offering, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding securities of the issuer after giving effect to the initial public offering. Upon completion of the Offering, the Company became an "emerging issuer" as defined in NP 46-201.

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

10. SHARE CAPITAL (continued)

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 June 30, 2021, 1,258,125 common shares remained in escrow.

11. RESERVES**Stock option plan**

The Directors of the Company adopted a stock option plan on April 10, 2018 (the “Plan”). The Plan provides that, subject to the requirements of the Canadian Securities Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company’s Common Shares issued and outstanding at the time such options are granted. The Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 1% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis.

All options granted under the Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

Stock options

During the six months ended June 30, 2021, there were no stock options granted.

During the year ended December 31, 2020:

On February 1, 2020 the Company granted 100,000 stock options to a consultant of the Company. These options entitle the holder to acquire common shares of the Company at \$0.30 per share, vesting immediately on grant, and expire on February 1, 2022.

On March 25, 2020, the Company granted 50,000 stock options to a consultant of the Company. These options entitle the holder to acquire common shares of the Company at \$0.35 per share, vesting immediately on grant, and expire on March 25, 2022.

On April 10, 2020, a total of 1,050,000 stock options with an exercise price of \$0.30 expired.

On April 13, 2020, the Company granted 1,100,000 stock options to members of key management. These options entitle the holder to acquire common shares of the Company at \$0.41 per share, vesting immediately on grant, and expire on April 13, 2022.

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

11. RESERVES (Continued)

On June 1, 2020, the Company granted 200,000 stock options to a consultant. These options entitle the holder to acquire common shares of the Company at \$0.41 per share, vesting immediately on grant, and expire on June 1, 2021.

On November 12, 2020, the Company granted 175,000 stock options to consultants of the Company. These options entitle the holder to acquire common shares of the Company at \$0.37 per share, vesting immediately on grant, and expire on November 12, 2022.

The stock options were valued using the Black Scholes Option Pricing model using the following weighted average assumptions: share price: \$0.40 expected life: 1.88 years, expected volatility: 128%, dividend yield: 0%, risk-free interest rate: 0.38%. Expected volatility is based on historical price volatility to the extent of the expected life of the option.

Share-based compensation expense for the stock options that vested during the year ended December 31, 2020 was \$413,022.

A summary of stock option activity for the six months ended June 30, 2021 is as follows:

	Options	Weighted average exercise price
Outstanding, December 31, 2019	1,750,000	\$ 0.30
Granted	1,625,000	0.41
Exercised	(350,000)	(0.30)
Expired	(1,100,000)	(0.30)
Outstanding, December 31, 2020	1,925,000	\$ 0.30
Expired	(250,000)	(0.47)
Outstanding and exercisable, June 30, 2021	1,675,000	\$ 0.38

As at June 30, 2021, the following stock options were outstanding and exercisable:

Numbers of options	Exercise price	Expiry date
300,000	0.30	October 8, 2021
100,000	0.30	February 1, 2022
1,100,000	0.41	April 13, 2022
175,000	0.37	November 12, 2022
1,675,000		

At June 30 2021, the weighted-average remaining contractual life of options outstanding is 0.74 years (2020 – 1.38 years).

Warrants

During the six months ended June 30, 2021, there was no warrant activity.

During the year ended December 31, 2020:

In connection to the private placement that closed on May 27, 2020, the Company issued a total of 352,800 brokers warrants exercisable to purchase one common share at \$0.60 per share.

The brokers warrants were valued using the Black Scholes Option Pricing model using the following weighted average assumptions: share price: \$0.52, expected life: 1.50 years, expected volatility: 164%, dividend yield: 0%, risk-free interest rate: 0.28%. Expected volatility is based on historical price volatility to the extent of the expected life of the warrants. The fair value of the brokers warrants was \$121,606.

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For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

11. RESERVES (Continued)

A summary of warrant activity for the six months ended June 30, 2021 is as follows:

	Warrants	Weighted average exercise price
Outstanding, December 31, 2019	4,647,490	\$ 0.45
Issued	2,872,800	0.60
Exercised	(213,750)	(0.45)
Expired	(4,433,740)	(0.45)
Outstanding and exercisable, December 31, 2020 and June 30, 2021	2,872,800	\$ 0.60

As at June 30, 2021, the following warrants were outstanding:

Numbers of warrants	Exercise price	Expiry date
2,872,800	\$ 0.60	November 26, 2021
2,872,800	\$ 0.60	

As at June 30, 2021, the weighted-average remaining contractual life of warrants outstanding is 0.41 years (2020 – 0.78 years).

12. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, the sub-licensing and sales of cannabis products that utilize Invisicare®, a patented polymer-based technology for topical and transdermal skin care products as well as the sale of DermSafe hand sanitizer, the Company's first non-cannabis product. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

The operating segment of the Company is defined as a component of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the Chief Executive Officer.

The Company has one group of similar products due to having a similar underlying technology, class of customers, and economic characteristics.

Revenue

	June 30, 2021	June 30, 2020
Canada	\$ 39,796	\$ 59,080
United States	75,003	137,325
Asia	-	123,218
United Kingdom	-	56,725
Mexico	34,997	52,058
	149,796	\$ 428,406

Total Long-Lived Assets

	June 30, 2021	December 31, 2020
United States	757,442	\$ 761,917
	757,442	\$ 761,917

The majority of the revenue earned in the United States of America are generated from one major customer.

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

13. RELATED PARTY TRANSACTIONS*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 is as follows:

	June 30, 2021		June 30, 2020	
Management fees	\$	177,553	\$	185,420
Director fees		4,000		4,000
	\$	181,553	\$	189,420

Related party transactions and balances

As at June 30, 2021, trade and other payables consists of \$4,200 (December 31, 2020 - \$9,063) in consulting fees and rent expense owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

During the three and six months ended June 30, 2021, the Company paid or accrued \$3,000 and \$6,000 respectively (2020 - \$3,000 and \$,6000) in consulting fees to a Company owned by the CFO's spouse. As at June 30, 2021, the Company owed \$1,050 (December 31, 2020 - \$1,050) to this related party.

During the three and six months ended June 30, 2021 the Company paid or accrued \$6,000 and \$12,000 respectively (2020 - \$6,000 and 12,000) in rent expenses to a Company controlled by a director and CFO of the Company. As at June 30, 2021, the Company owed \$3,150 (December 31, 2020 - \$3,150) to this related party.

During the three and six months ended June 30, 2021, the Company paid or accrued \$nil and \$nil respectively (2020 - \$22,183 and \$44,366) in rent expense, and \$1,467 and \$3,120 respectively (2020 - \$nil and \$nil) in royalties to a Company with a common CEO and director. As at June 30, 2021, the Company owed \$nil (December 31, 2020 - \$nil) to this related party.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its promissory notes, convertible notes and shareholders' equity.

The Company's primary source of capital is through the issuance of convertible notes and equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.