

OVATION SCIENCE INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

*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 Financial 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 September 30, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash		\$ 148,792	\$ 647,561
Trade and other receivables	3	39,381	93,946
Prepaid expenses	4	20,658	12,680
Inventory	5	1,937	4,000
		210,768	758,187
Furniture and equipment	7	6,399	11,709
Total assets		\$ 217,167	\$ 769,896
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	8, 12	\$ 129,623	\$ 63,741
Total liabilities		129,623	63,741
Shareholders' equity			
Share capital	9	4,280,458	4,280,458
Reserves	10	1,398,848	1,398,848
Accumulated other comprehensive income		14,018	11,388
Deficit		(5,605,780)	(4,984,539)
Total shareholders' equity		87,544	706,155
Total liabilities and shareholders' equity		\$ 217,167	\$ 769,896

Nature of business and going concern (Note 1)

These condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2022:

"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)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue					
Product sales		\$ 5,083	22,705	\$ 8,061	80,588
Royalty fees		29,420	12,140	94,514	89,089
Research		-	50	-	15,014
	11	34,503	34,895	102,575	184,691
Cost of sales		(803)	(2,521)	(2,976)	(37,804)
Gross margin		33,700	32,374	99,599	146,887
Operating expenses					
Advertising and promotion		10,337	3,223	15,444	24,398
Depreciation	7	1,824	2,031	5,860	5,989
Investor relations		10,500	31,819	44,536	116,092
Management and director fees	12	92,410	89,497	272,938	271,050
Office and general		62,027	65,203	181,501	181,866
Product development		13,902	17,434	43,075	43,500
Professional fees		40,727	26,282	153,811	81,857
Royalty fees		-	60	37	4,824
Write-down of inventory		1,033	-	1,033	-
		232,760	235,549	718,235	729,576
Other items					
Interest income		-	2	3	4,789
Foreign exchange gain (loss)		222	567	(2,608)	9,218
Net loss		(198,838)	(202,606)	(621,241)	(568,682)
Foreign currency translation to reporting currency		1,602	5,513	2,630	(30,259)
Net loss and comprehensive loss		\$ (197,236)	(197,093)	\$ (618,611)	(598,941)
Loss per share – basic and diluted		\$ (0.01)	(0.01)	\$ (0.02)	(0.02)
Basic and diluted weighted average number of common shares outstanding		29,374,836	29,374,836	29,374,836	29,374,836

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 Income	Deficit	Total shareholders' equity
	Number	Amount				
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	-	-	-	(30,259)	-	(30,259)
Loss for the period	-	-	-	-	(568,682)	(568,682)
Balance at September 30, 2021	29,374,836	\$ 4,280,458	\$ 1,398,848	\$ (10,453)	\$ (3,159,444)	\$ 2,509,409
Balance at December 31, 2021	29,374,836	4,280,458	1,398,848	11,388	(4,984,539)	706,155
Foreign currency translation adjustment	-	-	-	2,630	-	2,630
Loss for the period	-	-	-	-	(621,241)	(621,241)
Balance at September 30, 2022	29,374,836	\$ 4,280,458	\$ 1,398,848	\$ 14,018	\$ (5,605,780)	\$ 87,544

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

OVATION SCIENCE INC.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Nine months ended		Nine months ended	
	September 30, 2022		September 30, 2021	
OPERATING ACTIVITIES				
Net loss for the period	\$	(621,241)	\$	(568,682)
Adjustments for non-cash items:				
Unrealized foreign exchange gain		(3,606)		-
Depreciation		5,860		5,989
Changes in working capital items:				
Trade and other receivables		58,175		(10,194)
Prepaid expense		(6,974)		(785)
Inventory		2,223		34,448
Accounts payable and other liabilities		63,141		(98,670)
Cash flows used in operating activities		(502,422)		(637,894)
INVESTING ACTIVITIES				
Redemptions of short-term investments		-		1,157,575
Cash flows provided by investing activities		-		1,157,575
Effect of foreign exchange		3,653		(30,114)
Change in cash		(498,769)		489,567
Cash, beginning		647,561		380,621
Cash, ending	\$	148,792	\$	870,188

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 nine months ended September 30, 2022 and 2021
(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 our 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 September 30, 2022 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, 2021 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, 2021.

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
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 28, 2022.

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, 2021.

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.

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(Unaudited)

3. TRADE AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021
Trade receivables	\$ 35,664	\$ 78,781
GST receivable	3,717	14,956
Due from related party (Note 12)	-	209
	\$ 39,381	\$ 93,946

4. PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Prepaid expenses	\$ 20,658	\$ 10,180
Legal retainer	-	2,500
	\$ 20,658	\$ 12,680

5. INVENTORY

	September 30, 2022	December 31, 2021
Finished goods	\$ -	\$ 4,000
Raw materials	1,937	-
	\$ 1,937	\$ 4,000

During the three and nine months ended September 30, 2022, the Company incurred \$997 and \$2,976 respectively (2021 - \$2,521 and \$37,804) in costs of sales related to inventory. During the three and nine months ended September 30, 2022, the Company recorded a write-down of inventory of \$1,033 (2021 - \$nil and \$nil).

6. 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 \$606,812 (USD\$500,000) payable as follows:

- \$312,000 (USD\$250,000) within 90 days of execution of this agreement (paid);
- A promissory note for \$294,812 (USD\$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 limits their exclusivity 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 (USD\$100,000) in two payments over three and a half years from the date of the License Agreement.

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6. 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 (USD\$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, 2020	\$ 741,995
Write-down of licenses	(741,995)
As at December 31, 2021 and September 30, 2022	\$ -

During the year ended December 31, 2021, the Company determined there were indicators of impairment relating to the DermSafe and Skinvisible licenses. The DermSafe and Skinvisible license are considered a cash generating unit. The recoverable amount for the DermSafe and Skinvisible licenses were determined to be a nominal amount and accordingly an impairment charge of \$741,995 was recognized.

7. FURNITURE AND EQUIPMENT

	Furniture		Computer equipment		Total
Cost:					
At December 31, 2020	\$	15,289	\$	15,289	\$ 30,578
Foreign translation impact		(75)		(75)	(150)
At December 31, 2021		15,214		15,214	30,428
Foreign translation impact		1,234		1,234	2,468
At September 30, 2022	\$	16,448	\$	16,448	\$ 32,896
Accumulated amortization:					
At December 31, 2020	\$	3,996	\$	6,660	\$ 10,656
Depreciation		3,008		5,014	8,022
Foreign translation impact		16		25	41
At December 31, 2021		7,020		11,699	18,719
Depreciation		2,303		3,557	5,860
Foreign translation impact		726		1,192	1,918
At September 30, 2022	\$	10,049	\$	16,448	\$ 26,497
Net book value					
At December 31, 2021	\$	8,194	\$	3,515	\$ 11,709
At September 30, 2022	\$	6,399	\$	-	\$ 6,399

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8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	September 30, 2022	December 31, 2021
Accounts payable	\$ 67,881	\$ 23,561
Accrued liabilities	21,121	31,980
Due to related parties (Note 12)	40,621	8,200
	\$ 129,623	\$ 63,741

9. 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 nine months ended September 30, 2022:

There was no share capital activity during the nine months ended September 30, 2022.

During the year ended December 31, 2021:

There was no share capital activity during the year ended December 31, 2021.

10. 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 nine months ended September 30, 2022, there were no stock options granted.

During the year ended December 31, 2021, there were no stock options granted.

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10. RESERVES (Continued)

A summary of stock option activity for the nine months ended September 30, 2022 is as follows:

	Options	Weighted average exercise price
Outstanding, December 31, 2020	1,925,000	\$ 0.39
Expired	(550,000)	0.38
Outstanding, December 31, 2021	1,375,000	\$ 0.40
Expired	(1,200,000)	0.40
Outstanding, September 30, 2022	175,000	\$ 0.37

As at September 30, 2022, the following stock options were outstanding:

Numbers of options	Exercise price	Expiry date
175,000	\$0.37	November 12, 2022

At September 30, 2022, the weighted-average remaining contractual life of options outstanding is 0.12 years (December 31, 2021 – 0.34 years).

Warrants

During the nine months ended September 30, 2022, there were no warrants granted.

During the year ended December 31, 2022 there were no warrants granted.

A summary of warrant activity for the nine months ended September 30, 2022 is as follows:

	Warrants	Weighted average exercise price
Outstanding, December 31, 2020	2,872,800	\$ 0.60
Expired	(2,872,800)	0.60
Outstanding, December 31, 2021 and September 30, 2022	-	\$ -

11. 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.

OVATION SCIENCE INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian dollars)
(Unaudited)

11. SEGMENTED INFORMATION (Continued)

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Canada	\$ 100	1,551	\$ 1,100	41,347
United States	34,403	33,226	101,475	108,229
Mexico	-	118	-	35,115
	\$ 34,503	34,895	\$ 102,575	184,691

Total Long-Lived Assets

	September 30, 2022	December 31, 2021
United States	\$ 6,399	\$ 11,709

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

12. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Management fees	\$ 90,410	87,497	\$ 266,938	265,050
Director fees	2,000	2,000	6,000	6,000
	\$ 92,410	89,497	\$ 272,938	271,050

Related party transactions and balances

As at September 30, 2022, trade and other payables consists of \$40,621 (December 31, 2021 - \$8,200) in management fees, 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.

As at September 30, 2022, trade and other receivables includes \$nil (December 31, 2021 - \$209) owing from a director of the Company. This amount is non-interest bearing, unsecured and due on demand.

During the three and nine months ended September 30, 2022, the Company incurred \$3,000 and \$10,000 respectively (2021 - \$3,000 and \$9,000) in consulting fees to a Company owned by the CFO's spouse. As at September 30, 2022, the Company owed \$1,575 (December 31, 2021 - \$1,050) to this related party.

During the three and nine months ended September 30, 2022 the Company incurred \$6,300 and \$18,800 respectively (2021 - \$6,000 and \$18,000) in rent expenses to a Company controlled by a director and CFO of the Company. As at September 30, 2022, the Company owed \$3,150 (December 31, 2021 - \$3,150) to this related party.

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12. RELATED PARTY TRANSACTIONS (Continued)

During the three and nine months ended September 30, 2022, the Company incurred \$nil and \$37 respectively (2021 - \$60 and \$3,181) in royalties to a Company with a common CEO and director. As at September 30, 2022, the Company owed \$nil (December 31, 2021 - \$nil) to this related party.

13. 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 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.