OVATION SCIENCE INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2023 and 2022

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 September 30, 2023		As at December 31, 2022
ASSETS					
Current assets					
Cash		$	6,397	$	28,901
Trade and other receivables	3		68,984		60,391
Prepaid expenses	4		9,169		7,775
Inventory	5		33,438		2,315
			117,988		99,382
Equipment	7		3,066		5,504
Total assets		$	121,054	$	104,886
LIABILITIES AND SHAREHOLDERS' DEFICIT					
Current liabilities					
Accounts payable and other liabilities	8,15	$	587,671	$	146,703
Derivative Liability	9,15		52,493		-
Promissory note	10,15		26,064		23,072
Convertible notes, current portion	11,15		58,638		-
Total current liabilities			754,866		169,775
Convertible notes, net of current portion	11, 15		99,905		18,063
Total liabilities			824,771		187,838
Shareholders' deficit					
Share capital	12		4,280,458		4,280,458
Reserves	13		1,402,972		1,400,950
Accumulated other comprehensive income			12,621		14,231
Deficit			(6,399,768)		(5,778,591)
Total shareholders' deficit			(703,717)		(82,952)
Total liabilities and shareholders' deficit		$	121,054	$	104,886

Nature of business and going concern (Note 1)

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

These condensed consolidated interim financial statements were approved by the Board of Directors on November 20, 2023:

"Doreen McMorran" Director *"Terry Howlett"* Director

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

	Notes		Three months ended September 30, 2023	2022		Nine months ended September 30, 2023	2022
Revenue							
Product sales		$	4,385	5,083	$	13,392	8,061
Royalty fees			-	29,420		33,721	94,514
	11		4,385	34,503		47,113	102,575
Cost of sales			(1,361)	(803)		(2,874)	(2,976)
Gross margin			3,024	33,700		44,239	99,599
Operating expenses							
Advertising and promotion			1,702	10,337		8,867	15,444
Depreciation	7		811	1,824		2,415	5,860
Investor relations			-	10,500		-	44,536
Management and director fees	15		52,272	92,410		231,709	272,938
Office and general			62,089	62,027		208,707	181,501
Product development			8,349	13,902		41,390	43,075
Professional fees			38,439	40,727		129,792	153,811
Royalty fees			-	-		-	37
Write-down of inventory			-	1,033		-	1,033
			163,662	232,760		622,880	718,235
Other items							
Interest expense			(10,136)	-		(19,167)	-
Interest income			1	-		1	3
Loss on derivative liability			(22,257)	-		(23,403)	-
Foreign exchange gain (loss)			(144)	222		33	(2,608)
Net loss			(193,174)	(198,838)		(621,177)	(621,241)
Foreign currency translation to reporting currency			(8,323)	1,602		(1,610)	2,630
Net loss and comprehensive loss		$	(201,497)	(197,236)	$	(622,787)	(618,611)
Loss per share – basic and diluted		$	(0.01)	(0.01)	$	(0.01)	(0.01)
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 (Deficit)
(Expressed in Canadian dollars)
(Unaudited)

	Share capital										
	Number		**Amount**		**Reserves**		**Accumulated Other Comprehensive Loss**		**Deficit**		**Total shareholders' equity (deficit)**
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	-		-		-		1,028		-		1,028
Net loss for the period	-		-		-		-		(621,241)		(621,241)
Balance at September 30, 2022	**29,374,836**	**$**	**4,280,458**	**$**	**1,398,848**	**$**	**12,416**	**$**	**(5,605,780)**	**$**	**85,942**
Balance at December 31, 2022	**29,374,836**	**$**	**4,280,458**	**$**	**1,400,950**	**$**	**14,231**	**$**	**(5,778,591)**	**$**	**(82,952)**
Convertible note issuance (Note 11)	-		-		2,022		-		-		2,022
Foreign currency translation adjustment	-		-		-		(1,610)		-		(1,610)
Net loss for the period	-		-		-		-		(621,177)		(621,177)
Balance at September 30, 2023	**29,374,836**	**$**	**4,280,458**	**$**	**1,402,972**	**$**	**12,621**	**$**	**(6,399,768)**	**$**	**(703,717)**

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 September 30, 2023	Nine months ended September 30, 2022
OPERATING ACTIVITIES		
Net loss for the period	$ (621,178)	$ (621,241)
Adjustments for non-cash items:		
Unrealized foreign exchange gain	(1,324)	(3,606)
Depreciation	2,416	5,860
Gain on derivative liability	23,499	-
Interest expense	3,520	-
Changes in working capital items:		
Trade and other receivables	(7,251)	58,175
Inventory	(30,980)	2,223
Prepaid expense	(1,405)	(6,974)
Accounts payable and other liabilities	440,341	63,141
Cash flows used in operating activities	**(192,362)**	**(502,422)**
FINANCING ACTIVITIES		
Proceeds received for convertible note	163,256	-
Cash flows provided by investing activities	**163,256**	**-**
Effect of foreign exchange	6,602	3,653
Change in cash	(22,504)	(498,769)
Cash, beginning	28,901	647,561
Cash, ending	**$ 6,397**	**$ 148,792**

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

1. NATURE OF BUSINESS AND GOING CONCERN

Ovation Science Inc. (the "Company") was incorporated in the Province of British Columbia on July 18, 2017, under the Business Corporations Act of British Columbia. The Company is in the business of providing topical and transdermal cannabis products under the "Ovation" brand label utilizing patented "Invisicare" delivery technology which it acquired for exclusive use for cannabis formulated products from Skinvisible Pharmaceuticals, Inc. ("Skinvisible"). 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 1003-1166 Alberni Street, Vancouver, B.C. V6E 3Z3, 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.

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, 2023 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.

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, 2022 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, 2022.

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").

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 20, 2023.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation
These condensed consolidated interim 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 consolidated financial statements as at and for the year ended December 31, 2022 except for those noted below:

Embedded Derivative

The Company follows the following accounting policy for embedded derivatives related to convertible debt with a conversion price in a different currency than the company's functional currency. Initially, the company assesses if the conversion feature qualifies as an embedded derivative and separates it from the host contract. The embedded derivative is recognized at fair value on the issuance date. Subsequently, the embedded derivative is measured at fair value at each reporting date, and changes in fair value are recognized in the consolidated statement of loss and comprehensive loss, except when hedge accounting is applied. The fair value of the embedded derivative is disclosed as a non-current liability when the term is over 1 year, along with information about its nature, terms, currency, and fair value determination method. Derecognition of the embedded derivative occurs upon expiration, settlement, or extinguishment, with any gain or loss on derecognition recognized in the consolidated statement of loss and comprehensive loss.

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.

(Expressed in Canadian dollars)

3. TRADE AND OTHER RECEIVABLES

		September 30, 2023		December 31, 2022
Trade receivables	$	73,238	$	53,241
GST receivable		4,254		6,941
Due from related party (Note 14)		-		201
	$	**68,984**	**$**	**60,391**

4. PREPAID EXPENSES

		September 30, 2023		December 31, 2022
Prepaid expenses	$	9,169	$	7,775
	$	**9,169**	**$**	**7,775**

5. INVENTORY

		September 30, 2023		December 31, 2022
Raw materials	$	13,275	$	2,315
Finished goods		20,163		-
	$	**33,438**		**2,315**

During the nine months ended September 30, 2023, the Company incurred $2,874 (2022 - $2,976) in costs of sales related to inventory.

6. LICENSES

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.

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.

On August 25, 2022, the Company entered into a License Agreement with Stash House Distribution ("Stash House"), whereby the Company granted to Stash House an exclusive license to use its trademarks, formulations, and polymer in connection with the manufacturing, packaging, distribution, promotion, and sale of the Dispensary Products for Licensed marijuana dispensaries in Oklahoma, Missouri, New Mexico and Mississippi. As part of the consideration related to this agreement, the Company will receive a quarterly minimum packaging fee for each state within the territory beginning twelve months following the date of the first commercial sale of the product in each state. To September 30, 2023, the Company has recognized $Nil of revenue in connection with this agreement.

On March 28, 2023, the Company announced it has signed a Supply and Distribution Agreement with Golfer's CBD Ltd., an international CBD brand focused on the health and wellness of golfers around the world. The agreement covers the rights in the golf market for the United States, the United Kingdom and Europe.

(Expressed in Canadian dollars)

On May 24, 2023, the Company announced it has entered into an exclusive licensing agreement with PA Options for Wellness Inc. ("PA Options") for Pennsylvania. PA Options, founded in 2014, has nine dispensaries doing business as Vytal Options. Ovation's products (co-branded as Invibe® MD and Vytal Options) will be sold through these dispensaries and through PA Options' extensive wholesale channels. Ovation will receive a royalty based on sales. This is Ovation's first licensee in the North East and is part of the Company's strategy to partner with leading US cannabis companies.

In September, Ovation updated a previous agreement. On September 7th, 2022 Ovation announced it has entered into an exclusive licensing agreement for its cannabis formulations for the states of Oklahoma, Missouri, New Mexico and Mississippi with Stash House Distribution ("Stash House"). Stash House is a leading national cannabis manufacturing, sales, and logistics company. Ovation will receive a royalty based on wholesale sales in each state. As of September 2023, the Company has removed Missouri from this license.

On September 11, 2023 Ovation announced the signing of an exclusive licensing agreement with Planet 13 Holdings, Inc. (CSE:PLTH | OTCQX:PLNHF) ("Planet 13"), a leading vertically-integrated multi-state cannabis company, for the rights to Ovation's topical/transdermal formulations for the state of Nevada. Under the terms of the agreement, Planet 13 will have the exclusive manufacturing, sales and marketing rights for Ovation's topical/transdermal products for Nevada. Ovation will receive royalties based on wholesale sales. Planet 13 owns and operates the world's largest cannabis dispensary that has become a must-see destination for cannabis connoisseurs and tourists from around the world. Planet 13's 112,000 square foot SuperStore and entertainment complex is located just off The Strip in Las Vegas. Planet 13 accounts for just under 9-percent of cannabis dispensary revenue for the entire state of Nevada. In conjunction with this announcement, the Company announces the termination of the License Agreement with Light House Strategies, LLC for the state of Nevada.

As at September 30, 2023, $Nil (December 31, 2022 - $Nil) was recognized in relation to these Licenses.

7. EQUIPMENT

		Furniture		Computer equipment		Total
Cost:						
Balance, December 31, 2021	**$**	**15,214**	**$**	**15,214**	**$**	**30,428**
Foreign translation impact		1,039		1,039		2,078
At December 31, 2022		**16,253**		**16,253**		**32,506**
Foreign translation impact		(29)		(29)		(58)
At September 30, 2023	**$**	**16,224**	**$**	**16,224**	**$**	**32,448**
Accumulated amortization:						
At December 31, 2021	**$**	**7,020**	**$**	**11,699**	**$**	**18,719**
Depreciation		3,123		3,608		6,731
Foreign translation impact		606		946		1,552
At December 31, 2022		**10,749**		**16,253**		**27,002**
Depreciation		2,417		-		2,417
Foreign translation impact		(8)		(29)		(37)
At September 30, 2023	**$**	**13,158**	**$**	**16,224**	**$**	**29,382**
Net book value						
At December 31, 2022	$	5,504	$	-	$	5,504
At September 30, 2023	**$**	**3,066**	**$**	**-**	**$**	**3,066**

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	September 30, 2023	December 31, 2022

Accounts payable	$	213,596	$	23,816
Accrued liabilities		30,074		22,389
Due to related parties (Note 14)		344,001		100,498
	$	**587,671**	**$**	**146,703**

9. DERIVATIVE LIABILITY

During the nine months ended September 30, 2023, the Company issued certain convertible debt with a conversion feature that is exercisable in a currency that is different that the currency of the convertible debt (Note 11). The conversion features were classified as derivatives liabilities, carried at fair value and revalued at each reporting date.

The fair value of the conversion features were determined using the Black-Scholes Option Pricing Model using the assumptions set out as follows:

	At September 30, 2023	At initial recognition
CAD/USD exchange rate	0.7396	0.7381 - 0.7512
Risk-free interest rate	4.83%	3.79% - 4.25%
Expected volatility	199.69%	156% - 157%
Dividend yield	0%	0%
Expected life	1.34 – 1.5 years	1.50 years

DERIVATIVE LIABILITY (Continued)

A continuity schedule of the Company's derivative liabilities is as follows:

		Derivative Liability
Balance at December 31, 2022	**$**	**-**
Amount allocated to derivative liability		28,638
Fair value change on derivative liability		23,499
Foreign exchange loss		356
Balance at September 30, 2023	**$**	**52,493**

10. PROMISSORY NOTE

On December 20, 2022, the Company issued an unsecured promissory note to the Chief Operating Officer ("COO") and director for $27,242 (USD$20,000). The promissory note is non-interest bearing and due on December 20, 2023. As the promissory note is non-interest bearing, the initial fair value was estimated at $23,086 (USD$16,949) using a market discount rate of 18%. The promissory note is amortized over the term using the effective interest rate method. As at September 30, 2023, the note remains outstanding and interest expense related to the promissory note recorded was $3,003 for the nine months ended September 30, 2023. At initial recognition, a gain on the discount of the promissory note of $4,156 was recorded.

The following table summarizes the continuity of the liability component of the Company's promissory note:

		Promissory note
Balance at December 31, 2021	**$**	**-**
Proceeds from issuance of promissory notes		27,242
Discount of promissory notes		(4,156)

(Expressed in Canadian dollars)

Foreign exchange loss		(131)
Interest expense		117
Balance at December 31, 2022		**23,072**
Accrued interest expense		3,003
Foreign exchange gain		(11)
Balance at September 30, 2023	**$**	**26,064**

11. CONVERTIBLE NOTES

On November 16, 2022, the Company issued an unsecured convertible note to the COO and director for $20,000. The convertible note bears interest at 10% per annum and is due on May 16, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. The convertible note includes both a liability component for the contractual cash flows and an equity component for the conversion feature. The liability component was valued first based on the present value of contractual cash flows using a discount rate of 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of $2,102 was measured based on the residual value of the compound instrument as a whole after deducting the amount determined separately for the liability component.

On February 2, 2023, the Company issued an unsecured convertible note to the COO and director for $13,312 (USD$10,000). $6,656 (USD$5,000) of the proceeds were received on February 2, 2023 and the remaining $6,656 (USD$5,000) of proceeds were received on February 16, 2023. The convertible note bears interest at 10% per annum and is due on August 2, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as $4,619.

On February 23, 2023, the Company issued an unsecured convertible note to the COO and director for $17,306 (USD$13,000). The convertible note bears interest at 10% per annum and is due on August 23, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as $3,527.

On March 6, 2023, the Company issued an unsecured convertible note to a Company controlled by the former Chief Financial Officer ("CFO") and director for $14,000. The convertible note bears interest at 10% per annum and is due on March 6, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. The convertible note includes both a liability component for the contractual cash flows and an equity component for the conversion feature. The liability component was valued first based on the present value of contractual cash flows using a discount rate of 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of $971 was measured based on the residual value of the compound instrument as a whole after deducting the amount determined separately for the liability component.

On April 26, 2023, the Company issued an unsecured convertible note to the COO and director for $34,058 (USD$25,000). The convertible note bears interest at 10% per annum and is due on October 26, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as $4,745.

(Expressed in Canadian dollars)

On May 23, 2023, the Company issued an unsecured convertible note to a Company controlled by the former Chief Financial Officer ("CFO") and director for $10,000. The convertible note bears interest at 10% per annum and is due on November 23, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. The convertible note includes both a liability component for the contractual cash flows and an equity component for the conversion feature. The liability component was valued first based on the present value of contractual cash flows using a discount rate of 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of $1,051 was measured based on the residual value of the compound instrument as a whole after deducting the amount determined separately for the liability component.

On May 31, 2023, the Company issued an unsecured convertible note to the COO and director for $13,312 (USD$10,000). The convertible note bears interest at 10% per annum and is due on November 30, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as $2,513.

On July 9, 2023, the Company issued an unsecured convertible note to the COO and director for $33,370 (USD$25,000). The convertible note bears interest at 10% per annum and is due on January 6, 2025. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as $6,221.

On July 19, 2023, the Company issued an unsecured convertible note for $26,340 (USD$20,000). The convertible note bears interest at 10% per annum and is due on January 19, 2025. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. The convertible note includes both a liability component for the contractual cash flows and an equity component for the conversion feature. The liability component was valued first based on the present value of contractual cash flows using a discount rate of 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of $6,959 was measured based on the residual value of the compound instrument as a whole after deducting the amount determined separately for the liability component.

The following table summarizes the continuity of the liability component of the Company's convertible note issued:

		Convertible notes
Balance at December 31, 2022	**$**	**-**
Proceeds from issuance of convertible note		20,000
Amount allocated to conversion feature – equity		(2,102)
Accrued interest expense		165
Balance at December 31, 2022		**18,063**
Proceeds from issuance of convertible note		161,697
Amount allocated to conversion feature – equity		(2,022)
Amount allocated to conversion feature – liability		(28,583)
Foreign Exchange		1,313
Accrued interest expense		8,075
Balance at September 30, 2023	**$**	**158,543**

(Expressed in Canadian dollars)

11. 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, 2023:

There was no share capital activity during the nine months ended September 30, 2023.

During the year ended December 31, 2022:

There was no share capital activity during the year ended December 31, 2022.

12. 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

A summary of stock option activity is as follows:

	Options	Weighted average exercise price
Outstanding and exercisable, December 31, 2021	1,375,000	$ 0.40
Expired	(1,375,000)	0.40
Outstanding and exercisable, December 31, 2022 and September 30, 2023	**-**	**$ -**

Warrants

During the nine months ended September 30, 2023 and the year ended December 31, 2022 there were no warrants outstanding and no activity related to warrants.

13. 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 the operations comprise a single reporting segment, amounts disclosed in the condensed consolidated interim financial statements also represent segment amounts.

(Expressed in Canadian dollars)

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 similar underlying technology, class of customers, and economic characteristics.

Revenue

		Three months ended September 30,			Nine months ended September 30,	
		2023	2022		2023	2022
Canada	$	-	100	$	21	1,100
United States		4,385	34,403		47,092	101,475
Mexico		-	-		-	-
	$	4,385	34,503	$	47,113	102,575

Total Long-Lived Assets

	September 30, 2023	December 31, 2022
United States	$ 3,066	$ 5,504
	$ 3,066	$ 5,504

During the nine months ended September 30, 2023, one customer individually accounted for 77% (September 30, 2022 – 92%) of the Company's total revenue and is located in the United States.

14. 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,	
		2023	2022		2023	2022
Management fees	$	50,272	90,410	$	225,709	266,938
Director fees		2,000	2,000		6,000	6,000
	$	52,272	92,410	$	231,709	272,938

Related party transactions and balances

As at September 30, 2023, trade and other payables consists of $344,001 (December 31, 2022 - $100,498) in directors fees, royalties, consulting fees, expense reimbursements, accrued interest and rent expense owed to related parties. These amounts are unsecured and due on demand.

During the three and nine months ended September 30, 2023, the Company incurred $nil and $5,500 respectively (2022 - $3,000 and $10,000) in consulting fees to a Company owned by the former CFO's spouse. As at September 30, 2023, the Company owed $12,475 (December 31, 2022 - $1,575) to this related party.

During the three and nine months ended September 30, 2023, the Company incurred $8,505 and $23,415 respectively (2022 - $6,300 and $18,800) in rent expenses to a Company controlled by a former director and CFO of the Company. As at September 30, 2023, the Company owed $18,585 (December 31, 2022 - $3,150) to this related party.

During the three and nine months ended September 30, 2023, the Company incurred $32,233 and $104,797 (2022 - $Nil and $Nil) in rent expense, and $Nil and $Nil respectively (2022 - $37 and $37) in royalties to a Company with a common CEO and director. As at September 30, 2023, the Company owed $69,202 (December 31, 2022 - $3,150) to this related party.

On November 16, 2022, the Company issued an unsecured convertible note to the COO and director for $20,000 (Note 11). The convertible note bears interest at 10% per annum and is due on May 16, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $1,029 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $19,091 (December 31, 2022 - $18,063) for the convertible note and $1,742 (December 31, 2022 - $247) for accrued interest to the COO and director.

On December 20, 2022, the Company issued an unsecured promissory note to the COO and director for $27,242 (USD$20,000) (Note 10). The promissory note is non-interest bearing and due on December 20, 2023. During the nine months ended September 30, 2023, the Company recorded $3,003 (2022 - $Nil) in interest expense. At September 30, 2023, the Company owed $26,063 (December 31, 2022 - $23,072) to the COO and director for the promissory note.

On February 2, 2023, the Company issued an unsecured convertible note to the COO and director for $13,312 (USD$10,000) (Note 11). $6,656 (USD$5,000) of the proceeds were received on February 2, 2023 and the remaining $6,656 (USD$5,000) of proceeds were received on February 16, 2023. The convertible note bears interest at 10% per annum and is due on August 2, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $1,807 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $10,644 (December 31, 2022 - $Nil) for the convertible note which includes $658 (December 31, 2022 - $Nil) for accrued interest to the COO and director.

On February 23, 2023, the Company issued an unsecured convertible note to the COO and director for $17,306 (USD$13,000) (Note 11). The convertible note bears interest at 10% per annum and is due on August 23, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $1,331 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $15,331 (December 31, 2022 - $Nil) for the convertible note which included $780 (December 31, 2022 - $Nil) for accrued interest to the COO and director.

On March 6, 2023, the Company issued an unsecured convertible note to a company controlled by the former CFO and director for $14,000 (Note 11). The convertible note bears interest at 10% per annum and is due on March 6, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $543 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $13,572 (December 31, 2022 - $Nil) for the convertible note, which included $798 (December 31, 2022 - $Nil) for accrued interest to the company controlled by the former CFO and director.

On April 26, 2023, the Company issued an unsecured convertible note to the COO and director for $34,058 (USD$25,000). The convertible note bears interest at 10% per annum and is due on October 26, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $1,264 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $30,361 (December 31, 2022 - $Nil) for the convertible note, which included $1,075 (December 31, 2022 - $Nil) for accrued interest to the company controlled by the COO and director.

On May 23, 2023, the Company issued an unsecured convertible note to a Company controlled by the former Chief Financial Officer ("CFO") and director for $10,000. The convertible note bears interest at 10% per annum and is due on

November 23, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $232 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $9,181 (December 31, 2022 - $Nil) for the convertible note, which included $356 (December 31, 2022 - $Nil) for accrued interest to the company controlled by the former CFO and director.

On May 31, 2023, the Company issued an unsecured convertible note to the COO and director for $13,312 (USD$10,000). The convertible note bears interest at 10% per annum and is due on November 30, 2024. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $785 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $11,490 (December 31, 2022 - $Nil) for the convertible note, which included $334 (December 31, 2022 - $Nil) for accrued interest to the company controlled by the former CFO and director.

On July 6, 2023, the Company issued an unsecured convertible note to the COO and director for $33,370 (USD$25,000). The convertible note bears interest at 10% per annum and is due on January 6, 2025. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a deemed price of $0.05 per common share. During the nine months ended September 30, 2023, the Company recorded $916 (2022 - $Nil) in interest expense in relation to the convertible note. At September 30, 2023, the Company owed $28,415 (December 31, 2022 - $Nil) for the convertible note, which included $589 (December 31, 2022 - $Nil) for accrued interest to the company controlled by the former CFO and director.

15. 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.

16. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, and currency risk and price risk.

a) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at September 30, 2023, the Company is not exposed to any significant interest rate risk.

b) Credit risk: Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk exposure is primarily related to its liquid financial assets including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets by maintaining its cash with high credit-quality financial institutions and by actively managing and monitoring its receivables. The Company's cash is held with a major Canadian-based financial institution. Receivables consist of trade receivables from customers and goods and services tax due from the government of Canada. The Company actively monitors defaults of customers and incorporates this information into its credit risk controls. At September 30, 2023, $61,247 (December 31, 2022 - $53,241) is due from one customer of which $61,247 (December 31, 2022 - $32,293) is past due and not provided for.

c) Liquidity risk: Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As at September 30, 2023, the Company had cash of $6,397 to settle current liabilities of $754,866.

d) Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at September 30, 2023, the Company has cash of CAD$5,358 receivables of CAD$57,820 and accounts payable and accrued liabilities of CAD$333,519 which are denominated in United States dollars. Based on current exposures as at September 30, 2023, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the United States dollar would result in an gain or loss of approximately CAD$19,835 in the Company's consolidated statements of loss and comprehensive loss.

Fair value: Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The carrying value of Company's financial assets and liabilities as at September 30, 2023 approximate their fair value due to their short-term nature.

15. SUBSEQUENT EVENTS

On October 12, 2023, the Company closed its 4,000,000 units private placement by issuing 4,000,000 units at a price of $0.05 per unit consisting of one share of common stock and one half 2-year warrant exercisable at $0.05 per share for gross proceeds of $200,000. The Company received $184,000 after payment of commissions totaling $16,000. The Company issued a total of 480,000 warrants exercisable to purchase one common share at $0.05 per share for 24 months from closing to registered investment dealers in connection with the offering.

On October 23, 2023, the Company entered into various debt settlement agreements whereas the debtors agreed to settle $111,727 in debt for $56,643 and various promissory notes amounting to $55,083. The notes bears interest at 0% per annum and is due on the earlier of the date the Company closes equity financing or December 31, 2023.

On October 23, 2023, the Company entered into three debt settlement agreements whereas the debtors agreed to settle $25,992 in debt for 519,845 shares of common stock.

On October 30, 2023, the Company's Board of Directors, authorized the grant of 2,600,000 two-year stock options with an exercise price of $0.05 for services.