A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of Ontario, British Columbia and Alberta but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

A copy of this preliminary prospectus has been filed with the securities regulatory authority in Saskatchewan but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authority.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States"), except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

AMENDED AND RESTATED PRELIMINARY PROSPECTUS IN EACH OF THE PROVINCES OF ONTARIO, BRITISH COLUMBIA AND ALBERTA
(amending and restating the preliminary prospectus dated January 20, 2021)

PRELIMINARY PROSPECTUS IN SASKATCHEWAN

Non Offering Prospectus March 29, 2021

6 En ELEMENT NUTRITION
ELEMENT NUTRITION
Nutrition For You

ELEMENT NUTRITIONAL SCIENCES INC.

1100 Walkers Line, Suite 401,
Burlington, Ontario,
L7N 2G3 Canada

22,480,000 Common Shares on Conversion of 22,480,000 Subscription Receipts

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This prospectus (the "**Prospectus**") qualifies the distribution of common shares of the Company (the "**Subscription Receipt Shares**"), without additional payment, upon the conversion or deemed conversion of 22,480,000 issued and outstanding Subscription Receipts (as defined herein).

The Subscription Receipts are not available for purchase pursuant to this Prospectus and, except for release of the Escrowed Funds (as defined below) no additional funds are to be received by the Company from the distribution of the securities under this Prospectus upon the exercise or deemed exercise of the Subscription Receipts.

Pursuant to the non-brokered private placement (the "**Concurrent Private Placement**") that closed in two tranches on January 18, 2021, and March 29, 2021, the Company issued an aggregate of 22,480,000 Subscription Receipts at a price of $0.25 (the "**Subscription Receipt Price**") each to raise aggregate gross proceeds of $5,620,000. The gross proceeds of the Concurrent Private Placement were placed into escrow at closing (the "**Escrowed Funds**").

In the event that the Trigger Event (as defined herein) occurs on or prior to the Subscription Receipt Deadline (as defined herein), on the fifth business day following such Trigger Event: each Subscription Receipt will be automatically converted, without further payment, into one Subscription Receipt Share; the Escrowed Funds will be released from escrow to the Company; and the Subscription Receipts shall be cancelled. Upon conversion of the Subscription Receipts, and without additional payment therefor, the Company will issue 22,480,000 Subscription Receipt Shares which are being qualified under this Prospectus. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder.

Canaccord Genuity Corp. (the "**Agent**") acted as finder with respect to the distribution of the Subscription Receipts and entered into a finder's fee agreement (the "**Finder's Fee Agreement**") with the Company. The Subscription Receipt Price was determined by negotiation between the Company and the Agent.

	Price to Public	**Agent's Fee(1)**	**Net Proceeds to the Company(2)(3)**
Per Subscription Receipt	$0.25	$0.027	$0.223
Total	$5,620,000	$626,360	$4,993,640

Notes:

(1) Pursuant to the terms of the Finder's Fee Agreement, upon the occurrence of the Trigger Event, the Company will pay the Agent a cash commission in the amount of $426,360 (the "**Agent's Commission**"), and will issue the Agent as additional compensation 1,705,440 broker warrants exercisable for 1,705,440 Common Shares at a price of $0.25 per Common Share for a period of two (2) years from the date of issuance (the "**Finder Warrants**"). The Agent will also be paid a corporate finance fee of $200,000 upon the occurrence of the Trigger Event. This Prospectus qualifies the Common Shares of the Company underlying the Finder Warrants.

(2) After deducting the Agent's Commission, but excluding any interest earned on the Escrowed Funds (as hereinafter defined) and before deducting expenses of the Concurrent Private Placement, including the preparation and filing of this Prospectus, which the Company will pay from the proceeds of the Concurrent Private Placement.

(3) The distribution of the Subscription Receipt Shares upon the exercise of the Subscription Receipts will not result in any additional proceeds being received by the Company; however, the Escrowed Funds, less the Agent's Commission will be released to the Company upon the occurrence of the Trigger Event being satisfied on or before the Subscription Receipt Deadline (as hereinafter defined).

Agent's Position	**Maximum Size or Number of Securities Available**	**Exercise Period**	**Exercise Price**
Finder Warrants	1,705,440 Common Shares	Two years from the date of issuance	$0.25

In addition to the Concurrent Private Placement, the Company has completed the following private placements: (i) the First Private Placement, which raised $224,000 through the issuance of 11,200,000 Common Shares on July 3, 2020; (ii) the Special Warrant Private Placement, which raised $27,500 through the issuance of 550,000 Special Warrants on July 6, 2020, (iii) the Second Private Placement, which raised $1,654,974 through the issuance of 11,033,161 Common Shares on August 10, 2020 and (iv) the Third Private Placement, which raised $1,503,000 through the issuance of 6,012,000 Common Shares in multiple tranches that closed on February 1, 2021, February 4, 2021 and March 15, 2021. As compensation for the Second Private Placement, the Agent received a cash finder's fee of $78,329 and 521,600 Second Private Placement Warrants. The Common Shares underlying the 521,600 Second Private Placement Warrants are being qualified for distribution under this Prospectus. As compensation for the Third Private Placement, the Agent received a cash finder's fee of $92,240 and 386,960 Second Private Placement Warrants. The Common Shares underlying the 386,960 Third Private Placement Warrants are being qualified for distribution under this Prospectus. Please see the section "*Description of the Business – History – Private Placements*" for additional details relating to the above mentioned private placements.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted on any stock exchange or quotation service. The Company has applied to list its Common Shares on the Canadian Securities Exchange (the "**Exchange**") under the symbol "ELMT". Listing is subject to fulfilling all of the listing requirements of the Exchange. As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America.

There is currently no market through which any of the securities being distributed under this Prospectus, may be sold, and purchasers may not be able to resell such securities acquired hereunder. This may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements".

An investment in securities of the Company involves a high degree of risk and must be considered speculative due to the nature of the Company's business. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by investors in connection with an investment in the Company's securities. See "Risk Factors".

Investors should rely only on the information contained in this Prospectus and the documents incorporated by reference herein. Neither the Company nor the Agent has authorized anyone to provide investors with information different from that contained in this Prospectus. The information contained in this Prospectus is accurate only as of the date of this Prospectus.

The Company's head office is located at 1100 Walkers Line, Suite 401, Burlington, Ontario, L7N 2G3. The Company's registered office is located at 725 Granville Street, Suite 400, Vancouver, British Columbia, Canada V7Y 1G5.

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GLOSSARY

The following is a glossary of certain terms used in this Prospectus. Terms and abbreviations used in the financial statements of the Company may be defined separately and the terms defined below may not be used therein.

"**Agent**" means Canaccord Genuity Corp.;

"**Agent's Commission**" has the meaning ascribed to such term on page 2 of this Prospectus;

"**Board**" means the Board of Directors of the Company;

"**Common Shares**" means the common shares in the capital of the Company as currently constituted and "**Common Share**" means any one of them;

"**Company**" means Element Nutritional Sciences Inc.;

"**Concurrent Private Placement**" means the non-brokered private placement of 22,480,000 Subscription Receipts at a price of $0.25 per Subscription Receipt to raise aggregate gross proceeds of $5,620,000;

"**Element**" means Element Nutrition Inc.;

"**Element Share Exchange Agreement**" means the Share Exchange Agreement dated as of August 31, 2020, among Element, the Company and each of the shareholders of Element;

"**Escrow Agent**" means Endeavor Trust Corporation;

"**Escrow Agreement**" means the NP 46-201 escrow agreement dated ●, 2021 among the Escrow Agent, the Company and Stuart Lowther, the President and Chief Executive Officer of the Company;

"**Escrowed Funds**" means the funds to be escrowed pursuant to the Concurrent Private Placement;

"**Exchange**" means the Canadian Securities Exchange;

"**Finder's Fee Agreement**" has the meaning ascribed to such term on the cover page of this Prospectus;

"**Finder Warrants**" has the meaning ascribed to such term on page 2 of this Prospectus;

"**First Private Placement**" means the non-brokered private placement financing by the Company conducted on July 3, 2020, and consisting of an aggregate of 11,200,000 Common Shares at a price of $0.02 per share;

"**Hammock Pharmaceuticals**" means Hammock Pharmaceuticals, Inc.;

"**Hammock Merger Agreement**" means the Agreement and Plan of Merger dated as of August 31, 2020, among Hammock Pharmaceuticals, the Company, PJ1 Holdings and each of the shareholders and convertible noteholders of Hammock Pharmaceuticals;

"**Listing Date**" means the date that the Common Shares are listed on the Exchange;

"**Management Performance Warrants**" shall have the meaning ascribed thereto under the heading "Disclosure of Outstanding Security Data – Management Performance Warrants";

"**Merger**" means the merger of Hammock Pharmaceuticals and PJ1 Holdings in accordance with the laws of the State of Delaware;

"**NI 41-101**" means National Instrument 41-101 *General Prospectus Requirements* of the Canadian Securities Administrators;

"**NI 52-110**" means National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators;

"**NI 58-101**" means National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators;

"**NP 46-201**" means National Policy 46-201 *Escrow for Initial Public Offerings* of the Canadian Securities Administrators;

"**NP 58-201**" means National Policy 58-201 *Corporate Governance Guidelines* of the Canadian Securities Administrators;

"**PJ1 Holdings**" means PJ1 Holdings Inc. a wholly-owned subsidiary of the Company created under the laws of the State of Delaware on August 17, 2020;

"**Principal**" of an issuer means:

(a) a person or company who acted as a promoter of the issuer within two years before the prospectus;

(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the prospectus;

(c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering; or

(d) a 10% holder – a person or company that:

(i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering, and

(ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries;

"**Private Placements**" means the First Private Placement, the Second Private Placement, the Special Warrant Private Placement and the Concurrent Private Placement, collectively.

"**Prospectus**" means this prospectus with respect to the qualification of the distribution of Subscription Receipt Shares;

"**Receipt**" has the meaning set out on the face page of this Prospectus;

"**Second Private Placement**" means the non-brokered private placement financing by the Company conducted on August 10, 2020, and consisting of an aggregate of 11,033,161 Common Shares at a price of $0.15 per share;

"**Second Private Placement Warrants**" means the 521,600 Common Share purchase warrants issued to the Agent as a finder's fee under the Second Private Placement, which are exercisable at a price of $0.15 per Common Share for a period of 24 months from the date of issuance of such warrants;

"**Special Warrant**" means a special warrant issued by the Company entitling the holder the right to acquire, without additional payment, one Common Share for each Special Warrant held;

"**Special Warrant Private Placement**" means the private placement of Special Warrants closed by the Company on July 6, 2020 pursuant to which 550,000 Special Warrants were issued at a price of $0.05 per Special Warrant for total gross proceeds of $27,500;

"**Stock Option Plan**" means the 10% rolling share option plan of the Company adopted by the Board, and providing for the granting of incentive options to the Company's directors, officers, employees and consultants in accordance with the rules and policies of the Exchange;

"**Subscription Receipt Deadline**" means the date that is four months following the initial closing date of the Concurrent Private Placement or such other date as may be agreed upon by the Company, Hammock Pharmaceuticals, Element and the holders of Subscription Receipts;

“**Subscription Receipt Shares**” means the 22,480,000 Common Shares to be issued on conversion or deemed conversion of the Subscription Receipts, which are being qualified under this Prospectus;

“**Subscription Receipts**” means the subscription receipts of the Company issuable pursuant to the Concurrent Private Placement, each of which shall be exchanged, for no additional consideration, into one Common Share in the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline;

“**Third Private Placement**” means the non-brokered private placement financing by the Company completed in tranches on February 1, 2021, February 4, 2021 and March 15, 2021, consisting of an aggregate of 6,012,000 Common Shares at a price of $0.25 per share;

“**Third Private Placement Warrants**” means the 386,960 Common Share purchase warrants issued to the Agent as a finder’s fee under the Third Private Placement, which are exercisable at a price of $0.25 per Common Share for a period of 24 months from the date of issuance of such warrants;

“**Tranche 1 Warrants**” shall have the meaning ascribed thereto under the heading “Disclosure of Outstanding Security Data – Management Performance Warrants”;

“**Tranche 2 Warrants**” shall have the meaning ascribed thereto under the heading “Disclosure of Outstanding Security Data – Management Performance Warrants”;

“**Tranche 3 Warrants**” shall have the meaning ascribed thereto under the heading “Disclosure of Outstanding Security Data – Management Performance Warrants”; and

“**Trigger Event**” means the issuance of the Receipt.

CURRENCY

In this Prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to $ are to Canadian dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain statements in this Prospectus may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, “forward looking information”) within the meaning of Canadian securities laws. Forward-looking information may relate to this Prospectus, the Company’s future outlook and anticipated events or results and, in some cases, can be identified by terminology such as “may”, “could”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “projects”, “predict”, “potential”, “targeted”, “possible”, “continue” or other similar expressions concerning matters that are not historical facts and include, but are not limited in any manner to, those with respect to any and all timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions, as such matters may be applicable. In particular, this Prospectus contains forward-looking statements pertaining to the following:

- proposed expenditures for marketing, research and development, and general and administrative expenses (see “Use of Available Funds” for further details);
- expectations generally about the Company’s business plans and its ability to raise further capital for corporate purposes; and
- treatment under applicable governmental regimes for regulatory approvals (see “Risk Factors”).

Such forward-looking statements are based on a number of material factors and assumptions and include, without limitation: the ability to build market share and enter new markets and industry verticals; retain key personnel; execute expansion plans; continue investing in research and development to support growth and to enhance current products and create new products which are attractive to customers; obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; impact of competition; changes and trends in the Company’s industry or the global economy; and the changes in laws, rules, regulations, and global standards. While the

Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this Prospectus. See "Risk Factors". Forward-looking statements are based upon management's beliefs, estimates and opinions on the date the statements are made and, other than as required by law, the Company does not intend, and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

Upon becoming a reporting issuer, the Company intends to discuss in its quarterly and annual reports referred to as the Company's Management's Discussion & Analysis documents, any events and circumstances that occurred during the period to which such document relates that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in the Prospectus. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Investors are cautioned against placing undue reliance on forward-looking statements.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. You should read this Prospectus in its entirety carefully, especially the "Risk Factors" section of this Prospectus and the Consolidated Financial Statements and related notes appearing elsewhere in this Prospectus. Capitalized terms used but not defined in this summary are defined elsewhere in this Prospectus.

Principal Business of the Company:

The Company holds all of the issued and outstanding equity securities of Element. Element is engaged in the business of developing science based nutritional products for the ageing demographic 45 and over. The business of Element is the business of the Company.

See "*Description of the Business*".

Management, Directors & Officers:

Stuart Lowther	Chairman, President, Chief Executive Officer and Director
Shaun Power	Chief Financial Officer, Corporate Secretary and Director
Lino Fera	Director
Sean Bromley	Director

See "Directors and Executive Officers"

Offering:

This Prospectus is being filed to qualify the distribution in the Provinces of British Columbia, Alberta and Ontario of 22,480,000 Subscription Receipt Shares issuable to holders of 22,480,000 Subscription Receipts, upon the conversion or deemed conversion of those Subscription Receipts.

In the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline, on the fifth business day following the Trigger Event, each Subscription Receipt will be automatically converted into one Subscription Receipt Share, the Escrowed Funds will be released from escrow to the Company, and the Subscription Receipts shall be cancelled. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder. Except for release of the Escrowed Funds, there will be no additional proceeds to the Company from the exercise or conversion of the Subscription Receipts.

Agent

Canaccord Genuity Corp.

Additional Distributions

This Prospectus also qualifies the distribution of the 1,705,440 Common Shares underlying the Finder Warrants, the distribution of the 521,600 Common Shares underlying the Second Private Placement Warrants and the distribution of the 386,960 Common Shares underlying the Third Private Placement Warrants.

Agent's Consideration

As compensation, upon the occurrence of the Trigger Event, the Agent will receive a cash fee equal to $626,360 (inclusive of a corporate finance fee of $200,000), and 1,705,440 Finder Warrants. Each Finder Warrant is exercisable into one Common Share at an exercise price of $0.25 until the date that is 24 months following the issuance date of such Finder Warrant.

As compensation for the Second Private Placement, the Agent received a cash finder's fee of $78,329 and 521,600 Second Private Placement Warrants. Each Second Private Placement Warrant is exercisable into one Common Share at an exercise price of $0.15 until the date that is 24 months following the issuance date of such Second Private Placement Warrant.

As compensation for the Third Private Placement, the Agent received a cash finder's fee of $92,240 and 386,960 Third Private Placement Warrants. Each Third Private Placement Warrant is exercisable into one Common Share at an exercise price of $0.25 until the date that is 24 months following the issuance date of such Third Private Placement Warrant.

Voting Rights

Each Common Share entitles the holder to one vote at any meetings of the Company's shareholders.

Use of Proceeds:

Pursuant to the Concurrent Private Placement, the Company will receive gross proceeds of $5,620,000 on the fifth business day following the Trigger Event. The expected principal purposes for which the available funds will be used are described below. The Company intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. See "Use of Proceeds".

Marketing	$1,003,640
Research and product development	$200,000
Closing costs	$750,000
Agent commission	$426,360
Agent fee	$200,000
Investor relations	$100,000
General Administrative expenses	$1,690,000
Working capital deficiency	$1,250,000
TOTAL:	$5,620,000

Summary of Financial Information:

The following selected financial information has been derived from the audited financial statements of Element for the year ended December 31, 2019 and for the nine month period ended December 31, 2018 and the notes thereto included in this Prospectus and should be read in conjunction with those financial statements and related notes thereto, along with the related Management's Discussion and Analysis included in this Prospectus. The financial statements are prepared in accordance with IFRS. The Company's financial year end is December 31.

	As at and for the year ended December 31, 2019 (audited) ($)
Revenue	1,674,332
Total cost of sales and operating expenses	3,105,975
Other loss and expenses	65,161
Net loss and comprehensive loss for	(1,496,804)

the year	
Loss per share (basic and diluted)	(0.13)
Current assets	799,649
Total assets	983,415
Current liabilities	3,830,602
Long term debt	-
Shareholders' deficiency	(2,847,187)

The following selected financial information has been derived from the unaudited interim financial statements of the Company for the nine month period ended September 30, 2020 and the notes thereto included in this Prospectus and should be read in conjunction with those financial statements and related notes thereto, along with the related Management's Discussion and Analysis included in this Prospectus. The unaudited interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

	As at and for the ninth month period ended September 30, 2020 (unaudited) ($)
Revenue	661,309
Total cost of sales and operating expenses	4,066,034
Other loss and expenses	1,739,782
Other comprehensive loss: Foreign currency translation	1,627
Net loss and comprehensive loss for the period	(5,146,134)
Loss per share (basic and diluted)	(0.37)
Current assets	2,016,339
Total assets	2,213,550
Current liabilities	2,538,406

Non-current liabilities	155,944
Shareholders' deficiency	(480,800)

See "Management's Discussion and Analysis".

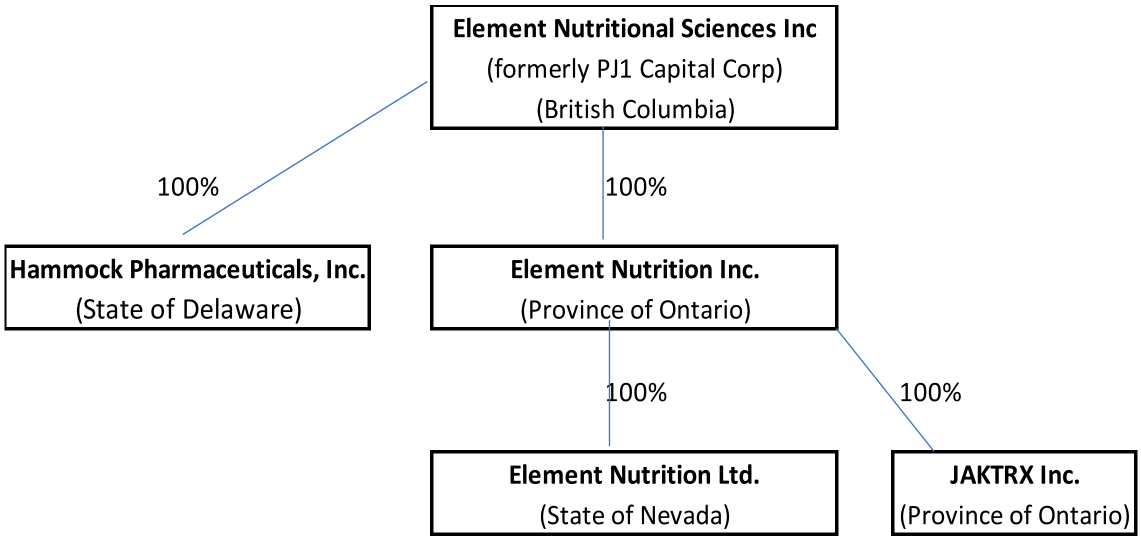
Risk Factors: An investment in the securities of the Company should be considered highly speculative and investors may incur a loss on their investment. The Company has identified certain risks relevant to its business and operations, which could materially affect the Company's operating results, financial performance and the value of the Common Shares. See the section entitled "Risk Factors" for details of risks relating to the Company's business. Such risk factors relate to, but are not limited to, the following:

- the Company has a limited history of earnings, and there is no assurance that the Company can operate profitably, or provide a return on investment, or that it will successfully implement its plans;
- the Company currently does not generate significant revenue and has not generated profit from its operations, and as a result, we face a high risk of business failure ;
- an investment in the Common Shares is speculative and there is little probability of dividends being paid on the Common Shares in the foreseeable future;
- liquidity concerns and future financing requirements may affect the future value of the Common Shares;
- there is no assurance that future financing opportunities will be available to the Company;
- the success of the Company is dependent on management of the Company;
- Health Canada may not approve any future applications for Natural Health Product Numbers relating to new products;
- there can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis;
- situations may arise where directors and officers of the Company will be in direct competition with the Company; and
- general stress in the global economy may affect the Company

CORPORATE STRUCTURE

Name and Incorporation

Element Nutritional Sciences Inc. was incorporated under the *Business Corporations Act* (British Columbia) on June 25, 2018 under the name "PJ1 Capital Corp". The Company changed its name to Element Nutritional Sciences Inc. on August 31, 2020. The Company's head office is located at 1100 Walkers Line, Suite 401, Burlington, Ontario, L7N 2G3. The Company's registered office is located at 725 Granville Street, Suite 400, Vancouver, British Columbia, Canada V7Y 1G5.



Inter-corporate Relationships

The Company owns all of the issued and outstanding equity securities of Element Nutrition Inc. and Hammock Pharmaceuticals, Inc. Element Nutrition Inc. was incorporated on July 11, 2014 and is existing under the *Business Corporations Act* (Ontario).

Hammock Pharmaceuticals, Inc. was formed pursuant to the Merger and is existing under the laws of the State of Delaware.

Element Nutrition Ltd, a wholly owned subsidiary of Element Nutrition Inc., was incorporated on November 29, 2018 and is existing under the laws of the State of Nevada.

JAKTRX Inc., a wholly owned subsidiary of Element Nutrition Inc., was incorporated on June 17, 2014 and is existing under the Business Corporations Act (Ontario).

The head office for all of the aforementioned companies is located at 401-1100 Walkers Line, Burlington, Ontario, Canada.

DESCRIPTION OF THE BUSINESS

History

The Company was incorporated on June 25, 2018 to seek out strategic opportunities and acquisitions in the health and wellness industry.

Private Placements

Following incorporation, the Company was capitalized by completing the following Private Placements: (i) the First Private Placement, which raised $224,000 through the issuance of 11,200,000 Common Shares; and (ii) the Second Private Placement, which raised $1,654,974 through the issuance of 11,033,161 Common Shares. The Common Shares issued pursuant to the above mentioned private placements are subject to voluntary lock-up restrictions. Please see the section "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer" of this Prospectus for a summary of the lock-up provisions. As compensation for the Second Private Placement, the Agent received a cash finder's fee of $78,329 and 521,600 Second Private Placement Warrants. Each Second Private

Placement Warrant is exercisable into one Common Share at an exercise price of $0.15 until the date that is 24 months following the issuance date of such Second Private Placement Warrant. The Common Shares underlying the 521,600 Second Private Placement Warrants are being qualified for distribution under this Prospectus.

The Company closed the Special Warrant Private Placement on July 6, 2020, and issued an aggregate of 550,000 Special Warrants. Each Special Warrant entitled the holder to acquire, without further payment, one Common Share. Each Special Warrant automatically converted at 4:00 p.m. (Vancouver time) on November 6, 2020 into one Common Share in accordance with the terms of the Special Warrants.

Pursuant to the Concurrent Private Placement that closed in two tranches on January 18, 2021 and March 29, 2021, the Company issued an aggregate of 22,480,000 Subscription Receipts at a price of $0.25 each to raise aggregate gross proceeds of $5,620,000. The gross proceeds of the Concurrent Private Placement were placed into escrow at closing. In the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline, on the fifth business day following such Trigger Event, each Subscription Receipt will be automatically converted, without further payment, into one Subscription Receipt Share, the Escrowed Funds will be released from escrow to the Company, and the Subscription Receipts shall be cancelled. Upon conversion of the Subscription Receipts, and without additional payment therefor, the Company will issue 22,480,000 Subscription Receipt Shares which are being qualified under this Prospectus. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder.

As part of the Concurrent Private Placement, the Company entered into the Finder's Agreement with the Agent. Under the terms of the Finder's Agreement, the Company will pay upon the occurrence of the Trigger Event to the Agent $426,360 and 1,705,440 Finder Warrants. Each Finder Warrant is exercisable into one Common Share at an exercise price of $0.25 until the date that is 24 months following the issuance date of such Finder Warrant. The Common Shares underlying the 1,705,440 Finder Warrants are being qualified for distribution under this Prospectus.

The Company completed the Third Private Placement in tranches on February 1, 2021, February 4, 2021 and March 15, 2021, and issued an aggregate of 6,012,000 Common Shares at $0.25 per share. As compensation for the Third Private Placement, the Agent received a cash finder's fee of $92,240 and 386,960 Third Private Placement Warrants. Each Third Private Placement Warrant is exercisable into one Common Share at an exercise price of $0.25 until the date that is 24 months following the issuance date of such Third Private Placement Warrant. The Common Shares underlying the 386,960 Third Private Placement Warrants are being qualified for distribution under this Prospectus.

To date, funds raised from the Private Placements have been used to advance the businesses of Element and Hammock Pharmaceuticals.

Element Share Exchange Agreement

On August 31, 2020, the Company acquired all of the issued and outstanding securities of Element in consideration of the issuance of 24,375,000 Common Shares to the holders of securities of Element pursuant to the Element Share Exchange Agreement. The Company and Element were arm's length parties prior to the completion of this transaction. As part of the Element Share Exchange Agreement and the Hammock Merger Agreement, the Company reserved for issuance an aggregate of 24,000,000 management performance warrants (the "**Management Performance Warrants**"). Please see the section "Disclosure of Outstanding Security Data" of this Prospectus for a summary of the terms of the Management Performance Warrants. The Common Shares issued pursuant to the Element Share Exchange Agreement are subject to voluntary lock-up restrictions. Please see the section "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer" of this Prospectus for a summary of the lock-up provisions. Upon the acquisition of Element, the business of Element became the business of the Company.

Hammock Merger Agreement

On August 31, 2020, the Company acquired all of the issued and outstanding securities of Hammock Pharmaceuticals in consideration of the issuance of 9,375,000 Common Shares to the holders of securities of Hammock Pharmaceuticals pursuant to the Hammock Merger Agreement. Under the Hammock Merger Agreement, pursuant to the Merger, each of PJ1 Holdings and Hammock Pharmaceuticals merged in accordance with Delaware laws, whereupon the separate existence of PJ1 Holdings ceased, and Hammock Pharmaceuticals became the surviving corporation and a wholly-owned subsidiary of the Company. The Company and Hammock Pharmaceuticals were arm's length parties prior to the completion of this transaction. The Common Shares issued pursuant to the Hammock Merger Agreement are subject to voluntary lock-up provisions. Please see the section "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer" of this Prospectus for a summary of the lock-up provisions.

At the time of the completion of the transactions with Element and Hammock Pharmaceuticals, the business of the Company became the business of Element and Hammock Pharmaceuticals. Accordingly, the financial year end of the Company was changed to December 31, adopting the year end of Element as the reverse take-over acquirer.

Subsequent to the acquisition of Hammock Pharmaceuticals on August 31, 2020, the distribution agreement and license for Athlete's Gel, the principal product of Hammock Pharmaceuticals, was not renewed by management due to certain decisions to refocus the Company on operations that generate positive margins and cash flows. While management had the view of eventually restructuring Hammock operations to be accretive to the Company when entering into the Hammock Merger Agreement, it was later determined that the investment required could not provide the returns management had planned pre-merger. As a result, those plans were abandoned and the distribution license for Athletes Gel was allowed to lapse and as such, Athletes Gel PTY Limited and Hammock Pharmaceuticals signed a mutual release on December 3, 2020. The Company does not plan to make any future material investments to grow the business of Hammock Pharmaceuticals.

Element Nutrition Inc.

Element was founded and incorporated on July 11th, 2014. Its major goal/mission is to develop science based nutritional products for the ageing demographic 45 and over. The early stage goal was to develop unique research-based products that address the nutritional and health issues that result from the loss of muscle mass due to ageing, Sarcopenia. In 2016, Sarcopenia was recognized by the World Health Organization (WHO) and the Center for Disease Control (CDC) as a muscle disease. Due to the recognition by the WHO there is significant growth among physicians, pharmaceutical and nutrition companies regarding the development of treatment interventions. . The global Sarcopenia market was estimated at $2.3 billion in 2018 and is expected to grow to over $3 billion by 2025 (Zion Market Research, Sarcopenia Market-Global Industry Perspective Comprehensive Analysis and Forecast 2019-2025) This represents a significant market opportunity for Element.

Boomer Nutrition Brand

Element's initial product offerings were protein based powdered products sold under the brand name Boomer Nutrition. These products where formulated based on published independent research studies that showed positive effects of specific nutrients on the bodies ability to rebuild muscle. These initial products were approved by Health Canada's Natural Health Product Directorate (NHPD) The Boomer products have been sold through Element's web site, Amazon.ca and at Loblaws and Rexall Drug stores. An example of a Boomer Nutrition product is provided below:

Rejuvenate Brand

Element subsequently acquired global exclusive rights to a unique patented formula of essential amino acids (key building blocks of protein) developed at the Geriatric Center at the University of Arkansas. This unique formula was clinically proven to be more effective than the initial Boomer products. Due to this and the wide range of applications Element moved forward with developing a new brand line called Rejuvenate for the purpose of commercializing the acquired intellectual property.

Element has principally been focused on the development and commercialization of its Rejuvenate brand. Rejuvenate is a muscle health product designed to help slow and/or prevent muscle loss due to aging (Sarcopenia). The formulation is based on 17 years of clinical research with 25 peer reviewed clinical studies supporting the formula and its efficacy. Based on the potential of the formula in delivering a clinically proven nutritional intervention for muscle loss, Rejuvenate is now Element's flag ship brand. Since this new technology makes the initial Boomer formulations obsolete, Element is slowly transitioning out of the Boomer Nutrition brand. The first Rejuvenate product developed was a single serve powdered product sold in a carton holding 30 single serve pouches delivering the 3.6 grams of the patented essential amino acid formula. Each pouch is mixed with 8-10 ounces of water and consumed 1-2 times per day. Element began commercialization of this brand in April of 2019. Initial sales were through e-commerce on Element's web sites in the US and Canada and also on Amazon.ca and Amazon.com. Retail sales commenced in the second half of the year at 6,000 CVS retail stores and 2,838 Walmart stores in the United States. Total sales for Rejuvenate for 2019 were $1,402,663. It can generally take 24 months or more to get a product into significant distribution. However, due to, what Element believes is the product's innovative value proposition, it was able to get retail acceptance at an early stage. Element's goal is to continue to build sales and distribution throughout the United States by adding additional retailers and increasing consumer brand awareness through its marketing efforts. The production of the single serve plant based beverage has commenced in the United States.

In 2020, the brand started selling at Canadian retailers. The Rejuvenate single serve product went on sale at Rexall Drug stores in Q2 of 2020. It is now also available at select Shoppers Drug Marts and was made available at Loblaws stores in October of 2020. Element is currently in discussions with multiple retailers in North America to increase its distribution of the powdered single serve Rejuvenate product.

Over the past year, Element has been developing a single serve ready to drink beverage under the Rejuvenate brand. Expanding the brand line by offering a single serve beverage is a growth opportunity for Element. Element believes that the Rejuvenate organic plant based beverage will bring added variety and give consumers an alternate choice to what has traditionally been offered. The product is now in the process of moving to production and being commercialized. Initial production began in November 2020. Element expects to commence sales of the product on its e-commerce platform in February of 2021 and expects to commence retail sales in Q3 of 2021 in the United States. Due to different regulations in Canada a specific formula must be developed for the Canadian market. Formulation work has commenced and the final formulation is expected to be completed by the end of Q1 2021. This formulation will require Health Canada approval and commercialization will depend on the approval. Approval can take up to 8 months and may be longer due to COVID 19. Element expects to have approval by Q4 of 2021. Once approval is completed the product will be moved to production and commercialization. Initial sales are expected to commence on our e-commerce platforms (Rejuvenate.ca and Amazon.ca) in Q1 of 2022. Retail sales are expected to begin in Q3 of 2022.

An example of a Rejuvenate product is provided below:

JAKTRX Brand

In March of 2018, Element acquired the JAKTRX product line of protein powders and other nutritional supplements targeting the sports nutrition market. The North American sports nutrition market is valued at $17 billion and is forecast to be $31 billion by 2027.(Grand View Research, Sports Nutrition Market Size, Share & Trends Analysis Report Feb 2020) This represents another significant growth opportunity for Element. Additionally the patented Rejuvenate formula can be incorporated into new product offerings within the JAKTRX brand. JAKTRX. is a brand designed and developed for the CrossFit consumer. The JAKTRX brand is made up of a line of protein powders and other nutritional supplements . The products were sold through e-commerce on the JAKTRX website and direct to consumers through CrossFit gyms. However, due to the declining popularity of CrossFit and to expand the brand to more consumers encompassing all sports, a strategy is being executed to change the branding and marketing so as to appeal to the entire sports nutrition consumer and take advantage of the projected growth in the North American sports nutrition market. . This change is expected to increase the size of the product's target market and help improve sales.

An example of a JAKTRX product is provided below:

Summary of Products

Below is a summary of Element's current product offering, including name of manufacturer, distribution details, licensing information and percentage of revenues generated from each product.

Description of product	Manufacturer	Jurisdictions	Date of distribution (mmm-yy)	Canadian Licensing info	License approving authority	Subsidiary Distributer	Approximate reveue percentage generated from the distribution of the product
165g Rejuvenate Raspberry flavoured powder in sachets (30 servings)	Vitaquest Internaltional, LLC.	Canada and USA	Feb-19	NPN 80088720	Health Canada	NA	37.7%
165g Rejuvenate Fruit Punch flavoured powder in sachets (30 servings)	Vitaquest Internaltional, LLC.	Canada and USA	Feb-19	NPN 80088720	Health Canada	NA	36.9%
55.5g Raspberry powder in sachets (10 servings)	Vitaquest Internaltional, LLC	Korea	May-20	NA	Korea MFDS	NA	3.2%
680g of Protein Energy Vanilla flavoured powder (22 servings)	Nutrablend Foods	Canada and USA	Jan-19	NPN 80063646	Health Canada	NA	1.0%
680g of Protein Energy Chocolate flavoured powder (22 servings)	Nutrablend Foods	Canada and USA	Jan-19	NPN 80063646	Health Canada	NA	0.6%
800g Organic Vegan Protein Chocolate flavoured powder (25 servings)	Protec Laboratory	Canada and USA	Jan-19	NPN 80091919	Health Canada	NA	0.1%
750g Organic Vegan Protein Vanilla flavoured powder (25 servings)	Protec Laboratory	Canada and USA	Jan-19	NPN 80091919	Health Canada	NA	0.0%
908g PRO (WOD)Recovery Chocolate Peanut Butter (28 servings)	Nutrablend Foods	Canada	Jan-19	NPN 80088812	Health Canada	JAKTRX Inc.	4.5%
331g Cocowodder Hydrate Cherry Lime (30 servings)	Nutrablend Foods	Canada	Nov-19	NPN 80054373	Health Canada	JAKTRX Inc.	1.9%
908g PRO (WOD) Recovery French Vanilla flavoured powder (28 servings)	Nutrablend Foods	Canada	Apr-20	NPN 80088812	Health Canada	JAKTRX Inc.	4.1%
908g PRO (WOD) Recovery Strawberry Banana (28 servings)	Nutrablend Foods	Canada	Feb-20	NPN 80088812	Health Canada	JAKTRX Inc.	1.8%
908g PRO (WOD) Recovery Chocolate Milk Shake flavoured powder (28 servings)	Nutrablend Foods	Canada	Nov-19	NPN 80088812	Health Canada	JAKTRX Inc.	3.7%
345g Cocowodder Pre-Workout Blue Raspberry flavoured powder (30 servings)	Nutrablend Foods	Canada	Oct-18	NPN 80054375	Health Canada	JAKTRX Inc.	1.4%
360g Cocowodder Hydrate Pink Lemonade powder (30 servings)	Nutrablend Foods	Canada	Nov-19	NPN 80054373	Health Canada	JAKTRX Inc.	1.1%
800g Plant Power Chocolate flavoured powder (25 servings)	Nutrablend Foods	Canada	Nov-19	NPN 80091919	Health Canada	JAKTRX Inc.	0.9%
750g Plant Power Vanilla flavoured powder (25 servings)	Nutrablend Foods	Canada	Nov-19	NPN 80091912	Health Canada	JAKTRX Inc.	0.5%
9008g PRO Recovery Ice Cream Sandwich powder (28 servings)	Nutrablend Foods	Canada	Mar-18	NPN 80091912	Health Canada	JAKTRX Inc.	0.2%
90ct Creaos Creatine Pills (30 servings)	Nutrablend Foods	Canada	Mar-18	NPN 80071508	Health Canada	JAKTRX Inc.	0.2%

New Products

Element has recently announced the introduction of an organic plant based, single serve ready to drink beverage, in a 330 ml resealable Tetra Pak. The product comes in three flavor options for the consumer, chocolate, vanilla and mocha. The Rejuvenate drink went into production in November 2020. The product will be the first Rejuvenate liquid beverage to enter the market place. Sales are expected to commence in February of 2021 through Element's e-commerce platform. The product is expected to be sold at retail stores in the US commencing at the end of Q3 of 2021. A Canadian formulation was completed in October of 2020 and then moved to trial production. Sales are expected to commence in Canada upon receiving approval from the NHPD.

Utilizing Element's patented Rejuvenate formula, new products are being developed. Element has plans to launch as many as 12 more beverage products under the Rejuvenate brand over the next 3-5 years. Other powdered formulations will also be developed. Additionally, a new digital and social media program will be launched to increase brand awareness of all Rejuvenate products. This strategy is designed to also allow Element to utilize its infrastructure in the United States and start selling the product via e-commerce in the US market. Expansion into the US is a potential growth opportunity for Element. Element Nutrition Ltd., the wholly owned USA subsidiary, was formed to expand brand recognition, open access to new markets, attract new customers and expand its market share for existing and new products within the United States.

Manufacturing, Supply and Production

All production is contracted to independent contractors. Element currently utilizes three independent contract manufacturers to produce all products sold in North America. There is a large number of contract manufacturers in the US and Canada that have the capabilities to produce the Rejuvenate powder beverage. Element has secondary suppliers so that it is not reliant on one manufacturer. Element enters into quality agreements with all manufactures to ensure the high quality of the products is maintained. Element's current principal manufacturer for its plant based beverage has just completed a full expansion and increased its production capacity. Accordingly, there is significant line time currently available for the production of the Rejuvenate plant based beverage A secondary manufacturer for this product is being brought on board so that Element is not relying on just one manufacturer for the plant based beverage.. Element's raw material supply chain is managed internally by its operations team in conjunction with its manufacturers. Real time inventory controls allow Element to forecast the need for raw materials and finished goods. The current situation surrounding the COVID-19 pandemic has had no material effect on Element's supply chain. Besides the quality control agreements, Element does not enter into manufacturing agreements with its contract manufacturers. This is done to provide Element with the flexibility to be able to move manufacturing as needed to other manufacturers for the benefit of the business and maintaining supply. If Element entered into agreements with manufacturers it would limit options on supply should the manufacturer have any production issues. Therefore if the manufacturer had a production issue or supply issue Element would have no other manufacturer to acquire supply from. Element would then be at risk for out of stocks and not being able to meet demand. This structure is used for all brands and products. Also, by not signing exclusive manufacturing agreements it gives Element the ability to negotiate pricing on a consistent basis as business increases. Element also supplies the manufacturers with forecasts which ensures consistent pricing on raw materials and creates the opportunity to lower the cost of goods on a consistent basis. This model ensures that Element has a predicable supply of all products it sells.

Commercialization

Element is currently a vendor of record with Walgreens, CVS, Walmart and Meijer in the United States. This represents a total of 23,577 potential points of distribution in the United States. Element becomes a vendor of record once it has completed all the internal paper work with the retailer necessary to set up a product in the retailers system so that the retailer can issue purchase orders for the product. For most retailers there is a vendor agreement that outlines the agreed upon guidelines for conducting business together. This agreement includes but is not limited to, pricing, delivery, payment terms, damage allowance and return policies. Element has entered into a Brokerage Agreement with Advantage Solutions to lead Element's sales expansion in the US. Advantage Solutions is a market leader in sales and brand development operating in 40 countries globally.

Element is currently a vendor of record in Canada with Loblaws, Shoppers Drug Mart and Rexall. This represents a total of 3,700 potential points of distribution. Brewin and Associates is Element's broker in Canada.

Element currently has a distribution and sales agreement with Natural Made Company Ltd in South Korea. This agreement was entered into in October of 2019. All product is purchased directly from Element and shipped to the distributor. All purchases are paid up front in US dollars prior to shipping. There are no other current planned distributions outside of Canada and the US. As Element grows and opportunity presents itself, Element may enter in to similar agreements in other foreign markets.

Marketing and Branding

In January 2020, Element engaged DEG Productions in the United States to develop and produce content for social media, digital media and direct to consumer marketing. Completion of this was delayed due to the COVID-19 pandemic. In October 2020, they completed the production and the program is moving forward.

In March 2020, Element engaged the Sasha Group, part of Vayner Media in the United States, a national branding agency. Sasha Group will be managing and executing a complete digital and social media campaign for the Company's Rejuvenate brand.

In August 2020, Element signed Denise Austin as a brand ambassador for the Rejuvenate brand. Denise has over 450,000 followers and is one of the most influential social media celebrities for women 45-65 years old in the United States for fitness and nutrition.

In September 2020, Element engaged Lockard and Wechsler, a national full service media agency in the United States. Lockard and Wechsler specialize in direct to consumer marketing. They are executing a nationwide direct to consumer marketing campaign in the United States.

In September 2020, Element engaged Flinnwest Solutions, a digital marketing agency in White Rock, British Columbia. Flinnwest is providing optimized e-commerce websites that work in conjunction with Element's social media, customer relationship management system and email marketing.

Principal Market Competitive Conditions

Element's principal markets are Canada and the United States. However, distribution contracts will be pursued in foreign markets as Element grows. The nutritional liquid market grew by 4.6% in 2019[1]. The US ready to drink beverage market is expected to expand at a compound annual growth rate of US$8.2% to 2025[2]. The plant-based food market is expected to grow at a compound annual growth rate of 11.9% from 2020 to 2027 to reach $74.2 billion[3] Also 63% of consumers are looking to add plant-based foods as a healthier source of protein[4]. An omni-channel distribution model (distribution through multiple channels) is being used to distribute products throughout North America. This includes direct to consumer via e-commerce (Amazon, branded web site) plus distribution through food, drug, and mass mass-merchandise retailers (Shoppers Drug Mart, CVS, Walgreens, Kroger, Costco, Sams Club etc.).

	For the 9 months ended December 31,		For the year ended December 31,		For the year ended December 31, (unaudited)	
	2018		2019		2020	
Brand	Gross Sales	%age	Gross Sales	%age	Gross Sales	%age
Rejuvenate	N/A		$1,402,663	83.8%	$932,675	82.7%
JAKTRX	$229,067	82.2%	$335,906	20.1%	$244,464	21.7%
BOOMER	$87,353	31.3%	$38,759	2.3%	$20,553	1.8%
Sub-total	$316,420	113.5%	$1,777,328	106.2%	$1,197,692	106.2%
Sales returns, allowances & discounts	$37,646	13.50%	$102,996	6.15%	$69,621	6.2%
Total	$278,774	100.0%	$1,674,332	100.0%	$1,128,071	100.0%

There are currently two competitive segments in the North American adult nutrition market, branded and private label ("**OEM**"). The branded segment of the business is made up of two brands, BOOST and Ensure. The OEM segment is principally a store brand product that is similar to branded formulations but is branded by the retailer. Element believes it has a competitive advantage in this market as there has been no innovation for many years. Element believes its products fit perfectly into the white space that has been created by the lack of innovation and the current brands not offering products that are up to date with consumer trends and demands. Today, consumers are looking for and demanding products that are low in sugar or sugar free, plant based, lower in calories, innovative and convenient. Element provides this for the consumer and has proven clinical efficacy and a patented formulation which none of the other branded or OEM products provide.

Intellectual Property

A vital part of Element's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. Success will depend, in part, upon the ability to obtain and enforce strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others. The most important intellectual property for Element is the brand name for its Rejuvenate products. The Rejuvenate patented formulation (US Patent 9,364,463) of essential amino acids developed from the University of Arkansas is utilized in both the powdered beverage and the plant based beverage. Element holds exclusive global rights to this formulation. The brand has growing customer acceptance, brand loyalty and brand equity. The increased brand equity allows Element to further expand into other retail categories (grocery, vitamins, food supplements etc.) and health conditions (heart health bone health etc.).. Increased brand equity and innovation within the brand creates brand longevity. This strategy allows the brand to remain in the market for many decades. Patents eventually expire but brand equity and consumer loyalty does not. The initial Rejuvenate formula has two US patents filed. Additionally, Element has partnered with an independent research firm to conduct further research that may result in more patent filing opportunities. Element has trademarks filed for

[1] Mass Market Retailers/IRI HBC Report 52 weeks ending Dec 2019

[2] Grand View Research, Market Analysis Report Jan 2019, Report ID: GVR-2-68038-764-3

[3] Meticulous Market Research. Pvt. Ltd., August 13th, 2020

[4] 2017 Nutrition & Health Focus International Dupont Survey-Plant Based Meat Alternatives in Demand

its Rejuvenate and JAKTRX brands in both the United States and Canada. Element will continue to look for opportunity to protect and solidify its intellectual property and concurrently its market advantage with patents and trademarks where ever possible.

Specialized Skills and Knowledge

Element's management team has skills and knowledge that have been developed throughout their careers developing brands for other major corporations in the consumer-packaged goods ("**CPG**") industry. This covers all aspects of building and operating a CPG company. These skills and expertise include but are not limited to, formulation, packaging, production, operations branding, marketing, sales and finance. See biographies at section "Executive Officers and Directors".

Seasonality

Within the nutritional/dietary supplement CPG market there is a well-established cycle. The slower sales periods are generally in the summer months, June, July, August. There are two periods where the industry normally sees an increase in sales volume. These are after Labour Day and after New Year's Day. Sales are very consistent and stable outside of these three time periods.

Environment

Element does not manufacture its products. However, the operations of its subcontractors and suppliers are subject to various laws and regulations relating to environmental, health and safety matters, and their failure to comply with such laws and regulations could have a material adverse effect on Element's business and reputation. Non-compliance could result in an interruption or delay in the development or manufacture of its product., It may also lead to an increase the costs for the development or manufacture of its products.

Regulation

The United States and Canada have separate regulatory environments applicable to the sale of the Element's products. In the United States the sale of nutritional and dietary supplements is governed by the Food and Drug Administration ("**FDA**"). All of the Element's products sold in the United States are compliant with FDA regulations. The guidelines for the sale of supplements in the United States was set forth in the *Dietary Supplement Health and Education Act* ("**DSHEA**"). There is no current process of approval for the sale of nutritional products or any dietary supplements. It is the responsibility of Element and the manufacturers to ensure that products manufactured and sold are compliant with DSHEA.

Within Canada there is the Natural Health Product Directorate ("**NHPD**") that governs the sale of nutritional products and dietary supplements. The NHPD is a division of Health Canada. Depending on the delivery form (powder, pill, capsule, bar, etc) and formulation of the product, it may be necessary to get approval of the NHPD to sell the product in Canada. Once the application process is complete and accepted, the product receives a Natural Product Number ("**NPN**"). This signifies that it is approved for sales in Canada. All of Element's products that are currently sold in Canada that require an NPN have an NPN. Element currently has applications in process with the NHPD for the following new product formulations: Rejuvenate Organic Protein Beverage, Rejuvenate Immune Support and Rejuvenate Omega Health. These products are expected to be brought to market in 2021 once approved.

Employees

Element currently has eight full time employees.

Economic Dependence

Within the retail CPG market, there are no contracts between the retailers and suppliers of products, other than vendor agreements which describe the pricing and terms (pricing, delivery, discounts, promotions, returns, damage allowance etc.) under which the two companies agree to do business. There is no expiry to these agreements. Element is responsible to market and promote the product to ensure a consistent flow of sales at the retail level.

Hammock Pharmaceuticals

Hammock Pharmaceuticals was incorporated under the state of Delaware on January 26, 2016. Its focus is the marketing, selling and distribution of specialty healthcare products into the North American marketplace. Hammock Pharmaceuticals' main office is at 11922 General Drive, Unit C, Charlotte, North Carolina, 28273.

Agreement with Daré Biosciences

Hammock Pharmaceuticals' prior focus was to build a prescription based company focused on women's health and urology. In January 2017, Hammock Pharmaceuticals executed a licensing agreement with MilanaPharm, LLC providing Hammock exclusive North American rights to MilanaPharma's TRI-101 hydrogel technology. Hammock Pharmaceuticals continued to develop the technology throughout 2017 and 2018. However, due to prescription pricing pressure, in early 2018 management made a decision to redirect it's focus into the consumer health product segment.

On December 5, 2018, Hammock Pharmaceuticals assigned and transferred to Daré Biosciences, Inc ("**Daré**") all of its right, title and interest in and to the MilanaPharm license agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan to be agreed upon by the parties (the "**Daré Assignment Agreement**").

Upon execution of the assignment agreement, Hammock Pharmaceuticals received US$250,000 from Daré, and in addition received payments of US$125,000 on December 5, 2019, and US$137,500 on January 31, 2020. On July 13, 2020 Hammock Pharmaceuticals received an additional US$100,000 from Daré upon the first patient dosing within its Phase 3 clinical trial in bacterial vaginosis ("**BV**"). Additional milestone payments are due from Daré to Hammock Pharmaceuticals within fifteen (15) days of the following achievements related to certain clinical and regulatory development milestones: (i) US$250,000 upon submission of a New Drug Application ("**NDA**") to the FDA for BV (the "**First Milestone Payment**"); (ii) US$500,000 upon NDA approval by the FDA for BV; and (iii) US$250,000 after NDA approval by the FDA for a total of one additional indication for any intravaginal and/or urology indication other than BV.

The Company entered into an escrow agreement with a former director of the Company on January 15, 2021 where $100,000 in proceeds from a prior share sale (the "**Escrowed Funds**") will be released to the former director in twelve (12) months or sooner upon the payment of the First Milestone Payment. If the First Milestone Payment is not made in twelve (12) months then the Company has the option to release the Escrowed Funds to the Company and assign its rights to the First Milestone Payment to the former director, or extend the escrow period for an additional six (6) months. If the Escrow Period is extended for an additional 6 months and the Company does not receive the First Milestone Payment, then the Company has the option to either retain its right to receive the First Milestone Payment and have the Escrowed Funds released to the former director, or cause the Escrowed Funds to be released to the Company in which case the Daré Assignment Agreement will be assigned to the former director.

The Daré Assignment Agreement will terminate upon the later of: (i) completion of the parties' technology transfer plan; or (ii) payment to Hammock Pharmaceuticals of the last of the payments described above.

Environment

Hammock Pharmaceuticals does not manufacture its products. However, the operations of its subcontractors and suppliers are subject to various laws and regulations relating to environmental, health and safety matters, and their failure to comply with such laws and regulations could have a material adverse effect on Hammock's business and reputation, result in an interruption or delay in the development or manufacture of its product candidates, or increase the costs for the development or manufacture of its product candidates.

Regulation

Hammock Pharmaceuticals does not produce, distribute, or sell any products that require permits, licenses or approvals from governmental authorities.

Manufacturing, Supply and Production

Hammock Pharmaceuticals does not own or operate manufacturing facilities for the production of its products. Hammock Pharmaceuticals depends on third parties for the supply of the raw materials and active pharmaceutical ingredients (API) necessary to develop and manufacture its products, including the active and inactive pharmaceutical ingredients used in its products. Hammock Pharmaceuticals' manufacturers and suppliers are required to identify the supplier of all the raw materials for its products.

Raw materials essential to the manufacture of its products are generally readily available from multiple sources. Where there are exceptions, the temporary unavailability of those raw materials would not likely have a material adverse effect on the financial results of Hammock Pharmaceuticals.

Employees

Hammock Pharmaceuticals currently has no employees.

While management had the view of eventually restructuring Hammock operations to be accretive to the Company when entering into the Hammock Merger Agreement, it was later determined that the investment required could not provide the returns management had planned pre-merger and therefore the Company does not plan to make any future material investments to grow the business of Hammock Pharmaceuticals.

USE OF PROCEEDS

No additional consideration will be received by the Company in connection with the exercise of the Subscription Receipts upon the occurrence of the Trigger Event. However, the gross proceeds from the Concurrent Private Placement were placed in escrow with the Escrow Agent as more particularly described under the heading "Plan of Distribution", and upon the occurrence of the Trigger Event on or before the Subscription Receipt Deadline, the Escrowed Funds (other than the Agent's Commission and reimbursable expenses of the Agent, which are to be paid to the Agent) will be released to the Company. The net proceeds to the Company from the Concurrent Private Placement will be $4,993,640 after deducting the Agent's Commission and corporate finance fee of $200,000.

Funds Available and Principal Purposes

The Company has total funds of approximately $335,000 available as of the date of this Prospectus. Of the aggregate of $5,620,000 raised from the Concurrent Private Placement, no funds have been spent as of the date of this Prospectus. As at February 28, 2021, being the most recent month end, the Company had estimated consolidated working capital deficiency of $1,250,000. The Company is experiencing increased sales and has recently had their highest sales period in 2020 Q4. The Company anticipates sales for the year ended 2021 to be sufficient to increase its working capital position to a positive amount. The proceeds from the Concurrent Private Placement will be used for the purposes described below:

Use of Available Funds	
Marketing[(1)]	$1,003,640
Research and product development[(2)]	$200,000
Closing costs[(3)]	$750,000
Agent commission	$426,360
Agents fee	$200,000
Investor relations	$100,000
General administrative expenses	$1,690,000
Working capital deficiency	$1,250,000
TOTAL	$5,620,000

Notes:

(1) Marketing costs are an effective and essential expense towards engaging its customers and branding. The company's marketing campaign costs include those activities associated with:
(i) digital content
(ii) social media and paid media,
(iii) direct to consumers

(2) Research and development costs are associated with:
(i) new product development~~,~~
(ii) clinical research.

(3) Closing costs represent expenses related to legal fees & accounting fees associated with the RTO Transaction and the Prospectus filing.

(4) The Company is forecasting sales from its nutraceutical product line in 2021 to cover all production costs.

Marketing Costs

The ready-to-drink ("**RTD**") and formula nutrition alternative sector is highly competitive with food manufacturers innovating rapidly in this category. Accordingly, a key component for the Company's future growth and competitive position is the Company's ability to develop and market new products in line with consumer preferences. The Company believes the allocation of significant additional funding is critical to, and will allow the Company to accelerate, the marketing of its products.

The Company plans to use the net proceeds from the Concurrent Private Placement to increase its digital content, social, paid media, influencers and direct to consumer expenditures in North America and other markets.

The planned marketing costs of $1,003,640 are allocated accordingly and is expected to accomplish the following:

- 25% ($250,910) – Beginning in Q1 and into Q2, increase sales and distribution of the Rejuvenate Sachets within the United States and Canada.
- 25% ($250,910) - Q1 launch of new Organic plant-based protein beverage under the Rejuvenate brand.

The Company has partnered with the following marketing companies for the purpose of executing a complete promotional campaign for the Rejuvenate brand;

  - Flinnwest Solutions (Whiterock, B.C.) – (social media & e-commerce) - 20% of our budget
  - The Sasha Group (New York, NY, USA) – (social media & digital advertising) - 20% of our budget
  - DEG Productions (Ossining, NY, USA) – (TV production) - 10% of our budget
  - Lockard & Wechsler Direct (Irvington, NY, USA) – (TV media buyers) - 50% of our budget.

Collectively, the Company will be spending its marketing dollars across the following platforms: social & digital media (Instagram, Facebook & YouTube), as well as direct to consumer advertising. The Company has also engaged Denise Austin, a major social influencer in diet and exercise in North America. She will be utilized across all platforms within our marketing campaign. Both the Rejuvenate sachets and the Rejuvenate organic plant based beverage are featured in this campaign.

- 25% ($250,910) - Work in tandem with our broker Advantage solutions to increase the distribution primarily into food, drug, and mass retailers. These marketing dollars are planned for commencement in Q2 and Q3 of 2021.

- 15% ($150,546) - Utilize our marking partners to expand brand awareness and brand equity among our core consumers. This will be done by utilizing direct to consumer marketing, digital marketing and social media. Additionally, we partner with retailers in store programs to promote the brand at store level. Primary retail targets are Walgreens, CVS, Kroger, Publix, Costco, Sam's club plus regional drug and grocery chains. Retail target in Canada are Loblaws, Shoppers Drug Mart, Rexall and Costco. These marketing dollars are planned for commencement in Q2 through Q3 of 2021.

- 10% ($100,346) Via our marketing efforts we will have secondary focus on e-commerce sales on both our website and as a partner with Amazon. These dollars are budgeted April to December 2021.

Research & Product Development

The Company plans to use the net proceeds from the Private Placements to increase its new product development activities and perform some clinical research. The Company is currently managing the entire research & development process, some of which is conducted using internal resources.

The planned research and product development costs are allocated accordingly and is expected to accomplish the following:

($200,000) - The Company will continue with research and development of new product offerings. Key focus is on the Rejuvenate plant based omega Rejuvenate Immune Response and additional beverages under the Rejuvenate brand. The expected cost for this new product development will be $150,000 for the next twelve months, commencing on May 1, 2021.

General Corporate and Other Working Capital

The Company is currently in a growth-phase, which requires capital in all facets of its business. The Company believes that having unallocated cash resources provides the Company with meaningful flexibility for its operations and positioning of the Company in the rapidly growing RTD and formula nutrition sector. The Company may also use a portion of the net proceeds from the Private Placements to expand its current business through acquisitions of, or investments in, other complementary businesses, products or technologies. However, the Company has no agreements or commitments with respect to any acquisitions or investments at this time.

To the extent that the Company has a negative cash flow in any future period, the Company may be required to use a portion of the net proceeds from the Concurrent Private Placement to fund such negative cash flow.

Discretion to Re-Allocate Use of Proceeds

Although the Company intends to use the net proceeds from the Private Placements as set forth above, the actual allocation of the proceeds may vary depending on future developments or unforeseen events, including developments or events resulting from the COVID-19 outbreak. There may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those referred to under “Risk Factors” in this Prospectus. Any such reallocations will be determined at the discretion of the Company’s management and there can be no assurance as of the date of this Prospectus as to how those funds may be reallocated. Management will have discretion concerning the use of the proceeds, as well as the timing of their expenditure. To the extent the Company requires additional capital, it may raise funds through debt and equity financing in the future. See “Risk Factors”.

The Company had a negative operating cash flow for the nine-month period ended September 30, 2020, the year ended December 31, 2019, and the nine-month period ended December 31, 2018. To the extent that the Company has a negative cash flow in any future period, the Company may be required to use net proceeds from the Concurrent Private Placement to fund such negative cash flow and the current working capital deficiency.

Upon the Listing Date, the Company estimates that its working capital will be sufficient to meet its administrative costs for the 12-month period following the Listing Date. Administrative costs for the 12 month period following the Listing Date are expected to comprised of the following:

General and Administrative Costs for 12-Month Period Following the Listing Date	**($)**
Salaries and wages	1,200,000
Rent	230,000
Office expenses	150,000
Professional fees(1)	110,000
TOTAL:	1,690,000

Notes:

(1) Professional fees shown represent the legal and audit fees associated with its operations for the year ending December 31, 2021.

DIVIDENDS OR DISTRIBUTIONS

Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its cash to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board and will depend on many factors, including, among others, the Company's financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that the Board may deem relevant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's Management Discussion and Analysis ("**MD&A**") with respect to: (i) the year ended June 30, 2020; and (ii) for the nine month interim period ended September 30, 2020, are attached to this Prospectus as Schedule "A".

The MD&A of Element for the year ended December 31, 2019 is attached to this Prospectus as Schedule "B".

The MD&A of Hammock with respect to (i) the year ended December 31, 2019 and (ii) for the six month interim period ended June 30, 2020, are attached to this Prospectus as Schedule "C".

The MD&A for each of the Company, Element and Hammock should be read in conjunction with the respective financial statements and accompanying notes thereto included in this Prospectus. Certain information included in each MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See *"Cautionary Statement Regarding Forward-Looking Statements"* for further detail.

Disclosure of Outstanding Security Data

Common Shares

As at the date of this Prospectus, the Company had 64,362,662 Common Shares issued and outstanding, and the Company will have 86,842,662 Common Shares issued and outstanding following the conversion or deemed conversion of all of the Subscription Receipts.

Stock Options

As of the date of this Prospectus, there are 5,200,000 options to purchase Common Shares of the Company. Please see the Section "Options to Purchase Securities" of this Prospectus for additional details.

Management Performance Warrants

As of the date of this Prospectus, the Company has 24,000,000 Management Performance Warrants issued and outstanding, which were issued in connection with the Element Share Exchange Agreement and Hammock Merger Agreement. Each Management Performance Warrant has a term of five years from the date of issue, and entitles its holder to acquire one Common Share at an exercise price of $0.25 per share. The Management Performance Warrants are exercisable based on the following criteria:

(a) 7,200,000 Management Performance Warrants shall become exercisable upon the Company reaching $10,000,000 in revenue and a positive net profit for a financial year (the "**Tranche 1 Warrants**");

(b) 8,400,000 Management Performance Warrants shall become exercisable upon the Company reaching $25,000,000 in revenue and $2,500,000 in EBITDA for a financial year (the "**Tranche 2 Warrants**"); and

(c) 8,400,000 Management Performance Warrants shall become exercisable upon the Company reaching $50,000,000 in revenue and $5,000,000 in EBITDA for a financial year (the "**Tranche 3 Warrants**").

All of the Management Performance Warrants were granted to Stuart Lowther, the President and Chief Executive Officer of the Company, on January 18, 2021.

Subscription Receipts

As at the date of this Prospectus, the Company had 22,480,000 Subscription Receipts outstanding, issued as part of the Concurrent Private Placement. In the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline, each Subscription Receipt will be automatically converted into one Subscription Receipt Share, the Escrowed Funds will be released from escrow to the Company, and the Subscription Receipts shall be cancelled. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder.

Additional Disclosure for Junior Issuers

The Company had negative cash flow from operating activities in its most recently completed financial year ending December 31, 2019. As no funds are being raised under this Prospectus, the Company estimates that the total operating costs in the next 12 months necessary for the Company to achieve its stated business objectives to be $2,000,000.

DESCRIPTION OF SECURITIES DISTRIBUTED

Common Shares

The Company's authorized capital consists of an unlimited number of Common Shares, of which 64,362,662 are issued and outstanding as at the date of this Prospectus as fully paid and non-assessable. Following the conversion or deemed conversion of all Subscription Receipts, there will be 86,842,662 Common Shares issued and outstanding. Holders of the Common Shares are entitled to vote at all meetings of the holders of the Common Shares and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Common Shares, to participate rateably in any distribution of the Company's property or assets upon liquidation or wind-up.

The Board is authorized to issue additional Common Shares on such terms and conditions and for such consideration as the Board may deem appropriate without further security holder action.

Subscription Receipts

The Company closed the Concurrent Private Placement in two tranches on January 18, 2021 and March 29, 2021, and issued an aggregate of 22,480,000 Subscription Receipts. In the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline, each Subscription Receipt will be automatically converted into one Subscription Receipt Share, the Escrowed Funds will be released from escrow to the Company, and the Subscription Receipts shall be cancelled. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder.

Upon conversion of the Subscription Receipts into Subscription Receipt Shares, holders of such Subscription Receipt Shares shall be entitled to all of the same rights as holders of Common Shares.

The Company has provided to each Subscription Receipt holder a contractual right of rescission of the prospectus exempt transaction under which the Subscription Receipt was initially acquired. The contractual right of rescission provides that if a Subscription Receipt holder who acquires another of the Company's securities on exercise of the Subscription Receipt as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the Prospectus or an amendment to the Prospectus containing a misrepresentation, then:

1. the holder is entitled to rescission of both the holder's exercise of its Subscription Receipt and the private placement transaction under which the Subscription Receipt was initially acquired;

2. the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Subscription Receipt; and

3. if the holder is a permitted assignee of the interest of the original Subscription Receipt subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

CONSOLIDATED CAPITALIZATION

The following table sets out the share capitalization of the Company as at the dates specified below.

Description	Authorized	Outstanding as at September 30, 2020	Outstanding as at the date of this Prospectus(1)(2)	Outstanding following the conversion of all the Subscription Receipts(2)
Common Shares	Unlimited	56,383,162	64,362,662	86,842,662

Notes:
(1) See "Prior Sales".
(2) On an undiluted basis.

Fully Diluted Share Capitalization

Common Shares	Number	Percentage of Total
Issued and outstanding as at the date of this Prospectus	64,362,662	54.24%
Common Shares reserved for issuance upon the conversion or deemed conversion of the Subscription Receipts	22,480,000	18.94%
Common Shares reserved for issuance upon exercise of the Second Private Placement Warrants	521,600	0.44%
Common Shares reserved for issuance upon exercise of the Third Private Placement Warrants	386,960	0.33%
Common Shares reserved for issuance upon exercise of the Finder Warrants	1,705,440	1.44%
Common Shares reserved for issuance upon exercise of all warrants (comprised of the Management Performance Warrants	24,000,000	20.23%
Common Shares reserved for issuance upon exercise of options	5,200,000	4.38%
Total Fully Diluted Share Capitalization after the Listing Date	118,656,662	100%

OPTIONS TO PURCHASE SECURITIES

Outstanding Options

As of the date of this Prospectus, there are 5,200,000 options to purchase Common Shares of the Company which are held by certain employees and officers of the Company, details of which are set forth below.

Category of Option Holders (number of people)	Number of Options Held as of the date of this Prospectus	Vesting Schedule	Exercise Price and Expiry Dates
President and Chief Executive Officer	1,300,000	100% vest upon grant	$0.25 January 18, 2026
President and Chief Executive Officer	1,500,000	1/3 of options vest immediately; 1/3 of options vest 12 months following grant date; and	$0.25 March 10, 2026

		1/3 of options vest 24 months following grant date.	
Chief Financial Officer and Corporate Secretary	150,000	100% vest upon grant	$0.25 December 22, 2025
Chief Financial Officer and Corporate Secretary	350,000	1/3 of options vest immediately; 1/3 of options vest 12 months following grant date; and 1/3 of options vest 24 months following grant date.	$0.25 March 10, 2026
Officer	100,000	100% vest upon grant	$0.25 December 22, 2025
Officer	350,000	1/3 of options vest immediately; 1/3 of options vest 12 months following grant date; and 1/3 of options vest 24 months following grant date.	$0.25 March 10, 2026
Employees	250,000	100% vest upon grant	$0.25 December 22, 2025
Employees	1,200,000	1/3 of options vest immediately; 1/3 of options vest 12 months following grant date; and 1/3 of options vest 24 months following grant date.	$0.25 March 10, 2026

Stock Option Plan

The Board adopted the Stock Option Plan under which options to purchase Common Shares (the "**Options**") may be granted to the Company's directors, officers, employees and consultants.

The following is a summary of the material terms of the Stock Option Plan:

- the Stock Option Plan will be administered by the Board, or if the Board elects, by a committee appointed by the Board from its members;

- the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed 5% of the issued Common Shares to any one person (and companies wholly-owned by that person) in any 12 month period, calculated on the date the Option is granted;

- the aggregate number of Common Shares which may be subject to issuance pursuant to the Stock Option Plan, inclusive of all other stock options outstanding, shall not be greater than 10% of the Common Shares issued and outstanding at the date of the grant of Options. Cancelled and expired Options are returned to the Stock Option Plan;

- the expiry date of an Option shall be no later than the tenth anniversary of the grant date of such Option;
- the exercise price of any Option granted under the Stock Option Plan shall not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options. In any event, no Options shall be granted which are exercisable at an exercise of less than permitted by the policies of the Exchange; and
- the Board, or any committee to whom the Board delegates, may determine the vesting schedule for any Option.

PRIOR SALES

The following table summarizes all sales of securities of the Company since the date of incorporation:

Date of Issue	Price per Security/Exercise price	Number of Securities
July 3, 2020	$0.02	11,200,000 Common Shares
July 6, 2020	$0.05	550,000 Special Warrants
August 10, 2020	$0.15	11,033,161 Common Shares
August 10, 2020	$0.15	521,600 Second Private Placement Warrants
August 31, 2020	$0.30	24,375,000 Common Shares
August 31, 2020	$0.30	9,375,000 Common Shares
August 31, 2020	N/A	400,000 Common Shares(1)
December 22, 2020	$0.25	500,000 options to purchase Common Shares
January 15, 2021	$0.25	1,417,500 Common Shares issued as a severance payment to a former employee
January 18, 2021	$0.25	22,080,000 Subscription Receipts
January 18, 2021	$0.25	1,300,000 options to purchase Common Shares
January 18, 2021	$0.25	24,000,000 Management Performance Warrants
February 1, 2021	$0.25	2,668,000 Common Shares
February 1, 2021	$0.25	231,440 Third Private Placement Warrants
February 4, 2021	$0.25	1,400,000 Common Shares
March 10, 2021	$0.25	3,400,000 options to purchase common shares
March 15, 2021	$0.25	1,944,000 Common Shares
March 15, 2021	$0.25	155,520 Third Private Placement Warrants
March 29, 2021	$0.25	400,000 Subscription Receipts

Notes:

(1) Issued pursuant to a finder’s fee agreement dated August 31, 2020 between the Company and an arm’s length finder in connection with services rendered by such finder in identifying and assisting with the acquisition of Element and Hammock Pharmaceuticals.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Common Shares subject to escrow or that are subject to a contractual restriction on transfer are shown in the following table:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	57,800,662 (1)	66.56%(2)
Management Performance Warrants	24,000,000	20.23%(3)

Notes:

(1) 18,230,258 Common Shares are held under the Escrow Agreement in accordance with NP 46-201. The Escrow Agent is Endeavor Trust Corporation.

(2) Based on 86,842,662 Common Shares issued and outstanding following the conversion or deemed conversion of all the Subscription Receipts.

(3) Based on 118,656,662 Common Shares issued and outstanding on a fully diluted basis.

Escrow Agreement

NP 46-201 provides that all shares of an issuer owned or controlled by its Principals will be escrowed at the time of the issuer's initial public offering.

At the time of its initial public offering, an issuer will be classified for the purposes of escrow as either an "exempt issuer", an "established issuer" or an "emerging issuer" as those terms are defined in NP 46-201.

Uniform terms of automatic timed release escrow apply to Principals of exchange listed issuers, differing only according to the classification of the issuer. As the Company anticipates that its Common Shares will be listed on the Exchange, it will be classified as an "emerging issuer". As such, the following automatic timed releases will apply to the securities held by its Principals:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
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

Assuming there are no changes to the escrowed securities initially deposited and no additional escrowed securities are deposited, automatic timed release escrow applicable to the Company will result in a 10% release on the Listing Date, with the remaining escrowed securities being released in 15% tranches every six months thereafter.

The automatic timed release provisions under NP 46-201 pertaining to "established issuers" provide that 25% of each Principal's and shareholder's escrowed securities are released on the Listing Date, with an additional 25% being released in equal tranches at six month intervals over eighteen months. If, within eighteen months of the Listing Date, the Company meets the "established issuer" criteria as set out in NP 46-201, the escrowed securities will be eligible for accelerated release available for established issuers. In such a scenario, that number of escrowed securities that would have been eligible for release from escrow if the Company had been an "established issuer" on the Listing Date will be immediately released from escrow. The remaining escrowed securities would be released in accordance with the timed release provisions for established issuers, with all escrowed securities being released eighteen months from the Listing Date.

Voluntary Hold Period

In addition to the escrow requirements described above, Common Shares held by certain shareholders of the Company are also subject to a voluntary hold period, pursuant to respective lock-up agreements, such that they may not be traded, sold or otherwise disposed of in accordance with the terms of the respective lock-up agreements (collectively, the "**Lock-Up Agreements**"). The securities and number of securities and terms of the release of the respective Lock-Up Agreements are summarized in the table below.

Description of Security	Number of Securities	Type of Lock-Up
Common Shares issued at $0.02 per share pursuant to the First Private Placement	10,700,000	24 month lock-up(1)
Common Shares issued at $0.02 per share pursuant to the First Private Placement	500,000	36 month lock-up(3)
Common Shares issued as Finder's Fee Shares	400,000	12 month lock-up(2)
Common Shares issued at $0.15 per share pursuant to the Second Private Placement	11,033,161	12 month lock-up(2)
Management Performance Warrants	24,000,000	36 month lock-up(3)
Common Shares issued in connection with the Hammock Merger Agreement	9,375,000	36 month lock-up with six month initial hold(4)
Common Shares issued in connection with the Element Share Exchange Agreement	24,375,000	36 month lock-up with six month initial hold(4)

Notes

(1) The securities will be subject to the following voluntary hold periods: (i) 15% will be released on the date that is six months following the Listing Date; (ii) 15% will be released on the date that is nine months following the Listing Date; (iii) 15% will be released on the date that is 12 months following the Listing Date; (iv) 15% will be released on the date that is 15 months following the Listing Date; (v) 15% will be released on the date that is 18 months following the Listing Date; (vi) 15% will be released on the date that is 21 months following the Listing Date; and (vii) 10% will be released on the date that is 24 months following the Listing Date.

(2) The securities will be subject to the following voluntary hold periods: (i) 25% will be released on Listing Date; (ii) 25% will be released on the date that is six months following the Listing Date; (iii) 25% will be released on the date that is nine months following the Listing Date; and (iv) 25% will be released on the date that is 12 months following the Listing Date.

(3) The securities will be subject to the following voluntary hold periods: (i) 10% will be released on the Listing Date; (ii) 15% will be released on the date that is six months following the Listing Date; (iii) 15% will be released on the date that is 12 months following the Listing Date; (iv) 15% will be released on the date that is 18 months following the Listing Date; (v) 15% will be released on the date that is 24 months following the Listing Date; (vi) 15% will be released on the date that is 30 months following the Listing Date; and (vii) 15% will be released on the date that is 36 months following the Listing Date.

(4) The securities will be subject to the following voluntary hold periods: (i) 25% will be released on the date that is six months following the Listing Date; (ii) 15% will be released on the date that is 12 months following the Listing Date; (iii) 15% will be released on the date that is 18 months following the Listing Date; (iv) 15% will be released on the date that is 24 months following the Listing Date; (v) 15% will be released on the date that is 30 months following the Listing Date; and (vi) 15% will be released on the date that is 36 months following the Listing Date.

PRINCIPAL SECURITYHOLDERS

Except as set forth below, to the knowledge of the directors and officers of the Company, as of the date of this Prospectus, and following the conversion or deemed conversion of all Subscription Receipts, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to the Common Shares.

Shareholder	Number of Common Shares	% of Common Shares at the date of this Prospectus(1)	% of Common Shares following the conversion of the Subscription Receipts(2)
Stuart Lowther	18,230,258	28.32%	20.99%

Notes:
(1)Percentage is based on 64,362,662 Common Shares issued and outstanding as of the date of this Prospectus.
(2)Percentage is based on 86,842,662 Common Shares issued and outstanding following the conversion or deemed conversion of all Subscription Receipts.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holdings

The following table provides the names, municipalities of residence, position, principal occupations and the number of voting securities of the Company that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as of the date hereof:

Name and Municipality of Residence and Position with the Company	Director/Officer Since	Principal Occupation	Number and Percentage of Common Shares Beneficially Owned or Controlled, Directly or Indirectly	
			As at the Date of this Prospectus(1)	Following the conversion of the Subscription Receipts(2)
Stuart Lowther(3) (Halton, Ontario) *Chairman, Chief Executive Officer, President and Director*	August 31, 2020	Chairman, Chief Executive Officer and President of the Company	18,230,258 (28.32%)	20.99%(5)
Shaun Power (Halton, Ontario) *Chief Financial Officer, Corporate Secretary and Director*	August 31, 2020	Chief Financial Officer of the Company	Nil	Nil(6)
Lino Fera(3) (4) (Halton,	December 22, 2020	Chartered Professional Accountant	Nil	Nil

Name and Municipality of Residence and Position with the Company	Director/Officer Since	Principal Occupation	Number and Percentage of Common Shares Beneficially Owned or Controlled, Directly or Indirectly	
			As at the Date of this Prospectus(1)	Following the conversion of the Subscription Receipts(2)
Ontario) *Director*				
Sean Bromley(3) (4) (Vancouver, British Columbia) *Director*	August 31, 2020	Independent Consultant	Nil	Nil

Notes:
(1) Percentage is based on 64,362,662 Common Shares issued and outstanding as of the date of this Prospectus.
(2) Percentage is based on 86,842,662 Common Shares issued and outstanding following the conversion or deemed conversion of all Subscription Receipts.
(3) Denotes a member of the Audit Committee of the Company.
(4) Denotes an independent director.
(5) Stuart Lowther also holds an aggregate of 24,000,000 Management Performance Warrants and 2,800,000 stock options. See *"Disclosure of Outstanding Security Data – Management Performance Warrants"* and *"Options to Purchase Securities".*
(6) Shaun Power holds an aggregate of 500,000 stock options. See *"Options to Purchase Securities.*

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Company's directors. Mr. Lowther has provided the Company with non-competition, non-solicitation and non-disclosure covenants pursuant to his employment agreements. None of the Company's other directors or executive officers have entered into non-competition or non-disclosure agreements with the Company.

As at the date of this Prospectus, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercised control or discretion over an aggregate of 18,230,258 Common Shares, which is equal to 28.32% of the Common Shares issued and outstanding as at the date hereof.

Following the conversion or deemed conversion of all Subscription Receipts, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercised control or discretion over an aggregate of 18,230,258 Common Shares of the Company, which is equal to 20.99% of the Common Shares issued and outstanding following the conversion or deemed conversion of all Subscription Receipts.

Background

The following is a brief description of each of the directors and executive officers of the Company, including their names, ages, positions and responsibilities with the Company, relevant educational background, principal occupations or employment during the five years preceding the date hereof, experience in the Company's industry and the amount of time intended to be devoted to the affairs of the Company:

Stuart Lowther – Chairman, Chief Executive Officer, President and Director, 56 years old:

Mr. Lowther has an Honours Degree in Nutritional Sciences from the University of Guelph and a joint Masters Degree in Nutrition and Human Metabolism from McMaster University and the University of Guelph. He has over 30 years' experience in nutrition. He has successfully assisted in building significant businesses both in North

American and Global Markets for major corporations such as Jamieson Laboratories and Iovate Health Sciences. He has worked on product and brand development and has received awards for this work. He has extensive experience in all areas of consumer packaged goods, formulation, branding, production, distribution, sales and marketing. He has successfully worked with many of the major retailers throughout North America. He previously built and sold one of Canada's top 10 fastest growing companies as recognized by Business Week and Profit Magazine. As the founder of this company, he was one of the first to develop the gummy vitamin in Canada and built two award winning brands, Ironkids and Adult Essentials. After divesting his previous company he formed Element in 2014 and embarked on developing science based nutritional products for the aging demographic. He is a proven business executive and a two time nominee of the EY Entrepreneur of the year award. Since 2015 he has devoted his time as the CEO of Element.

As the President and Chief Executive Officer of the Company, Mr. Lowther is responsible for the day-to-day operations, project development, and of the financial operations of the Company in conjunction with the Chief Financial Officer and with outside accounting, tax and auditing firms. Mr. Lowther expects to devote approximately 100% of his time to the Company's activities.

Shaun Power – Chief Financial Officer, Corporate Secretary and Director, 51 years old:

With twenty-five years of experience, Shaun Power is a self-employed accountant. Recently he was a Tax Partner at BDO from 2013 to 2020. He devotes his practice to assisting small to large sized corporate groups in the areas of finance, taxation and strategic planning. He has extensive experience in corporate reorganizations and innovative financings. He has worked with companies from every sector, including retail, manufacturing, and consumer packaged products.

Making a difference in his community and his profession is important to Shaun. He has been a frequent speaker at conferences, including the Ontario Tax Conference and the Canadian Tax Conference. He has also written articles and course material for both the Ontario and the Canadian Tax Foundations. Shaun joined the local hospital foundation board at a time when they were building a completely new hospital, dedicating many hours to the successful $60 million capital raise. He currently sits as a board member for the Ronald MacDonald House in Hamilton and on the Momentum Credit Union Board. Mr. Power expects to devote 50% of time to the Company's activities.

Sean Bromley – Director, 30 years old:

Mr. Bromley holds a Bachelor of Commerce degree, with a specialization in Finance, from the University of Calgary. He is a self-employed independent consultant to private and public companies. Mr. Bromley has a wealth of experience in consulting and advising consumer packaged goods companies. As a former investment advisor, Mr. Bromley also brings considerable capital markets and financing expertise to Element Nutritional Sciences Inc. He has been serving as an investment consultant for the past 5 years and currently serves as a director for Element Nutritional Sciences Inc. since August 31, 2020, Isracann Biosciences Inc. since December of 2019, Pure Extracts Technologies Corp. since December of 2018, Bolt Metals Corp. since October of 2017, White Gold Corp. since November of 2015, and Apollo Gold Corp since August of 2015. He also previously served as a director of Loopshare Technologies Corp. from November of 2015 to November of 2018 and as their Chief Financial Officer from November of 2015 to June of 2016 and then from June of 2017 to November of 2018.

Mr. Bromley expects to devote approximately 10% of his time to the Company's activities, but will at all times devote sufficient time to the Company's activities as is reasonably necessary to discharge his responsibilities as a director. Mr. Bromley is not an employee but is an independent director of the Company.

Lino Fera, CPA – Director, 66 years old:

Mr. Fera is an accredited Chartered Professional Accountant (CPA) and seasoned financial executive, with over 25 years of experience with start-ups and small to large organizations within the healthcare, marketing and services industry. He received his Bachelor of Commerce (Hons) from the University of Windsor and Bachelor of Arts (Hons) from the University of Toronto. He is the co-founder of Cribwolf Foundation, a non-profit organization focused on supportive housing for individuals with developmental disabilities and is also a Member of the Knights of Columbus, in Burlington, Ontario. Mr. Fera is also a business coach and speaks for various private organizations, associations, and corporations, covering topics such as entrepreneurialism, key principles to profitability, and organizational vision.

Mr. Fera has been a director of Element Nutritional Sciences Inc. since December 22, 2020. Mr. Fera was previously the Chief Financial Officer for Rapid Dose Therapeutics Corp., from June 2017 to May of 2019. Rapid Dose Therapeutics Corp is a Burlington, Ontario life science company which provides disruptive proprietary drug delivery technologies designed to improve patient outcomes. From January 2000 to March 2017, Mr. Fera was employed as Chief Financial Officer of Starshot Ventures Inc., a successful strategic marketing and demand generation private company with offices in Toronto, Ontario and Chicago, Illinois.

Mr. Fera expects to devote approximately 10% of his time to the Company's activities, but will at all times devote sufficient time to the Company's activities as is reasonably necessary to discharge his responsibilities as a director. Mr. Fera is not an employee but is an independent director of the Company.

Corporate Cease Trade Orders or Bankruptcies

Other than as described below, no director or executive officer of the Company is, as at the date of this Prospectus, or was within ten years before the date hereof, a director, Chief Executive Officer or Chief Financial Officer of any company, including the Company, that:

(i) was subject to a cease trade order, an order similar to cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period for more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or

(ii) was subject to an a cease trade order, an order similar to cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period for more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

On May 1, 2019, Pacific Rim Cobalt Corp. ("**PRC**"), a company in which Sean Bromley was a director, was granted a Management Cease Trade Order ("**MCTO**") pursuant to National Policy 12-203 – *Cease Trade Orders for Continuous Disclosure Defaults*, which precluded members of management from trading PRC common shares until such time as the MCTO is no longer in effect. The MCTO was sought by PRC as it would not be filing certain financial statements, related management discussion and analysis and applicable officer certifications (the "**PRC Materials**") by the required deadline. On July 2, 2019, the MCTO was lifted after PRC filed the PRC Materials.

Penalties or Sanctions

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Bankruptcies

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, as at the date of this Prospectus, or has been within the ten years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted

any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Company's knowledge there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

EXECUTIVE COMPENSATION

Prior to obtaining the Receipt, the Company was not a reporting issuer in any jurisdiction. Accordingly, and in accordance with Form 51-102F6 *Statement of Executive Compensation* ("**Form 51-102F6**"), the following is a discussion of all significant elements of compensation to be awarded to, earned by, paid to or payable to Named Executive Officers of the Company, once the Company becomes a reporting issuer, to the extent this compensation has been determined.

For the purposes hereof, the term Named Executive Officer, or NEO, means each Chief Executive Officer, each Chief Financial Officer and the Company's most highly compensated executive officer, other than the Chief Executive Officer and the Chief Financial Officer, who was serving as an executive officer as at the end of the Company's most recently completed financial year and whose total compensation exceeds $150,000 and any additional individuals for whom disclosure would have been provided except that the individual was not serving as an officer of the Company at the end of the Company's most recently completed financial year. The Company expects that for the fiscal year ended December 31, 2021, its NEOs will be Stuart Lowther, the President and Chief Executive Officer of the Company and Shaun Power, the Chief Financial Officer and Corporate Secretary of the Company.

Compensation Discussion and Analysis

At its present stage of development, the Company does not have any formal objectives, criteria and analysis for determining the compensation of its Named Executive Officers and primarily relies on the discussions and determinations of the board of directors.

The Company expects to grant incentive stock options to its officers and non-executive directors, under the Stock Option Plan in the amounts and on terms to be determined by the Board at that time.

Pursuant to an Employment Agreement entered into between Stuart Lowther and the Company, in consideration for Mr. Lowther's services as the Chief Executive Officer and President of the Company, Mr. Lowther will be entitled to: (i) $250,000 per annum in base salary, which will increase to $300,000 per annum on July 1, 2021; (ii) a discretionary performance bonus, as determined by the Board, (iii) participate in the Company's group benefit plan; (iv) participate in the Company's stock option plan; (v) receive 1,300,000 Options to purchase 1,300,000 Common Shares at an exercise price of $0.25 per share, which options shall expire five (5) years from the date of grant; and (vi) a monthly car allowance of $1,100.

It is expected that Shaun Power, the Company's Chief Financial Officer and Corporate Secretary, will receive a salary of $100,000 in 2021. Mr. Power has been granted 150,000 stock options of the Company, exercisable at a price of $0.25 for a period of three (3) years.

Option Based Awards

The Board believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Stock Option Plan. Options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary, bonus and competition factors. The amounts and terms of options granted will be determined by the Board.

Defined Benefit Plans

The Company does not have any defined benefit or actuarial plan.

Termination and Change of Control Benefits

Other than as set out below, the Company does not have any contracts, agreements, plans or arrangements in place with any NEOs that provides for payment following or in connection with any termination (whether voluntary, involuntary or constructive) resignation, retirement, a change of control of the Company or a change in an NEOs responsibilities.

Pursuant to an Employment Agreement entered into between Stuart Lowther and the Company, upon the termination by the Company of Mr. Lowther's employment without cause (as defined in the employment agreement), the Company shall be required to provide Mr. Lowther with: (a) aggregate severance payments equal to 18 months of his then monthly base salary payable over an 18 month period; and (b) continued benefits under his employment agreement for such 18 month period.

Director Compensation

The Company does not have any arrangements, standard or otherwise, pursuant to which directors are compensated by the Company for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts. As with the Named Executive Officers, the Board intends to compensate directors primarily through the grant of stock options under the Stock Option Plan, and reimbursement of expenses incurred by such persons acting as directors of the Company.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

Other than routine indebtedness, as that term is defined in paragraph 10.3(c) of Form 51-102F5 *Information Circular* ("Form 51-102F5"), no directors, executive officers and employees and no former directors, executive officers and employees of the Company are or were indebted to the Company in connection with a purchase of securities and all other indebtedness as at the date of this Prospectus.

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

Other than routine indebtedness, as that term is defined in paragraph 10.3(c) of Form 51-102F5, no directors or executive officers of the Company, and associates of such directors or executive officers are or were indebted to the Company as at the date of this Prospectus.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations. NI 52-110, NI 41-101 and Form 52-110F2 require the Company, as an IPO venture issuer, to disclose certain information relating to the Company's audit committee and its relationship with the Company's independent auditors.

Audit Committee Charter

The text of the Audit Committee's charter is attached as Schedule "D" to this Prospectus.

Composition of Audit Committee

The members of the Company's Audit Committee are:

Lino Fera (Chair)	Independent(1)	Financially literate(2)
Sean Bromley	Independent(1)	Financially literate(2)
Stuart Lowther	Non-independent(1)	Financially literate(2)

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Company's present Audit Committee has adequate education and experience that is relevant to his performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

(a) an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

(b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and

(c) an understanding of internal controls and procedures for financial reporting.

See "Directors and Executive Officers" for further details of each audit committee member's relevant education and experience.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4, 6.1(4), (5), or (6) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The fees billed by the Company's external auditors in the last two fiscal years for audit and non-audit related services provided to the Company and its subsidiaries are as follows:

Element Nutritional Sciences Inc.

Financial Year End	Audit Fees(4)	Audit Related Fees(1)	Tax Fees(2)	All other Fees(3)
June 30, 2020	$7,000	-	-	-
June 30, 2019	-	-	-	-

Element Nutrition Inc.

Financial Year End	Audit Fees(4)	Audit Related Fees(1)	Tax Fees(2)	All other Fees(3)
December 31, 2019	$63,000	-	$5,500	-
December 31, 2018	$63,000	-	$4,500	-

Hammock Pharmaceuticals, Inc.

Financial Year End	Audit Fees(4)	Audit Related Fees(1)	Tax Fees(2)	All other Fees(3)
December 31, 2019	$10,000	-	-	-
December 31, 2018	$10,000	-	-	-

Notes:

(1) Fees charged for assurance and related services that are reasonably related to the performance of an audit, and not included under Audit Fees.
(2) Fees charged for tax compliance, tax advice and tax planning services.
(3) Fees for services other than disclosed in any other column.
(4) Fees for audit services.

Exemption

The Company has relied upon the exemption provided by section 6.1 of NI 52-110, which states that the Company, as an IPO Venture Issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

CORPORATE GOVERNANCE

General

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. NP 58-201 provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the

Company. In addition, NI 58-101 prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

Board of Directors

The Board facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board. The Board is comprised of four directors: Stuart Lowther, Shaun Power, Lino Fera and Sean Bromley. As the size of the Board is small, the Board has no formal procedures designed to facilitate the exercise of independent supervision over management, relying instead on the integrity of the individual members of its management team to act in the best interests of the Company.

Mr. Lowther is not independent, as he is the President and Chief Executive Officer of the Company. Mr. Power is not independent, as he is the Chief Financial Officer and Corporate Secretary.

Directorships

Currently, the following directors are also directors of the following other reporting issuers:

Sean Bromley	White Gold Corp. Apollo Gold Corp. Bolt Metals Corp. Triangle Industries Ltd. Big Sky Petroleum Corp. Isracann Biosciences Inc.

Orientation and Continuing Education

New Board members receive an orientation package which includes reports on operations and results, and any public disclosure filings by the Company, as may be applicable. Board meetings are sometimes held at the Company's offices and, from time to time, are combined with presentations by the Company's management to give the directors additional insight into the Company's business. In addition, management of the Company makes itself available for discussion with all Board members.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

Compensation

The Board is responsible for determining compensation for the directors and the chief executive officer of the Company to ensure it reflects the responsibilities and risks of being a director and chief executive officer of a public company.

Other Board Committees

The Board has no committees, other than the Audit Committee.

Assessments

Due to the minimal size of the Board, no formal policy has been established to monitor the effectiveness of the directors, the Board and its committees.

PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution of 22,480,000 Subscription Receipt Shares to be issued without additional payment upon the conversion or deemed conversion of 22,480,000 Subscription Receipts. This Prospectus also qualifies the distribution of the 1,705,440 Common Shares underlying the Finder Warrants, the distribution of the 521,600 Common Shares underlying the Second Private Placement Warrants and the distribution of the 386,960 Common Shares underlying the Third Private Placement Warrants.

Pursuant to the Concurrent Private Placement that closed in two tranches on January 18, 2021 and March 29, 2021, the Company issued an aggregate of 22,480,000 Subscription Receipts on a private placement basis at a price of \$0.25 each to raise aggregate gross proceeds of \$5,620,000. The Subscription Receipts are governed pursuant to the terms of a Subscription Receipt Agreement dated January 18, 2021 entered into between the Company and the Escrow Agent (the "**Subscription Receipt Agreement**"). The gross proceeds of the Concurrent Private Placement were placed into escrow at closing with the Escrow Agent under the terms of the Subscription Receipt Agreement. The price for the Subscription Receipts was determined by negotiation between the Agent and the Company. In the event that the Trigger Event occurs on or prior to the Subscription Receipt Deadline, on the fifth business day following such Trigger Event, each Subscription Receipt will be automatically converted, without further payment, into one Subscription Receipt Share, the Escrowed Funds will be released from escrow to the Company, and the Subscription Receipts shall be cancelled. Upon conversion of the Subscription Receipts, and without additional payment therefor, the Company will issue 22,480,000 Subscription Receipt Shares which are being qualified under this Prospectus. In the event that the Trigger Event does not occur on or prior to the Subscription Receipt Deadline, the Escrowed Funds will be returned to the subscribers, the Subscription Receipts will be cancelled, and no party shall have any further obligations thereunder.

As part of the Concurrent Private Placement, the Company entered into the Finder's Agreement with the Agent. Under the terms of the Finder's Agreement, the Company will pay, upon the occurrence of the Trigger Event, to the Agent \$426,360, and will issue 1,705,440 Finder Warrants to the Agent. Each Finder Warrant is exercisable into one Common Share at an exercise price of \$0.25 until the date that is 24 months following the issuance date of such Finder Warrant. The Common Shares underlying the 1,705,440 Finder Warrants are being qualified for distribution under this Prospectus. The Agent will also be paid a corporate finance fee of \$200,000.

No additional consideration will be received by the Company and no additional commission or fee will be payable by the Company in connection with the exercise of the Subscription Receipts upon the occurrence of the Trigger Event. However, the Escrowed Funds will be released to the Company upon the occurrence of the Trigger Event on or before the Subscription Receipt Deadline.

Neither the Subscription Receipts nor the Subscription Receipt Shares have been or will be registered under the U.S. Securities Act, or any securities or "blue sky" laws of any of the states of the United States. Accordingly, the Subscription Receipts and the Subscription Receipt Shares may not be offered or sold within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Subscription Receipts or Subscription Receipt Shares in the United States.

The Company has issued physical certificates representing the Subscription Receipts registered in the names of the purchasers of the Subscription Receipts, and upon exercise of the Subscription Receipts, expects to issue physical certificates representing the Subscription Receipt Shares to be registered in the names of the holders of the Subscription Receipt Shares.

The holders of Subscription Receipts should consult their own tax advisors with respect to the income tax considerations in their own particular circumstances relating to the Subscription Receipt Shares issuable upon exercise of the Subscription Receipts.

IPO Venture Issuer

As at the date of the Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America. See “Risk Factors”. The Company has applied to list its Common Shares on the Exchange under the symbol “ELMT”. Listing is subject to fulfilling all of the listing requirements of the Exchange.

RISK FACTORS

General

The securities of the Company should be considered a highly speculative investment and investors should carefully consider all of the information disclosed herein prior to making an investment in the Company’s securities. There are trends and factors that may be beyond the Company’s control which affect its operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for the Company’s nutritional related products and services and conditions in the domestic or global economy generally. It is not possible for management to predict economic fluctuations and the impact of such fluctuations on its performance. While risk management is part of the Company’s transactional, operational and strategic decisions, as well as the Company’s overall management approach, risk management does not guarantee that events or circumstances will not occur which could negatively affect the Company’s financial condition and performance. No representation is or can be made as to the future performance of the Company and there can be no assurance that the Company will achieve its objectives.

The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, financial condition, results of operations and cash flows, and consequently the price of our Shares, could be materially and adversely affected. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See “Note Regarding Forward-Looking Statements” in this Prospectus.

<u>Risks Related to the Business</u>

The Company has a limited operating history and there is no assurance that the Company will be successful in achieving a return on shareholders’ investment

The Company has a limited operating history and as a result will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenue and the risk that it will not achieve its growth objective. There is no assurance that the Company will be successful in achieving a return on shareholders’ investment.

The Company currently does not generate significant revenue and has not generated profit from its operations, and as a result, we face a high risk of business failure

The Company has a history of operating losses and may never achieve profitability in the future. The Company is an early stage company; accordingly, it has not generated any profit from its operations.

The Company intends to expand its marketing efforts and product offering and expects the related expenses to result in continuing operating losses for the foreseeable future

The Company’s ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and commercialize future products and to market current and future products. Successfully developing future and current product into marketable product offerings may take several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

The Company currently has negative operating cash flow and if the Company sustain losses over an extended period of time, the Company may be unable to continue its business

Although the Company expects to become profitable, there is no guarantee that this will happen and it may never become profitable. The Company currently has a negative operating cash flow and may continue to have that for the foreseeable future. For most of its history, the Company has had limited revenues. The actions of third parties and market prices affect the degree of variation in our variable costs. Our ability to generate revenues and the potential to become profitable will depend largely on our ability to have our products manufactured and to market our products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustain losses over an extended period of time, the Company may be unable to continue its business.

The Company's use of working capital is uncertain, subject to change, and could have a material adverse effect on the Company's business
Although the Company has set out its intended use of its capital in this Prospectus, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

Availability and supply of raw materials may increase costs and reduce the financial viability of products available for sale
We outsource the manufacture of our products to third parties. Such third parties in turn source raw materials in order to produce our products. The availability of raw materials as well as variations in the price of raw materials may therefore increase the Company's operating costs. The resulting effect on the Company's operating profit margin depends on, among other things, the Company's ability to increase the prices of its finished products in the context of a competitive market. Fluctuations in raw material prices may therefore increase or decrease the Company's operating profit margin. Price increases may also result in downward pressure on sales volume. Furthermore, the Company's third party manufacturer(s) will be competing with other producers and manufacturers to secure raw materials, and such producers or manufacturers may, because of a variety of factors including but not limited to their relationships with suppliers, size, and competitive position within our industry be able to secure raw materials before the Company's manufacturer(s) could secure such material, or may push the prices of raw materials higher because of such producers' or other manufacturers' demand for raw materials that the Company also requires. Potential delays in the Company's or any of its third party manufacturer's ability to secure raw materials could undermine the Company's commitments to produce and deliver its products to distributors, which could undermine market share, revenue, and hence profitability.

Pre-Clinical evaluations and Clinical trials are very expensive, time-consuming and difficult to design and implement
Any pre-clinical or clinical trials that we contemplate to undertake will be highly risky. Pre-clinical evaluations and clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The pre-clinical evaluation and clinical trial process is also time-consuming. Furthermore, failure can occur at any stage of any evaluation or trial, and problems could be encountered that can cause these to be abandoned or repeated. Further, we, Health Canada, or the FDA may suspend any of our future clinical trials at any time if it appears that we or our collaborators are failing to conduct a trial in accordance with regulatory requirements, that we are exposing participants to unacceptable health risks, or if Health Canada or the FDA find deficiencies in our submissions or the conduct of these trials. Therefore, we cannot predict with any certainty the schedule for commencement and completion of future clinical trials. If we experience delays in the commencement or completion of any future pre-clinical evaluation or clinical trial, or if we terminate such pre-clinical evaluation or clinical trial prior to completion, the commercial prospects of our product candidates could be harmed, and our ability to generate revenues from them may be delayed. In addition, any delays in future pre-clinical evaluation or clinical trials could increase our costs, slow down any approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may harm our business, financial condition and results of operations. In instances where regulatory approval or approval of a label or designation is helpful but not mandatory for any product, nevertheless, the lack of such approval might diminish the marketability of our current and future product offerings.

Health Canada may not approve any future applications for Natural Health Product Numbers relating to new products There is a risk that we will not be successful in obtaining all required approvals in the future. We may also abandon any applications for reasons including high costs or a change in our marketing or strategic business direction. In instances where approval or approval of a label or designation is helpful but not mandatory for any product, nevertheless, the lack of such approval might diminish the marketability of our current and future product offerings.

There can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.

The market for nutrient and health related a product are characterized by evolving regulatory and industry standards, changes in consumer tastes, needs, and habits and frequent new product introductions and enhancements within the industry. The introduction of products embodying new technologies or substances and the emergence of new industry standards and service offerings could render the Company's existing products and products currently under development obsolete or undermine the Company's ability to successfully compete with such other products. The Company's success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological and regulatory developments and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer or regulatory requirements, or any significant delays in product development or introduction, could damage the Company's competitive position in the market place and effect current and/or future commercialization plans. There can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.

Current and future competitors could have a significant impact on our ability to generate future revenue and profits

The planned business to be carried out by the Company will be highly competitive and involve a high degree of risk. The Company is not the only supplier of nutrient and health related products in North America or other markets in which the Company intends to enter in the future. In its efforts to achieve its objectives, the Company will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis. The markets for our products are intensely competitive, and are subject to rapid consumer and technological changes and other pressures created by changes within our industry. We expect competition to increase and intensify in the future as additional companies enter our markets, including competitors who may offer similar products. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could experience diminished market share if our current or prospective competitors introduce new competitive products; add enhance existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products, we might need to lower the prices we charge for the products we plan to offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results. Additionally, current and potential competitors may have more resources to spend on marketing; distribution and product development than we do; and this may materially affect our business and operations.

The Company may become involved in legal matters that may materially adversely affect us

From time to time in the ordinary course of our business, the Company may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the Company's business, operations or financial condition.

Investment in our current research and development efforts may not provide a sufficient, timely return

The development of new products and strategies is a costly, complex and time-consuming process, and the investment in technology product development and marketing often involves a prolonged time until a return is achieved on such an investment. We have made, and will continue to make, significant investments in technology development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for new development. These expenditures may adversely affect our operating results if they are not sufficiently offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as lucrative as the margins we previously experienced for our legacy products and services.

The Company may become subject to uninsured or uninsurable risks that could have a material adverse effect on our financial position

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position.

Management may have conflicts of interest in allocating management time, services and functions and it is possible that these conflicts of interest could have a material adverse impact on the Company

Our executive officers and directors will devote only that portion of their time, which, in their judgment and experience, is reasonably required for the management, and operation of our business. Management may have conflicts of interest in allocating management time, services and functions among the Company and any present and future ventures, which are or may be organized by our officers or directors and/or their affiliates. Management are not required to direct the Company as their sole and exclusive function, and they may have other business interests and engage in other activities in addition to those relating to the Company. This includes rendering advice or services of any kind to other investors and creating or managing other businesses. It is possible, however, that our directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

The Company depends on key personnel and changes to, or departure of, key employees, consultants, or members of management could adversely affect the Company's operations

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment and consulting agreements are customarily used as a primary method of retaining the services of key employees and consultants, these agreements cannot assure the continued services of such employees or consultants. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition. Changes to or departure of key employees, consultants, or members of management could adversely affect the Company's operations.

The Company outsourcing certain operations and changes in third parties could adversely affect the Company's operations, profitability, and reputation in the market

The Company outsources certain operations, including the manufacture, storage and packaging of its products, to third parties. Although bound by contractual obligations, the Company has no direct control over the operations of the parties whom it outsources to. Such third parties are subject to various operational, economic and legal risks affecting their operations, and changes in such third parties operations, profitability, and regulatory environment could adversely affect the quality of and/or the ability of such parties to deliver services or goods to the Company, which in turn could adversely affect the Company's operations, profitability, and reputation in the market.

The Company outsourced the manufacturing of its products and unanticipated business disruptions from outsourcing agents could negatively affect the Company's financial condition and performance

The Company outsources the manufacturing of its products. Major events, such as equipment failure, health pandemics and natural disasters, could lead to unanticipated business disruption of any or certain of the Company's manufacturers and suppliers. The failure to find alternative manufactures, suppliers or to replace lost production capacity in a timely manner could negatively affect the Company's financial condition and performance.

The price of health related products in Canada, the U.S.A. and international markets could impact the Company's financial results

The price of health related products in Canada, the United States, as well as in international markets, are based on market supply and demand forces and consumer perception. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels and consumer tastes in the health industry. Price fluctuations may affect the Company’s operating profit margin. The effect of such fluctuations on the Company's financial results will depend on its ability to implement mechanisms to reduce them.

The Company is subject to currency risk exposures that could impact the Company’s financial results
The Company may have financial risk exposure to varying degrees relating to the currency of each of the countries where it sells its products. The level of the financial risk exposure related to a currency and exchange rate fluctuations will depend on the Company’s ability to hedge such risk or use another protection mechanism.

The Company is subject to consumer’s overall ability and willingness to purchase health and wellness products, where a change could negatively impact the Company’s financial results
The Company’s operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company’s sales and profitability. Also, demand for the Company’s products is subject to changes in consumer trends. These changes may affect earnings. The impact of these changes will depend on the Company’s ability to innovate and develop new products. The Company’s products may not appeal to all consumers. The Company’s products may be more appealing to more affluent and/or health conscious consumers looking for alternatives to existing products competitive to the Company’s product offering. As a result, changes in consumer trends and taste preferences on their own and in conjunction with changing product offerings by other suppliers may affect demand for the Company’s products.

Legislative, regulatory, normative, and other political considerations may impact the granting or continued performance of permits and licences affecting the Company’s financial results
The Company is subject to local, provincial, federal and international laws, regulations, rules and policies as well as to social, economical and political contexts prevailing in places where the Company conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on the Company’s results and operations and may require expenditures by the Company in order to adapt or comply to such modification or change. More specifically, the production and distribution of health products are subject to federal, provincial and local laws, rules, regulations, and policies, and to international trade agreements, all of which provide a framework for the Company’s operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on the Company’s ability to adapt to, comply with and mitigate such changes. The Company is currently in compliance with all material laws and regulations and maintains all material permits and licenses in connection with its operations.

Regulatory changes related to health and wellness products could affect the Company’s financial results
If a law or regulation were amended, the resulting impact would depend on the Company’s ability to adapt, comply and assume the related costs. Changes to the legal and regulatory environment could have an impact on our operating costs and financial results. Such regulatory amendments might include changes to food and drug laws, labelling laws, accounting standards, tax laws, competition laws and environmental laws, including laws with respect to water rights and water treatment regulations and laws affecting the treatment of animals. Such changes can have an impact on our financial results or increase our costs and liabilities. The Company believes however that such changes would affect all health products and would not disproportionately harm the Company relative to the health product industry.

We rely on the Internet and Computer infrastructure and if there are interruptions, delays or stoppages in service it could cause a material adverse effect on the Company’s financial condition.
The Company relies on the Internet and computer technology to market and sell its products and services through its website, in addition to any sale efforts that the Company or any of its distributions may undertake that would not use the Internet. Additionally, the Company’s suppliers and distributors may also rely on the Internet and computer technology for their business operations. The Company’s reliance on Internet and computer technology implies that there can be no assurances that a system failure would not adversely affect the performance of the Company. The Company presently has limited redundancy systems, relies on third party back up facilities and only a limited disaster recovery plan. Despite the implementation of network security measures, its servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptive problems which could lead to interruptions, delays or stoppages in service to users of the Company’s website which could cause a material adverse effect on the Company’s business, operations and financial condition.

The Company relies on certain web-based security and privacy measures, and failure or inadequacy of any measures may result in the Company in revenue and / or increases in costs
If the security measures the Company plans to use to protect the personal information of its website users, such as credit card numbers, are ineffective it could result in a reduction in revenues from decrease customer confidence, an increase in operating expenses, as well as possible liability and compliance costs.
Any breach in the Company's website security, whether intentional or unintentional, could cause users of our website to lose their confidence in our website and as a result stop using the website. This would result in reduced revenues and increased operating expenses, which would impair the Company from achieving profitability. Additionally, breaches of our users' personal information could expose the Company to possible liability as any involved user, or users may choose to sue the Company. Breaches resulting in disclosure of users' personal information may also result in regulatory fines for noncompliance with online privacy rules and regulations.

The Company plans to rely on encryption and authentication technology licensed from third parties whose area of expertise is to provide secure transmission of confidential information. The Company uses third party payment processing for purchases through our website and the Company has no control over such third party business and operations. We believe that as a result of advances in computer capabilities, new discoveries in the field of cryptography and other developments, a compromise or breach of our security precautions may occur. A compromise in the Company's proposed security for its computer systems could severely harm our business because a party who is able to circumvent our proposed security measures could misappropriate proprietary information, including customer credit card information, or cause interruptions in the operation of our website. The Company may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the Internet as a means of conducting commercial transactions in general. The Company's users may have these concerns as well and this may result in a reduction in revenues and increase in our operating expenses, which would prevent us from achieving profitability.

Website functionality failure could cause the Company to experience reduced revenue and/or increased costs
If the software on the Company's website contains undetected errors, the Company could lose the confidence of users, resulting in loss of customers and a reduction of revenue.
The Company's online systems, including but not limited to its websites, software applications and online sales for products, could contain undetected errors or "bugs" that could adversely affect their performance. The Company plans to regularly update and enhance all sales, websites and other online systems. The occurrence of errors in any of these may cause the Company to lose market share, damage our reputation and brand name, and reduce our revenues.

Evolving regulation of the Internet may affect us adversely.
As Internet commerce continues to evolve, increasing regulation by federal, provincial, state or foreign agencies becomes more likely. For example, we believe increased regulation is likely in the area of data privacy, and laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information could affect our ability to use and share data for marketing and sale purposes, and restricting our ability to store, process and share data with our customers and suppliers. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed in addition to any current taxes for the sale of our products. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

Additional capital and liquidity may be required or the Company may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows
Additional funds for the continuation of the Company's current and planned operations may be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Current financial conditions, revenues, taxes, capital expenditures and operating expenses are all factors, which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to holders of the Common Shares. Debt financing, if available, may also involve restrictions on financing and operating activities, and, in case of convertible debt, may be dilutive to holders of the Common Shares upon conversion of such debt. There is no assurance that additional financing will

be available on terms acceptable to the Company, or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

The Company may require additional financing in order to execute its business plan and may be required to cease operating or modify its business plans if further financing is not available
The Company has not yet generated profit and will likely operate at a loss as it looks to market and further commercialize its product offering. The Company may require additional financing in order to execute its business plan. Our ability to secure required financing would depend in part upon on investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

Financial statements prepared on a going concern basis and the corporation cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objectives
The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of our industry. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

The Company does not have any litigation insurance, and any litigation experienced might result in our incurring substantial costs and the diversion of resources
While litigation insurance is available, the cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any litigation insurance coverage for our operations. Any litigation may result in the Company incurring substantial costs and the diversion of resources.

Product liability may exceed the Company's insurance, if any, at the relevant time and may cause the Company to cease operations, divert funds, or seek additional financing
The Company's operations are subject to certain dangers and risks of liability faced by all health product producers and distributors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a problem could result in a costly product recall and serious damage to the Company's reputation for product quality, and could result in claims against the Company, all of which may or may not be sufficiently covered by the Company's insurance, if any, at the relevant time.

The Company indemnifies its directors in accordance with and to the greatest extent possible under the BCBCA, and in accordance with it Director Indemnification Agreements.
Our Articles contain provisions with respect to the indemnification of our directors to the greatest extent possible under the BCBCA. Additionally, the Company has executed Director Indemnification Agreements to limit the personal liability of Directors within the limits defined by the BCSC, BCBCA, and the laws of Canada and the Province of British Columbia.

Uncertainty and Adverse Changes in the Global Economy
Adverse changes in the global economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

Global Outbreak of COVID 19 (Coronavirus)

Subsequent to year end, there was a global outbreak of COVID 19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the federal, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders in Canada and the United States. At this time, it is unknown the extent of the impact the COVID 19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, the United States and other countries to fight the virus. While the extent of the impact is unknown, we recognize this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. The impacts of the COVID-19 pandemic may also include: a decrease in demand for the products; a reduction in production levels; increased costs resulting from the Company's efforts to mitigate the impact of the COVID-19 pandemic on operations; a deterioration of worldwide credit and financial markets that could limit the Company's ability to obtain external financing to fund the Company's capital expenditures or its operations; and a disruption to the Company's distribution channels or supply chains. A material adverse effect on the Company's licensees, employees, customers, suppliers and/or distributors could have a material adverse effect on the Company. The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand (across all sectors), service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty. The overall severity and duration of COVID-19-related adverse impacts on the Company's business will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which suppliers and distributors can return to full production, the status of labour availability and the ability to staff operations and facilities. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to its business as a result of the global economic impact, including any related recession.

Risks Relating to the Common Shares

The Company's shares are not publicly traded and an investor may not have liquidity for the investment and as a result may experience a declining share price

Currently there is no public market for the securities of the Company, and there can be no assurance than an active market for any of its securities will develop or be sustained at any time. If an active public market for the Company's securities does not develop, the liquidity of an investor's investment may be limited and the Share price may decline and the Share price may decline. The Common Shares are currently not listed on any stock exchange or quotation system, and there is no guarantee that the Common Shares will ever be listed on any stock exchange or quotation system.

Costs of maintaining a public listing are significant and may divert financial and operational resources that could otherwise create value for the Company and investors

As a result of seeking a public listing, the Company will incur, if it successfully lists the Common Shares, greater legal, accounting and other expenses related to regulatory compliance than it would as a not-listed private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The market price of shares and volatility of microcap and small-cap stocks once trading on an exchange can be significant and may result in losses for investors

The Common Shares do not currently trade on any exchange or stock market. Securities of microcap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to our performance that may affect the price of the Common Shares include if the Common Shares are ever listed on any stock exchange include the following: the extent of analytical coverage available to investors concerning our business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of the Common Shares; the size of our public float may limit the ability of some institutions to invest in the Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect our long-term value. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares. The market price of the Common Shares is affected by many other variables, which are not directly related to our success and are, therefore, not within our control. These include other developments that affect the breadth of the public market for our Common Shares and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Share price volatile in the future, which may result in losses to investors.

Management will have broad discretion as to the use of the proceeds from the Concurrent Private Placement, and we may not use the proceeds effectively.
Our management will have broad discretion in the application of the net proceeds from the Concurrent Private Placement, including for any of the purposes described in the section entitled "Use of Proceeds," and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Common Shares. Our failure to apply these funds effectively could have a material adverse effect on our business and cause the price of our Common Shares to decline.

Investors should consider the share price volatility and speculative nature of share ownership and any share purchase should be considered a speculative investment
If the Company successfully lists on a stock exchange, this may result in many legacy shareholders being able to freely trade their Share after any respective hold period such Common Shares may have. Factors both internal and external to the Company may significantly influence the price at which our Common Shares trade, and the volatility of our Share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of Common Shares. Sentiment toward stocks in our industry, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's Common Shares. The Company is a relatively young company that has not generated revenue for most of its history and has not yet generated any profit, and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's Common Shares on any potential exchange.

The Company does not intend to pay dividends for the foreseeable future and investors may lose all of their investment in the Company
We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of a dividend. Because we do not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the price of our Common Shares. This may never happen and investors may lose all of their investment in the Company.

The future sale of equity securities in the Company will dilute investors' voting power and reduce future earnings per share through dilution
Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, development, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities, convertible securities to equity securities or the effect, if any, that future sales and issuances of equity securities or convertible securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities or convertible securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per Share, and suffer such dilution upon the conversion of convertible securities into equity.

Tax Issues
Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers prior to investing in Common Shares of the Company.

PROMOTER

Stuart Lowther, the Company's Chairman, Chief Executive Officer and President, may be considered to be a "promoter" of the Company in that he took the initiative in founding and organizing the business of the Company. Mr. Lowther is the registered and beneficial owner of 18,230,258 Common Shares of the Company, which is equal to 22.55% of the Common Shares issued and outstanding upon the conversion of the Subscription Receipts.

LEGAL PROCEEDINGS

Legal Proceedings

The Company received a letter from counsel to a former employee of Hammock Pharmaceuticals claiming that the former employee is owed severance and other compensation from Hammock Pharmaceuticals. The Company believes the claim to be without merit and any settlement or potential litigation would be immaterial to the Company.

The Company is not currently a party to any legal proceedings, nor is the Company currently contemplating any legal proceedings, which are material to its business. Management of the Company is not currently aware of any legal proceedings contemplated against the Company.

Regulatory Actions

From incorporation to the date of this Prospectus, management knows of no:

(i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority;

(ii) other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and

(iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as noted in this Prospectus, from incorporation to the date of this Prospectus, none of the following persons or companies has had any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Company:

(a) any director or executive officer of the Company;

(b) any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the Company's outstanding voting securities; and

(c) any associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

AUDITORS

KPMG LLP are the auditors of the Company and are located at 21 King Street West, Suite 700, Hamilton, Ontario L8P 4W7.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Company is Endeavor Trust Corporation, located at 777 Hornby St, Suite 702, Vancouver, British Columbia, V6Z 1S4.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company from incorporation to the date of this Prospectus which are currently in effect and considered to be currently material:

1. The subscription agreement relating to the Concurrent Private Placement.
2. The Escrow Agreement.
3. The transfer agency agreement with Endeavor Trust Corporation dated ●, 2021.

Copies of the material contracts will be available under the Company's profile at www.sedar.com upon the issuance of the final receipt for this Prospectus.

EXEMPTIVE RELIEF

Pursuant to an application made to the Ontario Securities Commission, as principal regulator, the Company has applied for exemptive relief from Item 3.3(1)(a)(i) of National Instrument 52-107 — *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**"), with respect to the inclusion of an auditor's report that expresses a qualification of opinion relating to opening inventory for the financial statements of Element for the nine month period ended December 31, 2018. Item 4.2 of NI 41-101 requires that any financial statements included in a long form prospectus filed in the form of Form 41-101F1 be audited in accordance with NI 52-107 unless an exception in Item 32.5 or 35.1(3) of Form 41-101F1 applies. Item 3.3(1)(a)(i) of NI 52-107 requires that financial statements included in a long form prospectus be audited in accordance with Canadian Generally Accepted Auditing Standards and be accompanied by an auditor's report that expresses an unmodified opinion. Item 5.8(2) of Companion Policy 41-101CP to NI 41-101 contemplates that relief may be granted to non-reporting issuers in appropriate circumstances to permit the auditor's report on such financial statements to contain a modification relating to opening inventory if there is a subsequent audited period of at least six months on which the auditor's report expresses an unmodified opinion and the business is not seasonal. This prospectus includes financial statements of Element for a subsequent audited period of twelve months on which the auditor's report expresses an unmodified opinion and the businesses of Element is not seasonal. The exemption requested will be evidenced by the issuance of a receipt for this Prospectus.

EXPERTS

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Prospectus as having prepared or certified a report, valuation, statement or opinion in this Prospectus:

Manning Elliot LLP, are the former auditors of the Company, who prepared the audit report on the Company's audited financial statements included in and forming part of this Prospectus.

SRCO Professional Corporation, are the auditors of Hammock, who prepared the audit report on Hammock's audited financial statements included in and forming part of this Prospectus.

None of the persons set out above have held, received or is to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of its associates or affiliates when such person prepared the report, valuation, statement or opinion aforementioned or thereafter.

KPMG LLP has confirmed with respect to the Company that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

OTHER MATERIAL FACTS

There are no other material facts about the securities being distributed pursuant to the Concurrent Private Placement that are not disclosed under any other items and are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Common Shares to be distributed.

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In some provinces, the securities legislation further provides a purchaser with remedies for rescission, revisions of the price, or damages if this Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENTS

Audited annual financial statements of the Company for the fiscal year ended June 30, 2020 and for the period from incorporation on June 25, 2018 to June 30, 2019, and the unaudited interim condensed consolidated financial statements of the Company for the nine month period ended September 30, 2020 are included in this Prospectus as Schedule "E".

Audited annual financial statements of Element for the fiscal year ended December 31, 2019 and the nine month period ended December 31, 2018 are included in this Prospectus as Schedule "F".

Audited annual financial statements of Hammock Pharmaceuticals for the fiscal years ended December 31, 2019 and 2018, and the unaudited interim condensed financial statements of Hammock Pharmaceuticals for the six month period ended June 30, 2020 are included in this Prospectus as Schedule "G".

Unaudited proforma statement of financial position of the Company giving effect to the Element Share Exchange Agreement and Hammock Merger Agreement at June 30, 2020 is included in this Prospectus as Schedule "H".

Schedule "A"

ELEMENT NUTRITIONAL SCIENCES INC.

(formally PJ1 Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.) (the "Company") and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2020, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The information contained within this MD&A is current to January 20, 2021.

All dollar amounts in the MD&A are stated in Canadian dollars unless otherwise indicated.

Forward- looking Statements

This MD&A, including any information incorporated by reference, contains statements that, to the extent that they are not historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation.

Forward-looking statements may include, but are not limited to, statements with respect to:

- financial and other projections, future plans, objectives, performance, revenues, growth, profits or operating expense;
- the use of available funds;
- plans to research, develop, implement, adopt, market and sell new technology or products, including continued research, development and commercialization regarding the Company's products and proposed products;
- estimates and projections regarding the industry in which the Company operates or will operate, including the global nutrition and dietary supplement market, nutritional drinks market, adult nutritional food and drinks market and expectations relating to trends and the adoption of new products;
- requirements for additional capital and future financing options;
- plans to launch new products, obtain new customers or expand the customer base, and enter into new markets;
- expansion and acceptance of the Company's products in markets across different jurisdictions;
- manufacturing and distribution partnerships and agreements;
- plans to identify, pursue, negotiate and/or complete strategic acquisitions;
- marketing plans and strategic advertising results;
- the timing and possible outcome of regulatory and legislative matters, including, without limitation, the Food and Drug Administration ("FDA"), Health Canada and other regulatory approval processes;
- future plans, objectives or economic performance, or the assumption underlying any of the foregoing; and
- other expectations of the Company.

Such forward-looking statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. These risks, uncertainties, assumptions, and other factors should be considered carefully, and prospective investors and readers should not place undue reliance on the forward-looking statements.

These risks, uncertainties, assumptions and other factors include, but are not limited to: the risks and factors set out below under the heading "Risk Factors"; risks posed by the economic and political environments in which the Company operates and intends to operate; market instability due to the COVID-19 pandemic; the potential for losses arising from the expansion of operations into new markets; increased competition; assumptions regarding market trends and the expected demand and desires for the Company's products and proposed products; reliance on industry manufacturers, suppliers and others; the failure to adequately protect intellectual property; a failure to adequately manage future growth; adverse market conditions; and failure to satisfy ongoing regulatory requirements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or information or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law including securities laws. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such fact on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or information.

Description of Business

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.) (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 25, 2018. At the time of incorporation, the principal business of the Company was the identification and evaluation of a transaction for a future listing on a stock exchange.

The Company acquired Element Nutrition Inc. ("Element") and Hammock Pharmaceuticals, Inc. ("Hammock"), effective August 31, 2020 as follows:

(i) a share exchange agreement (the "Element Share Exchange Agreement") under which the Company acquired all of the issued and outstanding shares of Element in consideration of the issuance of 24,375,000 common shares to the former shareholders of Element; and

(ii) a merger agreement (the "Hammock Merger Agreement") under which the Company acquired all of the issued and outstanding shares of Hammock in consideration of the issuance of 9,375,000 common shares to the former shareholders of Hammock. As part of the Element Share Exchange Agreement and the Hammock Merger Agreement, the Company reserved for issuance an aggregate of 24,000,000 management performance warrants.

(iii) Each of the Element Share Exchange Agreement and the Hammock Merger Agreement contains voluntary lock-up provisions that apply to the former shareholders of Element and Hammock. 400,000 common shares of the Company were issued on August 31, 2020 as a finder's fee in connection with the acquisition of Element and Hammock.

The Company completed the acquisition of Element through a share exchange agreement whereby the Company acquired all the issued and outstanding shares of Element on August 31, 2020, with the former shareholders of Element obtaining control of the Company through a reverse takeover transaction ("RTO Transaction"). On the same date, the Company completed the acquisition of Hammock through an agreement and plan of merger. Following the RTO Transaction, the Company is controlled by Element. Since Element controls the Company after the RTO Transaction, the transaction is accounted for as a reverse acquisition of the Company by Element for accounting purposes.

Company Information

The Company, through Element, has principally been focused on the development and commercialization of its Rejuvenate brand. Rejuvenate is a muscle health product designed to help slow and/or prevent muscle loss due to aging (Sarcopenia). The formulation is based on 17 years of clinical research with 25 peer reviewed clinical studies supporting the formula and its efficacy. Based on the potential of the formula in delivering a clinically proven nutritional intervention for muscle loss, Rejuvenate is now Element's flag ship brand. Since this new technology makes the initial Boomer formulations obsolete, Element is slowly transitioning out of the Boomer Nutrition brand. The first Rejuvenate product developed was a single serve powdered product sold in a carton holding 30 single serve pouches delivering the 3.6 grams of the patented essential amino acid formula. Each pouch is mixed with 8-10 ounces of water and consumed 1-2 times per day. Element began commercialization of this brand in April of 2019. Initial sales were through e-commerce on Element's web sites in the US and Canada and also on Amazon.ca and Amazon.com. Retail sales commenced in the second half of the year at 6,000 CVS retail stores and 2,838 Walmart stores in the United States. Total sales for Rejuvenate for 2019 were $1,402,663. It can generally take 24 months or more to get a product into significant distribution. However, due to, what Element believes is the product's innovative value proposition, it was able to get retail acceptance at an early stage. Element's goal is to continue to build sales and distribution throughout the United States by adding additional retailers and increasing consumer brand awareness through its marketing efforts. The production of the single serve plant based beverage has commenced in the United States.

In 2020, the brand started selling at Canadian retailers. The Rejuvenate single serve product went on sale at Rexall Drug stores in Q2 of 2020. It is now also available at select Shoppers Drug Marts and was made available at Loblaws stores in October of 2020. Element is currently in discussions with multiple retailers in North America to increase its distribution of the powdered single serve Rejuvenate product.

Over the past year, Element has been developing a single serve ready to drink beverage under the Rejuvenate brand. Expanding the brand line by offering a single serve beverage is a growth opportunity for Element. Element believes that the Rejuvenate organic plant based beverage will bring added variety and give consumers an alternate choice to what has traditionally been offered. The product is now in the process of moving to production and being commercialized. Initial production began in November 2020. Element expects to commence sales of the product on its e-commerce platform in February of 2021 and expects to commence retail sales in Q3 of 2021 in the United States. Due to different regulations in Canada a specific formula must be developed for the Canadian market. Formulation work has commenced and the final formulation is expected to be completed by the end of Q1 2021. This formulation will require Health Canada approval and commercialization will depend on the approval. Approval can take up to 8 months and may be longer due to COVID 19. Element expects to have approval by Q4 of 2021. Once approval is completed the product will be moved to production and commercialization. Initial sales are expected to commence on our e-commerce platforms (Rejuvenate.ca and Amazon.ca) in Q1 of 2022. Retail sales are expected to begin in Q3 of 2022.

In March of 2018, Element acquired the JAKTRX product line of protein powders and other nutritional supplements targeting the sports nutrition market. The North American sports nutrition market is valued at $17 billion and is forecast to be $31 billion by 2027.(Grand View Research, Sports Nutrition Market Size, Share & Trends Analysis Report Feb 2020) This represents another significant growth opportunity for Element. Additionally the patented Rejuvenate formula can be incorporated into new product offerings within the JAKTRX brand. JAKTRX. is a brand designed and developed for the CrossFit consumer. The JAKTRX brand is made up of a line of protein powders and other nutritional supplements . The products were sold through e-commerce on the JAKTRX website and direct to consumers through CrossFit gyms. However, due to the declining popularity of CrossFit and to expand the brand to more consumers encompassing all sports, a strategy is being executed to change the branding and marketing so as to appeal to the entire sports nutrition consumer and take advantage of the projected growth in the North American sports nutrition market. . This change is expected to increase the size of the product's target market and help improve sales.

Element has recently announced the introduction of an organic plant based, single serve ready to drink beverage, in a 330 ml resealable Tetra Pak. The product comes in three flavor options for the consumer, chocolate, vanilla and mocha. The Rejuvenate drink went into production in November 2020. The product will be the first Rejuvenate liquid beverage to enter the market place. Sales are expected to commence in February of 2021 through Element's e-commerce platform. The product is expected to be sold at retail stores in the US commencing at the end of Q3 of 2021. A Canadian formulation was completed in October of 2020 and then moved to trial production. Sales are expected to commence in Canada upon receiving approval from the NHPD.

Utilizing Element's patented Rejuvenate formula, new products are being developed. Element has plans to launch as many as 12 more beverage products under the Rejuvenate brand over the next 3-5 years. Other powdered formulations will also be developed. Additionally, a new digital and social media program will be launched to increase brand awareness of all Rejuvenate products. This strategy is designed to also allow Element to utilize its infrastructure in the United States and start selling the product via e-commerce in the US market. Expansion into the US is a potential growth opportunity for Element. Element Nutrition Ltd., the wholly owned USA subsidiary, was formed to expand brand recognition, open access to new markets, attract new customers and expand its market share for existing and new products within the United States.

Commercialization

Element is currently a vendor of record with Walgreens, CVS, Walmart and Meijer in the United States. This represents a total of 23,577 potential points of distribution in the United States. Element becomes a vendor of record once it has completed all the internal paper work with the retailer necessary to set up a product in the retailers system so that the retailer can issue purchase orders for the product. For most retailers there is a vendor agreement that outlines the agreed upon guidelines for conducting business together. This agreement includes but is not limited to, pricing, delivery, payment terms, damage allowance and return policies. Element has entered into a Brokerage Agreement with Advantage Solutions to lead Element's sales expansion in the US. Advantage Solutions is a market leader in sales and brand development operating in 40 countries globally.

Element is currently a vendor of record in Canada with Loblaws, Shoppers Drug Mart and Rexall. This represents a total of 3,700 potential points of distribution. Brewin and Associates is Element's broker in Canada.

Element currently has a distribution and sales agreement with Natural Made Company Ltd in South Korea. This agreement was entered into in October of 2019. All product is purchased directly from Element and shipped to the distributor. All purchases are paid up front in US dollars prior to shipping. There are no other current planned distributions outside of Canada and the US. As Element grows and opportunity presents itself, Element may enter in to similar agreements in other foreign markets.

Marketing and Branding

In January 2020, Element engaged DEG Productions in the United States to develop and produce content for social media, digital media and direct to consumer marketing. Completion of this was delayed due to the COVID-19 pandemic. In October 2020, they completed the production and the program is moving forward.

In March 2020, Element engaged the Sasha Group, part of Vayner Media in the United States, a national branding agency. Sasha Group will be managing and executing a complete digital and social media campaign for the Company's Rejuvenate brand.

In August 2020, Element signed Denise Austin as a brand ambassador for the Rejuvenate brand. Denise has over 450,000 followers and is one of the most influential social media celebrities for women 45-65 years old in the United States for fitness and nutrition.

In September 2020, Element engaged Lockard and Wechsler, a national full service media agency in the United States. Lockard and Wechsler specialize in direct to consumer marketing. They are executing a nationwide direct to consumer marketing campaign in the United States.

In September 2020, Element engaged Flinnwest Solutions, a digital marketing agency in White Rock, British Columbia. Flinnwest is providing optimized e-commerce websites that work in conjunction with Element's social media, customer relationship management system and email marketing.

Manufacturing, Supply and Production

All production is contracted to independent contractors. Element currently utilizes three independent contract manufacturers to produce all products sold in North America. There is a large number of contract manufacturers in the US and Canada that have the capabilities to produce the Rejuvenate powder beverage. Element has secondary suppliers so that it is not reliant on one manufacturer. Element enters into quality agreements with all manufactures to ensure the high quality of the products is maintained. Element's current principal manufacturer for its plant based beverage has just completed a full expansion and increased its production capacity. Accordingly, there is significant line time currently available for the production of the Rejuvenate plant based beverage A secondary manufacturer for this product is being brought on board so that Element is not relying on just one manufacturer for the plant based beverage.. Element's raw material supply chain is managed internally by its operations team in conjunction with its manufacturers. Real time inventory controls allow Element to forecast the need for raw materials and finished goods. The current situation surrounding the COVID-19 pandemic has had no material effect on Element's supply chain. Besides the quality control agreements, Element does not enter into manufacturing agreements with its contract manufacturers. This is done to provide Element with the flexibility to be able to move manufacturing as needed to other manufacturers for the benefit of the business and maintaining supply. If Element entered into agreements with manufacturers it would limit options on supply should the manufacturer have any production issues. Therefore if the manufacturer had a production issue or supply issue Element would have no other manufacturer to acquire supply from. Element would then be at risk for out of stocks and not being able to meet demand. This structure is used for all brands and products. Also, by not signing exclusive manufacturing agreements it gives Element the ability to negotiate pricing on a consistent basis as business increases. Element also supplies the manufacturers with forecasts which ensures consistent pricing on raw materials and creates the opportunity to lower the cost of goods on a consistent basis. This model ensures that Element has a predicable supply of all products it sells.

Hammock Pharmaceuticals, Inc.

Hammock Pharmaceuticals was incorporated under the state of Delaware on January 26, 2016. Its focus is the marketing, selling and distribution of specialty healthcare products into the North American marketplace. Hammock Pharmaceuticals' main office is at 11922 General Drive, Unit C, Charlotte, North Carolina, 28273.

Hammock's prior focus was to build a prescription-based company focused on women's health and urology. In January 2017, Hammock executed a licensing agreement with MilanaPharm, LLC providing Hammock exclusive North American rights to MilanaPharma's TRI-101 hydrogel technology ("TRI-101"). Hammock continued to develop the technology throughout 2017 and 2019. However, due to prescription pricing pressure, management made a decision to redirect its focus to the consumer health product segment.

On December 5, 2019, Hammock assigned and transferred to the Daré Biosciences, Inc ("Daré") all of its right, title and interest in and to the MilanaPharm license agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan as agreed upon by the parties.

Upon execution of the assignment agreement, Hammock received $250,000 from Daré, with additional payments of $125,000 paid December 5, 2019, and $137,500 paid on January 31, 2020. On July 13, 2020 Hammock received an additional $100,000 from Daré upon the first patient dosing within its Phase 3 clinical trial in bacterial vaginosis ("**BV**"). Additional milestone payments are due to Hammock within fifteen (15) days of the following achievements related to certain clinical and regulatory development milestones: i) $250,000 upon submission of a New Drug Application ("**NDA**") to the US Food and Drug Administration ("FDA") for BV; ii) $500,000 upon NDA approval by the FDA for BV; and $250,000 after NDA approval by the FDA for a total of one additional indication for any intravaginal and/or urology indication other than BV.

Subsequent to the acquisition date of August 31, 2020 by the Company, a distribution agreement and license for distributing the Athlete's Gel product in the United States and Canada was not renewed by management due to certain decisions to refocus the Element group on operations that generate positive margins and cash flows. While management had the view of eventually restructuring Hammock operations to be accretive to the group when entering into the Hammock Merger Agreement, it was later determined that the investment required could not provide the returns management had planned pre-merger. As a result, those plans were abandoned and the distribution license was allowed to lapse and as such, both parties signed a mutual release on December 3, 2020. The parties to the mutual release were Athletes Gel PTY Limited, Hammock Pharmaceuticals Inc and it also included Element Nutritional Sciences Ltd.

Regulatory

The United States and Canada have separate regulatory environments applicable to the sale of the Element's products. In the United States the sale of nutritional and dietary supplements is governed by the Food and Drug Administration ("**FDA**"). All of the Element's products sold in the United States are compliant with FDA regulations. The guidelines for the sale of supplements in the United States was set forth in the *Dietary Supplement Health and Education Act* ("**DSHEA**"). There is no current process of approval for the sale of nutritional products or any dietary supplements. It is the responsibility of Element and the manufacturers to ensure that products manufactured and sold are compliant with DSHEA.

Within Canada there is the Natural Health Product Directorate ("**NHPD**") that governs the sale of nutritional products and dietary supplements. The NHPD is a division of Health Canada. Depending on the delivery form (powder, pill, capsule, bar, etc) and formulation of the product, it may be necessary to get approval of the NHPD to sell the product in Canada. Once the application process is complete and accepted, the product receives a Natural Product Number ("**NPN**"). This signifies that it is approved for sales in Canada. All of Element's products that are currently sold in Canada that require an NPN have an NPN. Element currently has applications in process with the NHPD for the following new product formulations: Rejuvenate Organic Protein Beverage, Rejuvenate Immune Support and Rejuvenate Omega Health. These products are expected to be brought to market in 2021 once approved.

Intellectual Property

A vital part of Element's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. Success will depend, in part, upon the ability to obtain and enforce strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others. The most important intellectual property for Element is the brand name for its Rejuvenate products. The Rejuvenate patented formulation (US Patent 9,364,463) of essential amino acids developed from the University of Arkansas is utilized in both the powdered beverage and the plant based beverage. Element holds exclusive global rights to this formulation. The brand has growing customer acceptance, brand loyalty and brand equity. The increased brand equity allows Element to further expand into other retail categories (grocery, vitamins, food supplements etc.) and health conditions (heart health bone health etc.).. Increased brand equity and innovation within the brand creates brand longevity. This strategy allows the brand to remain in the market for many decades. Patents eventually expire but brand equity and consumer loyalty does not. The initial Rejuvenate formula has two US patents filed. Additionally, Element has partnered with an independent research firm to conduct further research that may result in more patent filing opportunities. Element has trademarks filed for its Rejuvenate and JAKTRX brands in both the United States and Canada. Element will continue to look for opportunity to protect and solidify its intellectual property and concurrently its market advantage with patents and trademarks where ever possible.

Research and Development

The Company had engaged KGK Science in London, Ontario. KGK Science is a full service contract research organization specializing in the nutritional science. The Company is currently working with KGK Science in the development of research protocols with the Rejuvenate formulation. Results from these studies will contribute to the formation of new intellectual property and new applications in human health and wellness.

Use of Proceeds

The Company raised $1,878,974 in the two private placements on July 3, 2020 and on August 10, 2020. The Company budgeted to use the funds as follows in the table below. A comparison of the actual use of proceeds is also included

Use of Available Funds	**Budgeted Use of Funds**	**Actual Use of Funds**
Marketing[(1)]	$800,000	$765,000
Finder's fee	78,240	78,240
Payment of debt	215,000	215,000
Professional fees	152,000	152,000
Working capital	633,734	668,734
TOTAL	$1,878,974	$1,878,974

Notes:

(1) Marketing costs are an effective and essential expense towards engaging its customers and branding. The company's marketing campaign costs include activities associated with:
(i) digital content
(ii) social media and paid media,
(iii) direct to consumers

The difference between the budgeted amount and the actual amount is $35,000. This difference is due to the timing of some initiatives.

Selected Financial Information

(For the 9 months ended September 30, 2020 and September 30, 2019)

The following tables show selected financial information for the 3 and 9 months ended September 30, 2020 compared to 3 and 9 months ended September 30, 2019. The selected financial information set out below may not be indicative of the Company's future performance. The information contained in each table should be read in conjunction with the Company's Financial Statements and related notes.

(Unaudited) Summary Information (expressed in thousands of Canadian dollars)	As at and for the 9 months ended September 30,	
	2020	2019
	$	$
Current assets	2,016	800
Non-current asset	197	184
Current liabilities	2,538	3,831
Non-current liabilities	156	0
Revenue	661	1,343
Net loss for the period	(5,145)	(848)
Shareholders' deficiency	(481)	(2,847)

Results of Operations (expressed in thousands of Canadian dollars)
The Company recorded a net loss of $5,145 for the 9 months ended September 30, 2020 compared to a net loss of $848 for the 9 months ended September 30, 2019. The table below provides a more detailed break-down of the Company's financial results for the 3 and 9 months ended September 30, 2020 and September 30, 2019.

(Unaudited) *(expressed in thousands of Canadian dollars)*	**For the 3 months ended, 30-Sep**		**For the 9 months ended, 30-Sep**	
	2020 $	2019 $	2020 $	2019 $
Revenue	182	714	661	1,343
Cost of sales (purchased products)	141	334	425	647
	41	380	236	696
Operating Expenses				
Intangible impairment	2,181	-	2,181	-
Salaries and wages	154	197	433	584
Advertising & marketing	170	108	357	426
General and administrative	88	70	222	235
Depreciation	43	38	119	115
Product development	7	6	40	15
Professional fees	276	49	289	119
Total operating expenses	2,919	468	3,641	1,494
Operating Loss	**(2,878)**	**(88)**	**(3,405)**	**(798)**
Other Income (Loss) and (expenses):				
RTO Transaction costs	(1,685)	-	(1,685)	-
Foreign exchange gain (loss)	16	(2)	(21)	(11)
Bank charges and Interest	(19)	(18)	(47)	(39)
Other Income	-	-	13	-
Net Loss	**(4,566)**	**(108)**	**(5,145)**	**(848)**

Revenue

	For the 3 months ended September 30, 2020		For the 3 months ended September 30, 2019		For the 9 months ended September 30, 2020		For the 9 months ended September 30, 2019	
	Note 1		Note 1		Note 1		Note 1	
Brand	**Gross Sales**	%age	**Gross Sales**	%age	**Gross Sales**	%age	**Gross Sales**	%age
Rejuvenate	$135,209	74.1%	$646,299	90.6%	$490,727	74.2%	$1,129,396	84.1%
JAKTRX	$64,382	35.3%	$72,982	10.2%	$191,490	29.0%	$256,970	19.1%
BOOMER	$3,888	2.1%	$11,629	1.6%	$19,293	2.9%	$28,157	2.1%
Athletes Gel	$3,444	1.9%	$0	0.0%	$3,444	0.5%	$0	0.0%
Sub-total	$206,923	113.4%	$730,910	102.4%	$704,954	106.6%	$1,414,523	105.3%
Sales returns, allowances & discounts	$24,463	13.41%	$17,261	2.42%	$43,645	6.60%	$71,395	5.32%
Total	$182,460	100.0%	$713,649	100.0%	$661,309	100.0%	$1,343,128	100.0%

Notes:

1) The decrease in revenue for both, the 3 months ended September 30 2020 and the 9 months ended September 30, 2020 vs. the same period in the prior year was a result of the launch of the Rejuvenate sachets brand in 2019. Sales were higher in 2019 due to the launch which required a line fill of 6,000 CVS stores. A line fill is where the Company is required to ship enough product to fill 6,000 store shelves in CVS stores. This creates an apparent spike in sales where it takes some time for CVS to do a re-order. The sales volume post that event are strictly based on sales at the store level purchased by customers. This is normal in any new on shelf listing with a major retail account. In addition, due to COVID 19, the level of customers going into stores was drastically reduced. This had a direct impact on the sales of product at the store level.

9 months ended September 30, 2020

(expressed in thousands of Canadian dollars)

The increase in loss of $4,297 from the previous comparative period reflects primarily the following factors:

a) a decrease in revenue of $682 and a decrease in cost of sales $222, is a result of lower sales attributed to the market's reaction to the Covid-19 pandemic.
b) impairment of an intangible asset of $2,181 associated with the non-renewal of a licensing agreement of Hammock at September 30, 2020.
c) a reduction in salaries of $151 resulted in temporary layoffs due to Covid-19, however these layoffs did not impact the day to day operations as the key areas of business were still maintained by the management and staff in place.
d) the company experienced a slight decrease in their advertising and marketing costs of $69 primarily in the areas of print, digital, TV advertising & product sampling.
e) The increase in product development costs of $25 was primarily due to the launching of the ready-to-drink (RDT) beverage, such as regulatory costs.
f) an increase in professional fees of $170 attributed to legal fees of $137 associated with the acquisition of Element Nutrition Inc. by way of an RTO Transaction and the business acquisition of Hammock Pharmaceuticals by way of a business merger.
g) RTO Transaction costs of $1,685 relates to the excess RTO Transaction consideration over the net assets acquired.
h) As described in note 1 above, the Company launched its Rejuvenate sachets brand in 2019. The launch resulted in initial sales in 2019 that were the result of a line fill in the CVS stores which were not part of 2020 sales.

3 months ended September 30, 2020

(expressed in thousands of Canadian dollars)

The increase in loss of $4,458 from the previous comparative period in the previous year reflects the following factors:

a) a decrease in revenue of $532 and cost of sales $193, as a result of lower sales attributed to the market's reaction to the Covid-19
b) impairment of an intangible asset of $2,181 associated with the non-renewal of a licensing agreement of Hammock at September 30, 2020.
c) a reduction in salaries of $43 resulted in temporary layoffs due to Covid-19, however these layoffs did not impact the day to day operations as the key areas of business were still maintained by the management and staff in place.
d) the company experienced a slight increase in their advertising & marketing costs of $62 primarily in the areas of print, digital & TV advertising, primarily towards the Rejuvenate sachets product
e) an increase in professional fees of $227 attributed to legal fees of $137 associated with the acquisition of Element Nutrition Inc. and by way of an RTO Transaction and the business acquisition of Hammock Pharmaceuticals by way of a business merger.
f) RTO Transaction costs of $1,685 relates to the excess RTO Transaction consideration over the net assets acquired.
g) As described in note 1 above, the Company launched its Rejuvenate sachets brand in 2019. The launch resulted in initial sales in 2019 that were the result of a line fill in the CVS stores which were not part of 2020 sales.

RTO Transaction:

On August 31, 2020, the Company (PJ1 Capital at the time) acquired all of the issued and outstanding shares of Element by way of the RTO Transaction, pursuant to a share exchange agreement, whereby all of the issued and outstanding shares of Element (28,870,602) were exchanged for 24,375,000 common shares of PJ1 Capital.

In the RTO Transaction, although legally PJ1 Capital is the parent of Element, Element is deemed to be the accounting acquirer and PJ1 Capital is deemed to be the acquiree for accounting purposes. Upon completion of the RTO Transaction, the former shareholders of Element have become the controlling shareholders of PJ1 Capital. As Element is deemed to be the acquirer in the RTO Transaction, the assets and liabilities of Element have been accounted for at cost, and PJ1 Capital's assets and liabilities have been accounted for at fair value on acquisition at August 31, 2020. Since PJ1 Capital's operations did not constitute a business prior to August 31, 2020, the transaction has been accounted for as an asset acquisition that is not a business combination. Therefore, PJ1 Capital's share capital, reserves and deficit at the time of the RTO Transaction have been eliminated and the RTO Transaction costs have been expensed. The capital structure recognized in the interim condensed consolidated balance sheet is that of the Company, but the dollar amount of the issued share capital prior to the RTO Transaction will be that of Element, including the value of shares issued prior to the RTO Transaction.

In the accounting for the reverse takeover, the RTO Transaction consideration was determined by reference to the fair value of equity the legal subsidiary, being Element, would have issued to the legal parent entity, being PJ1 Capital, for the shareholders of PJ1 Capital to obtain the same percentage ownership interest of approximately 41% in the combined entity. The fair value of the issued equity was determined based on the most reliable and observable fair value measures being the value of shares and warrants the legal parent had outstanding at the time of the RTO Transaction (22,233,162 common shares and 550,000 special warrants) and a market price per share from a recent transaction between third party market participants ($0.15/share).

The excess of RTO Transaction consideration to PJ1 Capital over the fair value of the net assets and liabilities of PJ1 Capital acquired by Element at August 31, 2020 is as follows:

Fair value of consideration given up:	
22,233,162 shares at $0.15 / share	$ 3,334,974
550,000 special warrants at $0.15 / share	82,500
	3,417,474
Fair Value of net assets acquired	
Cash	1,479,183
Loan receivable	250,000
Accounts receivable	9,855
Accounts payable and accrued liabilities	(6,921)
Net assets acquired	1,732,117
Excess of RTO Transaction consideration over the net assets acquired	**$ 1,685,357**

Summary of Quarterly Results

The following table sets out selected unaudited financial data in respect of the last 8 quarters of the Company.

	Q4 2018 $ (note 1)	**Q1 2019 $**	**Q2 2019 $**	**Q3 2019 $**	**Q4 2019 $** (note 2)	**Q1 2020 $**	**Q2 2020 $**	**Q3 2020 $** (note 3)
Revenue	59	88	541	714	331	178	301	182
Net Loss	(843)	(453)	(287)	(108)	(649)	(425)	(154)	(4,566)

Notes

1. Q4 2018 included a Goodwill impairment of $339.

2. Q4 2019 included significant costs that reflected the Net Loss of $649 such as salaries and wages of $209, sales & marketing of $215, general & administrative of $135.

3. Q3 2020 included operating costs which were significant such as impairment of an intangible asset, business acquisition of Hammock Pharmaceuticals, Inc. and the RTO transaction with PJ1 Capital Corp.

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficiency of $522,067 and a shareholders' deficiency of $480,800 as at September 30, 2020 (deficiencies of $3,030,953 and $2,847,187 as at September 30, 2019). In addition, the Company has experienced negative cash outflows from operations in 2020 and 2019. While the company has experienced an increase in sales from fiscal 2019 to fiscal 2020 and has increased the number of locations in which its products are sold, the company is dependent on additional sources of liquidity to finance continued growth and operations. While the company has secured additional sources of liquidity as described in *liquidity and capital resources*, the company's ability to continue as a going concern and manage any risks associated with the response to Covid-19 pandemic is dependent upon raising additional capital and sources of liquidity. These factors indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the balance sheet of financial position and classifications used.

Liquidity and Capital Resources

The Company's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities as they come due and have sufficient working capital to fund operations for the ensuing fiscal year. As of the date of this MD&A, the company's financing of operations has been achieved from product sales and by equity financing. The company anticipates that it will require significant funds from its operations and either equity or debt financing to support its operations.

The Company collected subscription proceeds for a financing of 335,000 special warrants on June 25, 2018 at a price of $0.05 per special warrant for the total proceeds of $16,750. An additional amount for 215,000 special warrants were issued on July 9, 2020 for $10,750 in subscription proceeds. The special warrants were deemed to be exercisable on the earlier of (i) the fifth business day after the date on which the Company obtains a receipt from the applicable securities commission in Canada for the final prospectus qualifying the distribution of the Company's shares to be issued upon the exercise or deemed exercise of the special warrants, and (ii) four months and one day after the date the financing closed. The financing closed on July 6, 2020 and therefore the warrants automatically convert to 550,000 common shares on November 6, 2020. The warrants are recorded at their estimated fair value in the amount of $82,500 which is based on $0.15/share at August 31, 2020.

Cash Flows

The change in the Company's use of cash in 9 months ended September 30, 2020, compared to 9 months ended September 30, 2019 for operating activities, investing activities and financing activities are reflected in the following table:

(expressed in thousands of Canadian dollars)	**Unaudited For the nine months ended September 30,**	
	2020 $	**2019 $**
Cash used in operating activities	(1,067)	(1,501)
Cash provided by (used in) investing activities	1,853	(22)
Cash provided by financing activities	245	1,739
Impact on foreign exchange rate changes on cash	3	-
Net increase/(decrease) in cash and cash equivalents	1,033	216

Working Capital

Working capital represents the Company's current assets less its current liabilities. As at September 30, 2020, the Company had net working capital deficiency of $522,067 (as at September 30, 2019, $3,030,953) an improvement of $2,508,886 from September 30, 2019. Working capital included cash, accounts receivable, prepaid expenses, inventories, accounts payable, accrued liabilities, notes payable, working capital loan, current portion of lease obligation and loans provided by the principal shareholder. The Company anticipates receiving cash proceeds from future revenue and share offerings. However, the Company cannot predict the timing or amount of additional offerings, if any.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows, or earnings.

As of the date of this MD&A, the Company has not yet achieved profitable operations, and as at September 30, 2020 has an accumulated deficit of $11,404,808. Whether, and when, the Company can attain profitability and positive cash flows from its operations remains uncertain. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favorable to the Company.

Critical Accounting Estimates

The Company's financial statements are impacted by the significant accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in notes to the audited financial statements for the year ended December 31, 2019.

During the nine-month period ended September 30, 2020, the following new significant accounting policies were adopted by the Company:

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded within the consolidated statements of loss and comprehensive loss as a reduction to the related item that the grant is intended to offset, in the period in which eligible expenses were incurred or when the services have been performed.

Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for an acquisition is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

The excess of the consideration transferred and the acquisition date fair value of the identifiable net assets acquired is recorded as goodwill. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they are adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

Off-Balance Sheet Financing

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Transactions with Related Parties

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Repayment terms, if any, are determined at the time of the advance.

During the 9 months ended September 30, 2020, the outstanding shareholder loan, payable to Stuart Lowther, the Company's Chief Executive Office, President and Chairman, was settled through the issuance of common shares in advance of the RTO Transaction.

Key management compensation

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO. During the 9 months ended September 30, 2020, the Company recorded $87,500 (2019 - $93,750) related to key management personnel salaries and benefits.

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's customers are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance operations. Accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

Currency risk

Currency risk arises from financial instruments and sales and purchases that are denominated in a currency other than the Canadian dollar, the Company’s functional currency. The Company operates in Canada and the United States and the Company incurs the majority of its operating expenses in Canadian dollars. In the future, the proportion of international sales is expected to increase. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition, and results of operations. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in US dollars and exchange rates on an ongoing basis. The Company has not engaged in foreign currency hedging.

ELEMENT NUTRITIONAL SCIENCES INC.

(formally PJ1 Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2020

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis (MD&A) provides discussion and analysis of the financial condition and results of operations of Element Nutritional Sciences Inc., (formerly PJ1 Capital Corp.) (the "Company") and should be read in conjunction with the financial statements of the Company as at June 30, 2020 and the related notes thereto (the ''**Financial Statements**''). The Financial Statements (and the financial information contained in the related MD&A) were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the IASB. The information contained within this MD&A is current to January 20, 2021. All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". Forward-looking statements usually include words such as may, will, would, expect, plan, anticipate, budget, estimates, potential, believe, intend, or other similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. The Company does not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. Investors should not place undue reliance on forward-looking statements. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Overall Performance

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.) was incorporated under the Business Corporations Act of British Columbia on June 25, 2018. The principal business of the Company is the identification and evaluation of a transaction for a future listing on a stock exchange.

During the period from June 25, 2018 (incorporation) to June 30, 2019 and the year ended June 30, 2020, the Company collected subscription proceeds for a financing of 335,000 special warrants at the price of $0.05 per special warrant for total proceeds of $16,750, with an additional $10,750 in subscription proceeds collected subsequent to June 30, 2020, for a total of 550,000 subscription receipts. At June 30, 2019 and June 30, 2020, no warrants have been issued as the financing was not considered closed. Each special warrant entitled the holder to receive one common share of the Company for no additional consideration. The special warrants automatically converted to common shares on November 6, 2020. The special warrants were recorded at their estimated fair value which is based on the August 10, 2020 common share subscription price of $0.15.

The Company acquired Element and Hammock effective August 31, 2020 pursuant to: (i) a share exchange agreement (the "Element Share Exchange Agreement") under which the Company acquired all of the issued and outstanding shares of Element in consideration of the issuance of 24,375,000 common shares to the former shareholders of Element; and (ii) a merger agreement (the "Hammock Merger Agreement") under which the Company acquired all of the issued and outstanding shares of Hammock in consideration of the issuance of 9,375,000 common shares to the former shareholders of Hammock. As part of the Element Share Exchange Agreement and the Hammock Merger Agreement, the Company reserved for issuance an aggregate of 24,000,000 management performance warrants. Each of the Element Share Exchange Agreement and the Hammock Merger Agreement contains voluntary lock-up provisions that apply to the former shareholders of Element and Hammock. 400,000 common shares of the Company were issued on August 31, 2020 as a finder's fee in connection with the acquisition of Element and Hammock.

Company recorded a net loss and comprehensive loss of $11,270 for the year ended June 30, 2020 (2019 – net loss and comprehensive loss of $9,499).

Selected Financial Information and Additional Disclosure

The following table summarizes selected information from the Company's audited financial statements for the year ended June 30, 2020 and for the period from incorporation to June 30, 2019.

	Year ended June 30, 2020 (Audited)	Period from incorporation June 25, 2018 to June 30, 2019 (Audited)
Net revenue	Nil	Nil
Loss from operations	($11,270)	($9,499)
Basic and diluted loss per share	($11,270)	($9,499)
Total assets	$87,999	$16,648
Total current liabilities	$20,517	$9,396
Total non-current liabilities	Nil	Nil
Cash dividends declared	Nil	Nil

Results of Operations

The Company incurred a net loss of $11,270 for the year ended June 30, 2020 as compared to a net loss of $9,499 for the period of incorporation June 25, 2018 to June 30, 2019. The expenses incurred by the Company during the past two fiscal periods is as follows:

(expressed in Canadian dollars)	For the year ended June 30, 2020	Period from Incorporation June 25, 2018 to June 30, 2019
	$	$
General & administrative	150	102
Professional fees	11,120	9,397
Net Loss	11,270	9,499

Summary of Quarterly Results

No quarterly results are available as the Company did not have any operating activities.

Liquidity and Capital Resources

During the year ended June 30, 2020 and period from June 25, 2018 (incorporation) to June 30, 2019, the Company collected subscription proceeds for a financing of 335,000 special warrants at the price of $0.05 per special warrant for total proceeds of $16,750, with an additional $10,750 in subscription proceeds collected subsequent to June 30, 2020. The Company does not have any cash flow from operations due to the fact that the principal business of the Company is the identification and evaluation of a transaction for a future listing on a stock exchange and therefore financings have been the sole source of funds.

Subsequent to year end, the Company collected an additional $10,750 related to the special warrants and closed the financing on July 6, 2020.

On July 3, 2020, the Company completed a private placement for 11,200,000 common shares at $0.02 per share for total proceeds of $224,000. On August 10, 2020, the Company completed a private placement for 11,200,000 common shares at $0.15 per share for total proceeds of $1,654,974 less finder's fee of $78,240. The Company is expected to use the funds as follows:

Use of Available Funds	
Marketing[(1)]	$800,000
Finder's fee	$78,240
Payment of debt	215,000
Professional fees	152,000
Working capital	633,734

TOTAL	$1,878,974

Notes:

(1) Marketing costs are an effective and essential expense towards engaging its customers and branding. The company's marketing campaign costs include those activities associated with:
(i) digital content
(ii) social media and paid media,
(iii) direct to consumers

Common shares and warrants issued and outstanding:

Date issued	Number of common shares	Number of Warrants
June 25 2018	1	
June 30 2018		335,000
as at June 30 2020	1	335,000
July 3 2020	11,200,000	
July 6 2020		215,000
August 10 2020	11,033,161	
August 31 2020	24,375,000	
August 31 2020	9,375,000	
August 31 2020	400,000	
as at September 30, 2020	56,383,162	550,000
November 6 2020	550,000	-
as at November 13, 2020	56,933,162	-

The Company closed the Special Warrant Private Placement on July 6, 2020, and issued an aggregate of 550,000 Special Warrants. Each Special Warrant entitled the holder to acquire, without further payment, one Common Share. Each Special Warrant automatically converted into one Common Share in accordance with the terms of the Special Warrants.

Selected Financial Information

The Company has no revenue-producing operations. For the year ended June 30, 2020, the Company had an accumulated loss of $20,769. As at June 30, 2020, Company had a working capital balance of $67,482, including cash of $87,999. The Company does not have any commitments for capital expenditures.

The Company is dependent on external financing, including equity issuances and debt financing, to fund its activities. Management will determine whether to accept any offer to finance weighing such things as the financing terms, share price at the time and current market conditions, among others. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions, and the other factors set forth below under "*Risk Factors*".

On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned and committed administrative costs, to maintain adequate levels of working capital.

Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated any revenues or cash flows from operations and relies on financing for its activities. The Company's ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

Off-Balance Sheet Arrangements

Company has not participated in any off-balance sheet or income statement arrangements.

Related Party Transactions

The Company has identified its director and officer during the period, Yana Popova, as its key management personnel. Included in general and administrative expenses is $1,680 (2019 $nil) paid to a company controlled by this director and officer in accounting fees incurred during the year ended June 30, 2020.

All related party transactions are carried out in the normal course of operations and are recorded at fair value.

During the period ended June 30, 2020, other than key management compensation, the Company did not incur any related party transactions and $1,680 was payable to related parties as at June 30, 2020.

Changes in Accounting Policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following new standards, amendments and interpretations have not been early adopted in these financial statements.

The Company adopted the following new standard effective June 1, 2019:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. IFRS 16 is effective for Company's annual period beginning June 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 – Revenue from Contracts with customers.

The adoption of IFRS 16 had no impact on the Company's financial statements as the Company has no leases.

Financial Instruments

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and accounts payable and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

The Company’s financial asset is cash. The Company’s maximum exposure to credit risk, as at period-end, is the carrying value of its cash.

Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash balance of $87,999.

Other risks

None of the Company’s future cash flows of financial instruments are subject to change from other price changes and currency risks.

Risks and Uncertainties

The Company’s sole objective is to identify a satisfactory transaction for a future listing on a stock exchange. The closing of any proposed transaction is subject to a number of terms and conditions, including completion of due diligence procedures by parties to the transaction and receipt of all required regulatory approvals, and there is no assurance that a transaction will be completed. If the Company does not complete a transaction within the time permitted by the Exchange, its common shares could be delisted.

The Company does not have a source of income, has not commenced commercial operations, and has no significant assets other than cash. There can be no assurance that the Company will be able to raise additional funding in the future on terms acceptable to the Company.

During the year, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was declared a pandemic by the World Health Organization. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus which in turn have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial.

Schedule "B"

ELEMENT NUTRITION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019 and for the nine months ended December 31, 2018

(Expressed in Canadian Dollars)

Introduction

The following management's discussion and analysis ("MD&A") is a review of the operations, current financial position and outlook of Element Nutrition Inc. (the "Company" or "Element"). Unless otherwise noted, reference to the Company includes its subsidiaries. This MD&A should be read in conjunction with the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2019 together with related notes thereto ("Financial Statements"). The information contained within this MD&A is current to January 20, 2021. All amounts are expressed in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Financial Statements that are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Forward- looking Statements

This MD&A, including any information incorporated by reference, contains statements that, to the extent that they are not historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation.

Forward-looking statements may include, but are not limited to, statements with respect to:

- financial and other projections, future plans, objectives, performance, revenues, growth, profits or operating expense;
- the use of available funds;
- plans to research, develop, implement, adopt, market and sell new technology or products, including continued research, development and commercialization regarding the Company's products and proposed products;
- estimates and projections regarding the industry in which the Company operates or will operate, including the global nutrition and dietary supplement market, nutritional drinks market, adult nutritional food and drinks market and expectations relating to trends and the adoption of new products;
- requirements for additional capital and future financing options;
- plans to launch new products, obtain new customers or expand the customer base, and enter into new markets;
- expansion and acceptance of the Company's products in markets across different jurisdictions;
- manufacturing and distribution partnerships and agreements;
- plans to identify, pursue, negotiate and/or complete strategic acquisitions;
- marketing plans and strategic advertising results;
- the timing and possible outcome of regulatory and legislative matters, including, without limitation, the Food and Drug Administration ("FDA"), Health Canada and other regulatory approval processes;
- future plans, objectives or economic performance, or the assumption underlying any of the foregoing; and
- other expectations of the Company.

Such forward-looking statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. These risks, uncertainties, assumptions, and other factors should be considered carefully, and prospective investors and readers should not place undue reliance on the forward-looking statements.

These risks, uncertainties, assumptions and other factors include, but are not limited to: the risks and factors set out below under the heading "Risk Factors"; risks posed by the economic and political environments in which the Company operates and intends to operate; market instability due to the COVID-19 pandemic; the potential for losses arising from the expansion of operations into new markets; increased competition; assumptions regarding market trends and the expected demand and desires for the Company's products and proposed products; reliance on industry manufacturers, suppliers and others; the failure to adequately protect intellectual property; a failure to adequately manage future growth; adverse market conditions; and failure to satisfy ongoing regulatory requirements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or information or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law including securities laws. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such fact on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or information.

Description of Business

The Company was founded and incorporated on July 11, 2014 under the Ontario Business Corporations Act (Ontario). The Company's head office is located at 401-1100 Walkers Line, Burlington ON L7N 2G3 Canada. The Company's goal is to develop science based nutritional products for the ageing demographic 45 and over. The early stage goal was to develop unique research-based products that address the nutritional and metabolic issues that result on the loss of muscle mass due to ageing. This is a disease that is now recognized by the World Health Organization and the Center for Disease Control and referred to as Sarcopenia.

On November 29, 2018 Element Nutrition Ltd., a private company, was incorporated in the State of Nevada. Element Nutrition Ltd. is a wholly owned subsidiary of the Company.

Company Information

Element has principally been focused on the development and commercialization of its Rejuvenate brand. Rejuvenate is a muscle health product designed to help slow and/or prevent muscle loss due to aging (Sarcopenia). The formulation is based on 17 years of clinical research with 25 peer reviewed clinical studies supporting the formula and its efficacy. Based on the potential of the formula in delivering a clinically proven nutritional intervention for muscle loss, Rejuvenate is now Element's flag ship brand. Since this new technology makes the initial Boomer formulations obsolete, Element is slowly transitioning out of the Boomer Nutrition brand. The first Rejuvenate product developed was a single serve powdered product sold in a carton holding 30 single serve pouches delivering the 3.6 grams of the patented essential amino acid formula. Each pouch is mixed with 8-10 ounces of water and consumed 1-2 times per day. Element began commercialization of this brand in April of 2019. Initial sales were through e-commerce on Element's web sites in the US and Canada and also on Amazon.ca and Amazon.com. Retail sales commenced in the second half of the year at 6,000 CVS retail stores and 2,838 Walmart stores in the United States. Total sales for Rejuvenate for 2019 were $1,402,663. It can generally take 24 months or more to get a product into significant distribution. However, due to, what Element believes is the product's innovative value proposition, it was able to get retail acceptance at an early stage. Element's goal is to continue to build sales and distribution throughout the United States by adding additional retailers and increasing consumer brand awareness through its marketing efforts. The production of the single serve plant based beverage has commenced in the United States.

In 2020, the brand started selling at Canadian retailers. The Rejuvenate single serve product went on sale at Rexall Drug stores in Q2 of 2020. It is now also available at select Shoppers Drug Marts and was made available at Loblaws stores in October of 2020. Element is currently in discussions with multiple retailers in North America to increase its distribution of the powdered single serve Rejuvenate product.

Over the past year, Element has been developing a single serve ready to drink beverage under the Rejuvenate brand. Expanding the brand line by offering a single serve beverage is a growth opportunity for Element. Element believes that the Rejuvenate organic plant based beverage will bring added variety and give consumers an alternate choice to what has traditionally been offered. The product is now in the process of moving to production and being commercialized. Initial production began in November 2020. Element expects to commence sales of the product on its e-commerce platform in February of 2021 and expects to commence retail sales in Q3 of 2021 in the United States. Due to different regulations in Canada a specific formula must be developed for the Canadian market. Formulation work has commenced and the final formulation is expected to be completed by the end of Q1 2021. This formulation will require Health Canada approval and commercialization will depend on the approval. Approval can take up to 8 months and may be longer due to COVID 19. Element expects to have approval by Q4 of 2021. Once approval is completed the product will be moved to production and commercialization. Initial sales are expected to commence on our e-commerce platforms (Rejuvenate.ca and Amazon.ca) in Q1 of 2022. Retail sales are expected to begin in Q3 of 2022.

In March of 2018, Element acquired the JAKTRX product line of protein powders and other nutritional supplements targeting the sports nutrition market. The North American sports nutrition market is valued at $17 billion and is forecast to be $31 billion by 2027.(Grand View Research, Sports Nutrition Market Size, Share & Trends Analysis Report Feb 2020) This represents another significant growth opportunity for Element. Additionally the patented Rejuvenate formula can be incorporated into new product offerings within the JAKTRX brand. JAKTRX. is a brand designed and developed for the CrossFit consumer. The JAKTRX brand is made up of a line of protein powders and other nutritional supplements . The products were sold through e-commerce on the JAKTRX website and direct to consumers through CrossFit gyms. However, due to the declining popularity of CrossFit and to expand the brand to more consumers encompassing all sports, a strategy is being executed to change the branding and marketing so as to appeal to the entire sports nutrition consumer and take advantage of the projected growth in the North American sports nutrition market. . This change is expected to increase the size of the product's target market and help improve sales.

Element has recently announced the introduction of an organic plant based, single serve ready to drink beverage, in a 330 ml resealable Tetra Pak. The product comes in three flavor options for the consumer, chocolate, vanilla and mocha. The Rejuvenate drink went into production in November 2020. The product will be the first Rejuvenate liquid beverage to enter the market place. Sales are expected to commence in February of 2021 through Element's e-commerce platform. The product is expected to be sold at retail stores in the US commencing at the end of Q3 of 2021. A Canadian formulation was completed in October of 2020 and then moved to trial production. Sales are expected to commence in Canada upon receiving approval from the NHPD.

Utilizing Element's patented Rejuvenate formula, new products are being developed. Element has plans to launch as many as 12 more beverage products under the Rejuvenate brand over the next 3-5 years. Other powdered formulations will also be developed. Additionally, a new digital and social media program will be launched to increase brand awareness of all Rejuvenate products. This strategy is designed to also allow Element to utilize its infrastructure in the United States and start selling the product via e-commerce in the US market. Expansion into the US is a potential growth opportunity for Element. Element Nutrition Ltd., the wholly owned USA subsidiary, was formed to expand brand recognition, open access to new markets, attract new customers and expand its market share for existing and new products within the United States.

Commercialization

Element is currently a vendor of record with Walgreens, CVS, Walmart and Meijer in the United States. This represents a total of 23,577 potential points of distribution in the United States. Element becomes a vendor of record once it has completed all the internal paper work with the retailer necessary to set up a product in the retailers system so that the retailer can issue purchase orders for the product. For most retailers there is a vendor agreement that outlines the agreed upon guidelines for conducting business together. This agreement includes but is not limited to, pricing, delivery, payment terms, damage allowance and return policies. Element has entered into a Brokerage Agreement with Advantage Solutions to lead Element's sales expansion in the US. Advantage Solutions is a market leader in sales and brand development operating in 40 countries globally.

Element is currently a vendor of record in Canada with Loblaws, Shoppers Drug Mart and Rexall. This represents a total of 3,700 potential points of distribution. Brewin and Associates is Element's broker in Canada.

Element currently has a distribution and sales agreement with Natural Made Company Ltd in South Korea. This agreement was entered into in October of 2019. All product is purchased directly from Element and shipped to the distributor. All purchases are paid up front in US dollars prior to shipping. There are no other current planned distributions outside of Canada and the US. As Element grows and opportunity presents itself, Element may enter in to similar agreements in other foreign markets.

Marketing and Branding

In January 2020, Element engaged DEG Productions in the United States to develop and produce content for social media, digital media and direct to consumer marketing. Completion of this was delayed due to the COVID-19 pandemic. In October 2020, they completed the production and the program is moving forward.

In March 2020, Element engaged the Sasha Group, part of Vayner Media in the United States, a national branding agency. Sasha Group will be managing and executing a complete digital and social media campaign for the Company's Rejuvenate brand.

In August 2020, Element signed Denise Austin as a brand ambassador for the Rejuvenate brand. Denise has over 450,000 followers and is one of the most influential social media celebrities for women 45-65 years old in the United States for fitness and nutrition.

In September 2020, Element engaged Lockard and Wechsler, a national full service media agency in the United States. Lockard and Wechsler specialize in direct to consumer marketing. They are executing a nationwide direct to consumer marketing campaign in the United States.

In September 2020, Element engaged Flinnwest Solutions, a digital marketing agency in White Rock, British Columbia. Flinnwest is providing optimized e-commerce websites that work in conjunction with Element's social media, customer relationship management system and email marketing.

Manufacturing, Supply and Production

All production is contracted to independent contractors. Element currently utilizes three independent contract manufacturers to produce all products sold in North America. There is a large number of contract manufacturers in the US and Canada that have the capabilities to produce the Rejuvenate powder beverage. Element has secondary suppliers so that it is not reliant on one manufacturer. Element enters into quality agreements with all manufactures to ensure the high quality of the products is maintained. Element's current principal manufacturer for its plant based beverage has just completed a full expansion and increased its production capacity. Accordingly, there is significant line time currently available for the production of the Rejuvenate plant based beverage A secondary manufacturer for this product is being brought on board so that Element is not relying on just one manufacturer for the plant based beverage.. Element's raw material supply chain is managed internally by its operations team in conjunction with its manufacturers. Real time inventory controls allow Element to forecast the need for raw materials and finished goods. The current situation surrounding the COVID-19 pandemic has had no material effect on Element's supply chain. Besides the quality control agreements, Element does not enter into manufacturing agreements with its contract manufacturers. This is done to provide Element with the flexibility to be able to move manufacturing as needed to other manufacturers for the benefit of the business and maintaining supply. If Element entered into agreements with manufacturers it would limit options on supply should the manufacturer have any production issues. Therefore if the manufacturer had a production issue or supply issue Element would have no other manufacturer to acquire supply from. Element would then be at risk for out of stocks and not being able to meet demand. This structure is used for all brands and products. Also, by not signing exclusive manufacturing agreements it gives Element the ability to negotiate pricing on a consistent basis as business increases. Element also supplies the manufacturers with forecasts which ensures consistent pricing on raw materials and creates the opportunity to lower the cost of goods on a consistent basis. This model ensures that Element has a predicable supply of all products it sells.

Regulatory

The United States and Canada have separate regulatory environments applicable to the sale of the Element's products. In the United States the sale of nutritional and dietary supplements is governed by the Food and Drug Administration ("**FDA**"). All of the Element's products sold in the United States are compliant with FDA regulations. The guidelines for the sale of supplements in the United States was set forth in the *Dietary Supplement Health and Education Act* ("**DSHEA**"). There is no current process of approval for the sale of nutritional products or any dietary supplements. It is the responsibility of Element and the manufacturers to ensure that products manufactured and sold are compliant with DSHEA.

Within Canada there is the Natural Health Product Directorate ("**NHPD**") that governs the sale of nutritional products and dietary supplements. The NHPD is a division of Health Canada. Depending on the delivery form (powder, pill, capsule, bar, etc) and formulation of the product, it may be necessary to get approval of the NHPD to sell the product in Canada. Once the application process is complete and accepted, the product receives a Natural Product Number ("**NPN**"). This signifies that it is approved for sales in Canada. All of Element's products that are currently sold in Canada that require an NPN have an NPN. Element currently has applications in process with the NHPD for the following new product formulations: Rejuvenate Organic Protein Beverage, Rejuvenate Immune Support and Rejuvenate Omega Health. These products are expected to be brought to market in 2021 once approved.

Intellectual Property

A vital part of Element's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. Success will depend, in part, upon the ability to obtain and enforce strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others. The most important intellectual property for Element is the brand name for its Rejuvenate products. The Rejuvenate patented formulation (US Patent 9,364,463) of essential amino acids developed from the University of Arkansas is utilized in both the powdered beverage and the plant based beverage. Element holds exclusive global rights to this formulation. The brand has growing customer acceptance, brand loyalty and brand equity. The increased brand equity allows Element to further expand into other retail categories (grocery, vitamins, food supplements etc.) and health conditions (heart health bone health etc.).. Increased brand equity and innovation within the brand creates brand longevity. This strategy allows the brand to remain in the market for many decades. Patents eventually expire but brand equity and consumer loyalty does not. The initial Rejuvenate formula has two US patents filed. Additionally, Element has partnered with an independent research firm to conduct further research that may result in more patent filing opportunities. Element has trademarks filed for its Rejuvenate and JAKTRX brands in both the United States and Canada. Element will continue to look for opportunity to protect and solidify its intellectual property and concurrently its market advantage with patents and trademarks where ever possible.

Research and Development

The Company had engaged KGK Science in London, Ontario. KGK Science is a full service contract research organization specializing in the nutritional science. The Company is currently working with KGK Science in the development of research protocols with the Rejuvenate formulation. Results from these studies will contribute to the formation of new intellectual property and new applications in human health and wellness.

Selected Financial Information

(For the year ended December 31, 2019 and the nine months ended December 31, 2018)

The following tables show selected financial information for the year ended December 31, 2019 compared to nine-months ended December 31, 2018. The selected financial information set out below may not be indicative of the Company's future performance. The information contained in each table should be read in conjunction with the Company's Audited Financial Statements and related notes.

Summary Information (expressed in thousands of Canadian dollars)	Audited	
	As at and for the year ended, December 31,	As at and for the nine months ended December 31,
	2019	2018
	$	$
Revenue	$1,674	$279
Net loss	($1,497)	($1,411)
Total current assets	$800	$399
Total non-current assets	$184	$314
Total current liabilities	$3,831	$3,626
Total non-current liabilities	-	$112
Total shareholders’ deficiency	($2,847)	($3,025)

Results of Operations (expressed in thousands of Canadian dollars)

The Company recorded a net loss of $1,497 for the period December 31, 2019 compared to a net loss of $1,411 for the nine-month period ended December 31, 2018.

The table below provides a more detailed break-down of the Company’s financial results for the year ended December 31, 2019 compared to the nine-month period ended December 31, 2018:

	Audited	
	For the year ended, December 31,	For the nine months ended December 31,
	2019	2018
(expressed in thousands of Canadian dollars)	$	$
Revenue	$1,674	$279
Cost of sales	$889	$229
	$785	**$50**
Operating Expenses		
Salaries and wages	$793	$473
Advertising and marketing	$674	$187
General and administrative	$396	$215
Depreciation	$154	$116
Professional fees	$158	$81
Product development	$43	$12
Goodwill impairment	-	$377
Total operating expenses	**$2,217**	**$1,461**
Operating loss:	**($1,432)**	**($1,411)**
Loss before other income (expenses)		
Foreign exchange (loss) gain	($19)	-
Bank charges and Interest	($46)	($10)
Other Income	-	$10
Net Loss	**($1,497)**	**($1,411)**

Revenue

	For the 9 months ended December 31, 2018		For the year ended December 31, 2019	
Brand	**Gross Sales**	%age	**Gross Sales**	%age
Rejuvenate (note 1)	N/A		$1,402,663	83.8%
JAKTRX (note 2)	$229,067	82.2%	$335,906	20.1%
BOOMER (note 3)	$87,353	31.3%	$38,759	2.3%
Sub-total	$316,420	113.5%	$1,777,328	106.2%
Sales returns, allowances & discounts	$37,646	13.50%	$102,996	6.15%
Total	$278,774	100.0%	$1,674,332	100.0%

Notes:

1) The increase from the prior year is a result of the launch of a new brand, Rejuvenate sachets in Canada and the USA.

2) The increase in sales of JAKTRX was predominantly due to a full year of sales in 2019 vs nine months only in the previous year.
3) The decrease in sales was attributed to production shortfalls

The Company generated during 2019, total revenue of $1,674,332 (for the nine months ended December 31, 2018, total revenue of $278,774). Increase in revenue is mainly driven by a new product launch, Rejuvenate, and with new distribution at CVS, Walmart and Amazon.

Operating Expenses *(expressed in thousands of Canadian dollars)*

Operating expenses of $2,217 (for nine months ended December 31, 2018, $1,461) increased primarily due expenditures related to its new product launch and new distribution channels.

Salaries & wages of $793 (for nine months ended December 31, 2018, $473). This expense consists of management and employee wages associated with sales, operations, research & development and administration.

Advertising & marketing of $674 (for nine months ended December 31, 2018, $187) relates to costs associated with new product launch campaigns.

General & administrative of $396 (for nine months ended December 31, 2018, $215) consists of various costs related to the administrative area of the business such as rent, information technology, office supplies, insurance.

Depreciation of $154 (for nine months ended December 31, 2018, $116) refers to depreciation of the Company's property, plant and equipment and the Right-of-Use asset.

Professional fees of $158 (for nine months ended December 31, 2018, $81) consists of expenses relating to the fees paid to the accountants and lawyers.

Product development costs of $43 (for nine months ended December 31, 2018, $12) consist of expenses paid with respect to product innovation.

The results as at December 31, 2018 determined that the recoverable amount of Jaktrx Inc. exceeded the carrying amount. The recoverable amount of Jaktrx Inc. was determined using the value in use approach based on discounted future cash flows. The Company recorded a goodwill impairment charge of $377,156 as at December 31, 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited financial data in respect of the last 8 (eight) quarters of the Company.

	Q1 2018 $ (note 1)	Q2 2018 $	Q3 2018 $	Q4 2018 $ (note 2)	Q1 2019 $	Q2 2019 $	Q3 2019 $	Q4 2019 $ (note 3)
Revenue	123	104	116	59	88	541	714	331
Net Loss	(591)	(251)	(317)	(843)	(453)	(287)	(108)	(649)

Notes to Quarterly Results

(expressed in thousands of Canadian dollars)

1. Q1 2018 was prior to the Company's conversion to IFRS and included an income tax adjustment of $323

2. Q4 2018 included a Goodwill impairment of $339.

3. Q4 2019 included significant costs that reflected the Net Loss of $649 such as salaries and wages of $209, sales & marketing of $215, general & administrative of $135.

Liquidity and Capital Resources

The Company's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities as they come due and have sufficient working capital to fund operations for the ensuing fiscal year. As of the date of this MD&A, the Company's financing of operations has been achieved from product sales and by equity financing. The Company anticipates that it will require significant funds from its operations and either equity or debt financing to support its operations.

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficiency of $3,031 and a shareholders' deficiency of $2,847 as at December 31, 2019, ($3,227) and ($3,025) as at December 31, 2018) and ($3,238 and $2,672 as at April 1, 2018). In addition, the Company has experienced negative cash outflows from operations in 2018 and 2019. While the Company has experienced an increase in sales from fiscal 2018 to fiscal 2019 and has increased the number of locations in which its products are sold, the Company is dependent on additional sources of liquidity to finance continued growth and operations. While the Company has secured additional sources of liquidity as described in note 17 to the Financial Statements, the Company's ability to continue as a going concern and manage any risks associated with the response to COVID-19 pandemic is dependent upon raising additional capital and sources of liquidity. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the balance sheet of financial position and classifications used.

Cash Flows

The change in the Company's use of cash for the year ended December 31, 2019 compared to the nine months ended December 31, 2018 for operating activities, investing activities and financing activities are reflected in the following table:

(Audited) (expressed in thousands of Canadian dollars)	For the year ended December 31,	For the nine months ended December 31,
	2019	2018
Cash used in operating activities	($1,603)	($1,013)

Cash used in investing activities	($24)	($1)
Cash provided by financing activities	$1,620	$1,083
Net increase/(decrease) in cash and cash equivalents	($7)	$69

Working Capital (expressed in thousands of Canadian dollars)

Working capital represents the Company's current assets less its current liabilities. As at December 31, 2019, the Company had net working capital deficiency of $3,031, an increase of $196 from December 31, 2018). Working capital included cash, accounts receivable, prepaid expenses, inventories, accounts payable and accrued liabilities, notes payable, working capital loan, current portion of lease obligation, other financial liabilities and loans provided by the principal shareholder. The Company anticipates receiving cash proceeds from future revenue and public offerings.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows, or earnings.

As of the date of this MD&A, the Company has not yet achieved profitable operations, and as at December 31, 2019 has an accumulated deficit of $6,160. Whether, and when, the Company can attain profitability and positive cash flows from its operations remains uncertain. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favorable to the Company.

Critical Accounting Estimates

The Company's financial statements are impacted by the significant accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the financial statements.

Off-Balance Sheet Financing

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Transactions with Related Parties

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Repayment terms, if any, are determined at the time of the advance.

Key Management Compensation

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO. During the year ending December 31, 2019, the Company recorded $118,750 (nine-months ended December 31, 2018, $112,500) related to key management personnel salaries and benefits

Other related party transactions and balances

(expressed in thousands of Canadian dollars)

The following balances relate to loans from the founder and controlling shareholder and are unsecured, non-interest bearing and are due on demand.

	December 31, 2019	December 31, 2018
Shareholder loans	$ 2,768	$ 2,680
Due to shareholder	-	133

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company’s customers are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management’s assessment of the credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The continued operation of the Company is dependent upon the Company’s ability to secure equity financing to meet its existing obligations and finance operations. Accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company’s income or the value of its financial instruments.

Currency risk

Currency risk arises from financial instruments and sales and purchases that are denominated in a currency other than the Canadian dollar, the Company’s functional currency. The Company operates in Canada and the United States and the Company incurs the majority of its operating expenses in Canadian dollars. In the future, the proportion of international sales is expected to increase. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition, and results of operations. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in US dollars and exchange rates on an ongoing basis. The Company has not engaged in foreign currency hedging.

Schedule "C"

HAMMOCK PHARMACEUTICALS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2020 and 2019

(Expressed in United States Dollars)

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Hammock Pharmaceuticals, Inc., (the "Company") for the six months ended June 30, 2020 and should be read in conjunction with the Company's unaudited condensed interim financial statements and the accompanying notes which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The information contained within this MD&A is current to January 19, 2021.

All dollar amounts in the MD&A are stated in United States dollars unless otherwise indicated.

Forward- looking Statements

This MD&A, including any information incorporated by reference, contains statements that, to the extent that they are not historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation.

Such forward-looking statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. These risks, uncertainties, assumptions, and other factors should be considered carefully, and prospective investors and readers should not place undue reliance on the forward-looking statements.

These risks, uncertainties, assumptions and other factors include, but are not limited to: the risks and factors set out below under the heading "Risk Factors"; risks posed by the economic and political environments in which the Company operates and intends to operate; market instability due to the COVID-19 pandemic; the potential for losses arising from the expansion of operations into new markets; increased competition; assumptions regarding market trends and the expected demand and desires for the Company's products and proposed products; reliance on industry manufacturers, suppliers and others; the failure to adequately protect intellectual property; a failure to adequately manage future growth; adverse market conditions; and failure to satisfy ongoing regulatory requirements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or information or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law including securities laws. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such fact on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or information.

BUSINESS OVERVIEW -

Hammock was incorporated under the state of Delaware on January 28, 2016. The Company's focus is the marketing, selling and distribution of specialty healthcare products into the North American marketplace. Hammock's head office is located at 401-1100 Walkers Line, Burlington, Ontario, L7N 2G3.

COVID-19 Pandemic

Since early March 2020, several significant measures have been implemented in the United States and the rest of the world by authorities in response to the increased impact from COVID-19. The continued spread of the COVID-19 globally could materially and adversely impact the Company's business including, without limitation, employee health, limitations on travel, self-imposed quarantine periods and social distancing. Certain business and organizational closures have caused material disruptions to businesses and other factors that depend on future developments beyond the Company's control.

In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The Company determined that it qualified for the Economic Injury Disaster Loan ("EIDL") and amounts provided by the Paycheck Protection Program ("PPP") loans available through the Small Business Administration ("SBA") in the USA. As at the date this MD&A, the Company had applied for and received loans of $120,100 through the EIDL program and $78,700 through the PPP program (See the subsequent event note 17(b) to the Annual Statements).

The Company also received a $5,000 payment from the SBA upon submission of the EIDL application and a $10,000 grant from the City of Charlotte under the Small Business Recovery Program which was established as part of the CARES Act. Both of these amounts are fully forgivable.

CORPORATE STRATEGY

Hammock continues to build its U.S. distribution network through retail and wholesale channels with a focused contract retail sales force. The primary focus remains on penetrating larger retail customers in the U.S.

Hammock has also formulated its own proprietary urinary incontinence supportive care product (Protect™) in early 2018. The formulation of Protect was completed in late 2018 and the product was placed on a stability protocol in early 2019.

SALE OF ASSET

Licensing Agreement with Daré Biosciences

Hammock's prior focus was to build a prescription-based company focused on women's health and urology. In January 2017, Hammock executed a licensing agreement with MilanaPharm, LLC providing Hammock exclusive North American rights to MilanaPharma's TRI-101 hydrogel technology ("TRI-101"). Hammock continued to develop the technology throughout 2017 and 2018. However, due to prescription pricing pressure, management made a decision to redirect it's focus to the consumer health product segment.

On December 5, 2018, Hammock assigned and transferred to Daré Biosciences, Inc ("Daré") all of its right, title and interest in and to the MilanaPharm license agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan as agreed upon by the parties.

Upon execution of the assignment agreement, Hammock received $250,000 from Daré, with additional payments of $125,000 paid December 5, 2019, and $137,500 paid on January 31, 2020. On July 13, 2020 Hammock received an additional $100,000 from Daré upon the first patient dosing within its Phase 3 clinical trial in bacterial vaginosis ("BV"). Additional milestone payments are due to Hammock within fifteen (15) days of the following achievements related to certain clinical and regulatory development milestones: i) $250,000 upon submission of a New Drug Application ("NDA") to the US Food and Drug Administration ("FDA") for BV; ii) $500,000 upon NDA approval by the FDA for BV; and $250,000 after NDA approval by the FDA for a total of one additional indication for any intravaginal and/or urology indication other than BV.

RESULT OF OPERATIONS

Net Loss for the six months ended June 30, 2020 and 2019.

For the six months ended June 30, 2020 the Company generated a net loss of $482,935 (for 2019, a net loss of $212,940), an increase in losses of $269,940 from the previous period.

The increase in loss was due primarily to the sales and marketing initiatives related to the launch and selling of a licenced product, Athletes Gel, as well as associated administration costs, including an increase in wage expenses. Prior to the launch of Athletes Gel the Company did not have any products that it was selling and/or marketing and therefore the advertising and promotion expense has increased.

Revenues

For the year six months ended June 30, 2020 the Company recorded total net sales of $11,454 (2019 - $nil) from the sales of Athletes Gel on its e-commerce site. The Company launched Athletes Gel on its own e-commerce site on October 1, 2019.

Cost of Sales

As noted previously, Hammock was not selling any products prior to the Licensing Agreement for Athletes Gel mid August 2019, and therefore the $10,136 increase in cost of sales for the six months ended June 30, 2020 is a 100% increase from the six months ended June 30,2019. Negative gross margins on product sales for the six months ended June 30, 2020 was ($101,432), ($nil for the six months ended June 30, 2019).

Included in the cost of sales is $16,216 in inventory the Company has estimated will need to be written-off due to the marketing issues the Company experienced following the onset of the Covid-19 pandemic. The Company will reverse in 2020, any amounts written-off in 2019 for product which subsequently has been sold.

Also included in cost of sales for the six months ended June 30, 2020 is $3,210 in product liability insurance which was not applicable for the six months ended June 30, 2019**.**

Licensing and Royalty Fees

For the year six months ended June 30, 2020, under the licensing agreement, the company committed to pay an annual licensing fee of $102,750 (AU$150,000) due to Athletes Gel Australia in year one. The minimum fee obligation would apply against all product subsequent to the first order received. As per the Licensing Agreement, the initial orders of product received was excluded from the per unit fee and royalty.

Subsequent to the Company being acquired by Element Nutritional Sciences Inc, (ENSI) on August 31, 2020, the distribution agreement and license for Athlete's Gel was not renewed by management due to certain decisions to refocus the Element group on operations that generate positive margins and cash flows. While management had the view of eventually restructuring Hammock operations to be accretive to the group when entering into the Hammock Merger Agreement, it was later determined that the investment required could not provide the returns management had planned pre-merger. As a result, those plans were abandoned and the distribution license was allowed to lapse and as such, both parties signed a mutual release on December 3, 2020.

Expenses

General and Administration

General and administration expense ("G&A") for the six months ended June 30, 2020 was $66,089 an increase of $22,446, compared to $43,643 for the six months ended June 30, 2019. The increase in G&A costs was driven by an increase in travel expenses associated with the marketing initiatives, launch and e-commerce initiatives currency exchanges.

Salaries, Wages and Benefits

Salaries, wages and benefits expense for the six months ended was $211,676 an increase of $87,266 compared to $124,410 for the six months ended June 30, 2019.

The increase in salaries, wages and benefit expenses for the six months ended June 30, 2020, was driven by the addition of the Company's Chief Financial Officer to payroll from a prior consulting agreement and increases in salaries to the Company's other employees.

Professional Fees

Professional fees for the six months ended June 30, 2020 were $10,000, a decrease of $7,070 compared to $17,070 for the six months ended June 30, 2019.

No consulting or public relation fees were recorded during the six months ended June 30, 2020 and 2019.

Advertising and promotion

Advertising & promotional costs for the six months ended June 30, 2020 were $50,161, an increase of $46,661 compared to $3,500 for the six months ended June 30,2019. Again the amount represents an increase due to the product launch.

Net Interest

The net interest expense for the six months ended June 30, 2020 was $6,456 an increase of $6,152 compared to $304 for the six months ended June 30, 2019.

Other Income and Expenses

Interest income

Interest income for the six months ended June 30, 2020 was $12,500 compared to $nil for the six months ended June 30, 2019.

Interest Accretion Expense

Interest accretion expense for the six months ended June 30, 2020 was $35,911 an increase of $23,029 compared to $12,882 for the six months ended June 30,2019.

The conversion features embedded in the convertible notes require a fixed number of shares to settle, therefore they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded a portion of the convertible notes to loan liability and the remainder was allocated to equity as conversion reserve. The fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the notes. On July 3, 2019, the Company issued convertible promissory notes ("2019 Convertible Notes") in exchange for gross proceeds of $746,140 maturing on or before December 31, 2026.

The Company recorded $173,139 as a loan liability and $573,022 was allocated to equity as a conversion reserve in regards to the 2019 Convertible Notes. The fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note. The addition of the 2019 Convertible Notes is the primary basis for the increase in interest accretion expense for the year ended December 31, 2019.

Gain on Sale of Asset

As noted previously under the heading Sale of Asset, Hammock assigned and transferred to the Daré all of its right, title and interest in TRI-101.

Upon execution of the assignment agreement, Hammock recorded $250,000 to cash, with the remaining $250,000 of initial milestones recorded to accounts receivable. Additionally, the Company recorded a credit of $50,000 to intangibles, and $112,500 in fees related to the sell of the asset.

NET LOSS PER SHARE

Basic net loss per common share is calculated using the weighted average number of common shares outstanding during the period. The inclusion of the Company's stock options and RSUs in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

Net Loss per common share on both a basic and diluted basis for the six months ended June 30, 2020 was ($0.25), compared to ($0.13) for the six months ended June 30, 2019.

The weighted average number of common shares outstanding for the six months ended June 30, 2020 was 1,894,172 (for the six months ended June 30, 2019 – 1,816,656).

LIQUIDITY AND CAPITAL RESOURCES

Cash

As at June 30, 2020, the Company had cash of $102,987 compared to $128,002 as at June 30, 2019.

Operating Activities

Cash used in operating activities was $225,477 for the six months ended June 30, 2020, compared to $172,174 for the six months ended June 30, 2019.

Working capital changes for the six months ended June 30, 2020, compared to the six months ended June 30, 2019 are largely attributable to: i) an increase in accounts payable of $12,246, (ii) an decrease in prepaids of $28,813, and (iii) a decrease in other receivable of $125,000 associated with the sale of asset.

Investing Activities

Cash used in investing activities was $19,451 for the six months ended June 30, 2020 compared to $nil from investing for the six months ended June 30, 2019. The investing increase was primarily due to reimbursements from leasehold improvements.

Financing Activities

Cash from financing activities was $181,011 for the six months ended June 30, 2020 compared to $434,690 for the six months ended June 30, 2019.

During the six months ended June 30, 2020, the Company received $198,900 in Government Small Business Loans during the year and nil for June 30, 2019.

FINANCIAL INSTRUMENTS

IFRS 13 Fair Value Measurement provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical instruments that are observable.
Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived by
from or corroborated observable market data.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company’s financial assets and financial liabilities, including cash, amounts receivable, accounts payable and accrued liabilities and loans payable, and are all classified as amortized cost and are all short-term in nature being receivable or due within one year and their carrying values approximate fair values.

RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and there is additional risk since those financial instruments are primarily held by a single counterparty. Management believes the risk of the counterparty, a United States Tier1 bank, failing to meet its obligations related to the cash and held by the Company is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.
The Company is in a launch stage and is reliant on external fundraising to support its current operations. Once funds have been raised, the Company will manage its liquidity risk by investing in cash and marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at June 30, 2020 the Company had cash of $102,987 (June 30, 2019 - $128,002), which was not adequate to settle the current liabilities of $515,377

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations on commercially reasonable terms could have a materially adverse impact on the Company's financial condition or operating results.

Foreign currency risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates for any cash, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is related to expenses denominated in Australian and Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

As at June 30, 2020, the Company had payment obligations to its Australian licensor in the amount of $60,758 (AU$88,186). relating to its Licensing Agreement.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Accounts receivable and accounts payable and accrued liabilities bear no interest.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. All the Company's borrowings are convertible and hence there are no interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. The Company owed certain amounts to its President and Chief Executive Officer as at June 30, 2020 and 2019 in connection with loans payable and various convertible notes payable. A portion of the convertible notes owing have an interest rate of 1%. There have been no guarantees provided or received for any related party payables. The amounts included as due to the then President and Chief Executive Officer in loans payable and convertible notes payable as at June 30, 2020 was $532,142 (December 31, 2019 - $530,771).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Annual Statements in conformity to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Annual Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the Annual Statements and those that require the application of management's most subjective judgements, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 2 of the Annual Statements.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain statements in this MD&A may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this MD&A, the Company's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue" or other similar expressions concerning matters that are not historical facts and include, but are not limited in any manner to, those with respect to any and all timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions, as such matters may be applicable. Such forward-looking statements are based on a number of material factors and assumptions. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this MD&A. See "Risk Management". Forward-looking statements are based upon management's beliefs, estimates and opinions on the date the statements are made and, other than as required by law, the Company does not intend, and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

HAMMOCK PHARMACEUTICALS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

(Expressed in United States Dollars)

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the annual financial statements of Hammock Pharmaceuticals, Inc. ("Hammock", or the "Company") for the year ended December 31, 2019 (the "Annual Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has been prepared as of January 20, 2021 All dollar amounts are in United States dollars unless otherwise indicated.

OVERVIEW

Hammock was incorporated under the state of Delaware on January 26, 2016. The Company's focus is the marketing, selling and distribution of specialty healthcare products into the North American marketplace. Hammock's main office is at 11922 General Drive, Unit C, Charlotte, North Carolina, 28273.

The Company's primary business is to provide unique, safe and effective consumer health products to the U.S. and Canadian markets.

This MD&A contains "forward-looking information". Please see the discussion under Forward-looking Statements below.

COVID-19 Pandemic

Since early March 2020, several significant measures have been implemented in the United States and the rest of the world by authorities in response to the increased impact from COVID-19. The continued spread of the COVID-19 globally could materially and adversely impact the Company's business including, without limitation, employee health, limitations on travel, self-imposed quarantine periods and social distancing. Certain business and organizational closures have caused material disruptions to businesses and other factors that depend on future developments beyond the Company's control.

In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The Company determined that it qualified for the Economic Injury Disaster Loan ("EIDL") and amounts provided by the Paycheck Protection Program ("PPP") loans available through the Small Business Administration ("SBA") in the USA. As at the date this MD&A, the Company had applied for and received loans of $120,100 through the EIDL program and $78,700 through the PPP program (See the subsequent event note 17(b) to the Annual Statements).

The Company also received a $5,000 payment from the SBA upon submission of the EIDL application and a $10,000 grant from the City of Charlotte under the Small Business Recovery Program which was established as part of the CARES Act. Both of these amounts are fully forgivable.

CORPORATE STRATEGY

Hammock continues to build its U.S. distribution network through retail and wholesale channels with a focused contract retail sales force. The primary focus remains on penetrating larger retail customers in the U.S.

Hammock has also formulated its own proprietary urinary incontinence supportive care product (Protect™) in early 2018. The formulation of Protect was completed in late 2018 and the product was placed on a stability protocol in early 2019.

SALE OF ASSET

Agreement with Daré Biosciences

Hammock's prior focus was to build a prescription based company focused on women's health and urology. In January 2017, Hammock executed a licensing agreement with MilanaPharm, LLC providing Hammock exclusive North American rights to MilanaPharma's TRI-101 hydrogel technology ("TRI-101"). Hammock continued to develop the technology throughout 2017 and 2018. However, due to prescription pricing pressure, management made a decision to redirect it's focus to the consumer health product segment.

On December 5, 2018, Hammock assigned and transferred to the Daré Biosciences, Inc ("Daré") all of its right, title and interest in and to the MilanaPharm license agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan as agreed upon by the parties.

Upon execution of the assignment agreement, Hammock received $250,000 from Daré, with additional payments of $125,000 paid December 5, 2019, and $137,500 paid on January 31, 2020. On July 13, 2020 Hammock received an additional $100,000 from Daré upon the first patient dosing within its Phase 3 clinical trial in bacterial vaginosis ("BV"). Additional milestone payments are due to Hammock within fifteen (15) days of the following achievements related to certain clinical and regulatory development milestones: i) $250,000 upon submission of a New Drug Application ("NDA") to the US Food and Drug Administration ("FDA") for BV; ii) $500,000 upon NDA approval by the FDA for BV; and $250,000 after NDA approval by the FDA for a total of one additional indication for any intravaginal and/or urology indication other than BV.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2019

Net Loss

For the year ended December 31, 2019 the Company generated a net loss of $805,460, an increase in losses of $737,313, compared to a net loss of $68,147 for the same period in 2018.

The increase in losses was due primarily to the sales and marketing initiatives related to the launch and selling of a licenced product, Athletes Gel, as well as associated administration costs, including an increase in wage expenses. Prior to the launch of Athletes Gel the Company did not have any products that it was selling and/or marketing and therefore the advertising and promotion expense of $176,157 the Company recorded for the year ended December 31, 2019, is a 100% increase over the prior year (2018 - $nil).

Revenues

For the year ended December 31, 2019 the Company recorded total net sales of $922 (2018 - $nil) from the sales of Athletes Gel on its e-commerce site. The Company initially launched Athletes Gel on its own e-commerce site on October 1, 2019.

Cost of Sales

As noted previously, Hammock was not selling any products prior to the Licensing Agreement for Athletes Gel mid August 2019, and therefore the $19,965 increase in cost of sales for the year ended December 31, 2019 is a 100% increase from the year ended December 31, 2018. Negative gross margins on product sales for the year ended December 31, 2019 was $19,043. Included in the cost of sales is $16,216 in inventory the Company has estimated will need to be written-off due to the marketing issues the Company experienced following the onset of the Covid-19 pandemic. The Company will reverse in 2020, any amounts written-off in 2019 for product which subsequently has been sold.

Also included in cost of sales for the year ended December 31, 2019 is $3,210 in product liability insurance which was not applicable for the year ended December 31, 2018.

Licensing and Royalty Fees

For the year ended December 31, 2019 the Company recorded $33,850 as prepaid expenses, which was related specifically to inventory received during 2019, for which no sales were recorded until after December 31,2019. As per the Licensing Agreement a licensing fee of $102,750 (AU$150,000) which represents the annual licence fee due to Athletes Gel Australia in year one, as the minimum fee obligation, would apply against all product subsequent to the first order received. As per the Licensing Agreement, the initial order of product received was excluded from the per unit fee and royalty, and was the only product sold during the year ended December 31, 2019.

Subsequent to the acquisition date of August 31, 2020 by ENSI, the distribution agreement and license for Athlete's Gel was not renewed by management due to certain decisions to refocus the Element group on operations that generate positive margins and cash flows. While management had the view of eventually restructuring Hammock operations to be accretive to the group when entering into the Hammock Merger Agreement, it was later determined that the investment required could not provide the returns management had planned pre-merger. As a result, those plans were abandoned and the distribution license was allowed to lapse and as such, both parties signed a mutual release on December 3, 2020. The parties to the mutual release were Athletes Gel PTY Limited, Hammock Pharmaceuticals Inc and it also included Element Nutritional Sciences Ltd.

Expenses

General and Administration

General and administration expense ("G&A") for the year ended December 31, 2019, was $112,769 an increase of $20,904 or 23% compared to $91,865 for the year ended December 31, 2018. The increase in G&A costs was driven by an increase of approximately $11,600 in travel expenses associated with the marketing initiatives, launch and e-commerce initiatives of $2,700, office expenses associated with the setup of the new facility of $3,800 and a loss of $2,800 on foreign currency exchanges.

Salaries, Wages and Benefits

Salaries, wages and benefits expense for the year ended December 31, 2019, was $329,099 an increase of $210,587 or 178% compared to $118,512 for the year ended December 31, 2018.

The increase in salaries, wages and benefit expenses for the year ended December 31, 2019, was driven by the addition of the Company's Chief Financial Officer to payroll from a prior consulting agreement and increases in salaries to the Company's other employees.

Professional Fees

Professional fees for the year ended December 31, 2019, was $97,560, a decrease of $45,128 or 32% compared to $142,688 for the year ended December 31, 2018.

Included in professional fees for the year ended December 31, 2019, were legal fees of $48,620, a decrease of $39,807 compared to $88,247 incurred for the year ended December 21, 2018. Legal fees for 2019 were associated with, but not limited to, the drafting of agreements and the subsequent filings related to: i) the convertible notes the Company entered into during 2019, ii) the Licensing Agreement, and iii) the new facility lease. Legal fees during 2018 included but were not limited to: i) the drafting of a number of agreements for transactions that were not completed, ii) assignment and transfer of the TRI-101 asset to Daré, and iii) patent filing fees associated with TRI-101.

Additionally, included in professional fees were accounting fees of $30,900 an increase of $19,460 related to the year end audited financial statements, compared to $11,440 for the year ended December 31, 2018; an increase in contract fees of $15,000 related to the receipt of TRI-101 milestone payments (2018 - $nil); and a decrease in consulting fees of $42,500 related to fees paid to the CFO during 2018 under the terms of a consulting agreement and $2,500 during 2018 for public relations fees. No consulting or public relation fees were recorded during 2019.

Share-Based Compensation

Share-based compensation expense for the year ended December 31, 2019, was $21,687 a decrease of $4,324 or 17% compared to $26,011 for the year ended December 31, 2018.

The decrease in share-based compensation expense for the year ended December 31, 2019, was driven by the cancellation of restricted stock units ("RSUs") due to the termination of directors, officers, and employees during 2019.

Net Interest

The net interest expense for the year ended December 31, 2019, was $5,082 a decrease of $26 or less than 1% compared to $5,108 for the year ended December 31, 2018.

Other Income and Expenses

Interest Accretion Expense

Interest accretion expense for the year ended December 31, 2019 was $44,063 an increase of $22,600 or 105% compared to $21,463 for the year ended December 31, 2018.

The conversion features embedded in the convertible notes require a fixed number of shares to settle, therefore they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded a portion of the convertible notes to loan liability and the remainder was allocated to equity as conversion reserve. The fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the notes. On July 3, 2019, the Company issued convertible promissory notes ("2019 Convertible Notes") in exchange for gross proceeds of $746,140 maturing on or before December 31, 2026.

The Company recorded $173,139 as a loan liability and $573,022 was allocated to equity as a conversion reserve in regards to the 2019 Convertible Notes. The fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note. The addition of the 2019 Convertible Notes is the primary basis for the increase in interest accretion expense for the year ended December 31, 2019.

Gain on Sale of Asset

As noted previously under the heading Sale of Asset, Hammock assigned and transferred to the Daré all of its right, title and interest in TRI-101.

Upon execution of the assignment agreement, Hammock recorded $250,000 to cash, with the remaining $250,000 of initial milestones recorded to accounts receivable. Additionally, the Company recorded a credit of $50,000 to intangibles, and $112,500 in fees related to the sell of the asset.

NET LOSS PER SHARE

Basic net loss per common share is calculated using the weighted average number of common shares outstanding during the period. The inclusion of the Company's stock options and RSUs in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

Losses from operations per common share on both a basic and diluted basis for the year ended December 31, 2019 was $0.44 compared to losses from operations per common share on both a basic and diluted basis of $0.04, for the year ended December 31, 2018.

The weighted average number of common shares outstanding for the year ended December 31, 2019 was 1,821,309 (December 31, 2018 – 1,725,626).

LIQUIDITY AND CAPITAL RESOURCES

Cash

As at December 31, 2019, the Company had cash of $128,002 compared to $92,987 as at December 31, 2018.

Operating Activities

Cash used in operating activities was $524,840 for the year ended December 31, 2019 compared to $377,697 for the year ended December 31, 2018.

Working capital changes for the year ended December 31, 2019 compared to the year ended December 31, 2019 are largely attributable to: i) an increase in accounts payable of $195,000, which included an increase from professional fees of $95,530, an increase from inventory purchases of $38,461, an increase from advertising and promotion expenses of $51,401 and the remaining increase in accounts payable was recorded as general and administrative expenses; ii) an increase in inventory of $85,481, and iii) was offset by a decrease in accounts receivable of $125,193.

Investing Activities

Cash used in investing activities was $25,538 for the year ended December 31, 2019 compared to $250,000 from investing for the year ended December 31, 2018.

The Company recorded $25,538 in renovation costs incurred during the year ended December 31, 2019 During the year ended December 31, 2018 the Company received $250,000 from the sales of the TRI-101 asset.

Financing Activities

Cash from financing activities was $585,393 for the year ended December 31, 2019 compared to $140,009 for the year ended December 31, 2018.

During the year ended December 31, 2019, the Company received $616,170 in cash from convertible notes which was offset by cash used for transaction costs associated with the convertible notes of $17,322, repayment of a loan in the amount of $10,064 and lease liabilities of $3,398. The Company also received $7 for the issuance of 72,289 Company common shares.

The proceeds received from the convertible note financing was used for working capital purposes.

FINANCIAL INSTRUMENTS

IFRS 13 Fair Value Measurement provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical instruments that are observable.
Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived by
from or corroborated observable market data.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's financial assets and financial liabilities, including cash, amounts receivable, accounts payable and accrued liabilities and loans payable, and are all classified as amortized cost and are all short-term in nature being receivable or due within one year and their carrying values approximate fair values.

RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and there is additional risk since those financial instruments are primarily held by a single counterparty. Management believes the risk of the counterparty, a United States Tier1 bank, failing to meet its obligations related to the cash and held by the Company is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.
The Company is in a launch stage and is reliant on external fundraising to support its current operations. Once funds have been raised, the Company will manage its liquidity risk by investing in cash and marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at December 31, 2019 the Company had cash of $128,022 (December 31, 2018 - $92,987), which was not adequate to settle the current liabilities of $431,209 (December 31, 2018 - $335,009).

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations on commercially reasonable terms could have a materially adverse impact on the Company's financial condition or operating results.

Foreign currency risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates for any cash, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is related to expenses denominated in Australian and Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

As at December 31, 2019, the Company had payment obligations to its Australian licensor in the amount of $60,758 (AU$88,186). relating to its Licensing Agreement.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Accounts receivable and accounts payable and accrued liabilities bear no interest.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. All the Company's borrowings are convertible and hence there are no interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. The Company owed certain amounts to its President and Chief Executive Officer as at December 31, 2019 and 2018 in connection with loans payable and various convertible notes payable. A portion of the convertible notes owing have an interest rate of 1%. There have been no guarantees provided or received for any related party payables. The amounts included as due to the then Chief Executive Officer and President in loans payable and convertible notes payable as at December 31, 2019 was $nil and $144,994, respectively (December 31, 2018 - $140,065 and $71,148, respectively).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Annual Statements in conformity to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Annual Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the Annual Statements and those that require the application of management's most subjective judgements, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 2 of the Annual Statements.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain statements in this MD&A may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this MD&A, the Company's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue" or other similar expressions concerning matters that are not historical facts and include, but are not limited in any manner to, those with respect to any and all timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions, as such matters may be applicable. Such forward-looking statements are based on a number of material factors and assumptions. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this MD&A. See "Risk Management". Forward-looking statements are based upon management's beliefs, estimates and opinions on the date the statements are made and, other than as required by law, the Company does not intend, and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

Schedule "D"

AUDIT COMMITTEE CHARTER

The Audit Committee is governed by the following charter:

1. PURPOSE OF THE COMMITTEE

1.1 The purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

2. MEMBERS OF THE AUDIT COMMITTEE

2.1 At least two members must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 At least two members of the Audit Committee shall be "independent" as defined under NI 52-110, while the Company is in the developmental stage of its business.

3.0 RELATIONSHIP WITH EXTERNAL AUDITORS

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4.0 NON-AUDIT SERVICES

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

(a) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and

(b) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

5.0 APPOINTMENT OF AUDITORS

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6.0 EVALUATION OF AUDITORS

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7.0 REMUNERATION OF THE AUDITORS

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

8.0 TERMINATION OF THE AUDITORS

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9.0 FUNDING OF AUDITING AND CONSULTING SERVICES

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

10.0 ROLE AND RESPONSIBILITIES OF THE INTERNAL AUDITOR

10.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11.0 OVERSIGHT OF INTERNAL CONTROLS

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12.0 CONTINUOUS DISCLOSURE REQUIREMENTS

12.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13.0 OTHER AUDITING MATTERS

13.1 The Audit Committee may meet with the external auditors independently of the management of the Company at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

14.0 ANNUAL REVIEW

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15.0 INDEPENDENT ADVISERS

15.1 The Audit Committee shall have the power to retain legal, accounting or other or other advisors at the expense of the Company without approval of management.

15.2 The external auditor will report directly to the Audit Committee.

Schedule “E”

Financial Statements of:

Element Nutritional Sciences Inc.

(formerly PJ1 Capital Corp.)

For the year ended June 30, 2020 and for the period from incorporation on June 25, 2018 to June 30, 2019

Expressed in Canadian Dollars

Element Nutritional Sciences Inc.
(formerly PJ1 Capital Corp.)

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of Element Nutritional Science Inc. (formerly PJ1 Capital Corp.)

Opinion

We have audited the financial statements of Element Nutritional Sciences Inc. (the "Company") (formerly PJ1 Capital Corp.) which comprise the statements of financial position as at June 30, 2020 and 2019, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended June 30, 2020 and for the period from incorporation on June 25, 2018 to June 30, 2019, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the year ended June 30, 2020 and for the period from incorporation on June 25, 2018 to June 30, 2019 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
January 18, 2021

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.)
Statements of Financial Position
As at June 30, 2020 and 2019
(Expressed in Canadian dollars)

ASSETS	**2020**	**2019**
	$	$
Current assets		
Cash	87,999	16,648
Total assets	87,999	16,648
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	20,517	9,396
Equity		
Share capital (Note 7)	1	1
Reserves (Note 7)	88,250	16,750
Deficit	(20,769)	(9,499)
Total equity	67,482	7,252
Total liabilities and equity	87,999	16,648

Going concern (Note 2)
Subsequent events (Note 11)

Approved on behalf of the Board of Directors on January 18, 2021:

"Stuart Lowther" (signed)
Director

The accompanying notes are an integral part of these financial statements

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.)
Statements of Loss and Comprehensive Loss
For the Year Ended June 30, 2020 and for the Period from Incorporation on June 25, 2018 to June 30, 2019
(Expressed in Canadian dollars)

	Year ended June 30, 2020	Period from Incorporation June 25, 2018 to June 30, 2019
	$	$
EXPENSES		
General and administrative	150	102
Professional fees	11,120	9,397
NET LOSS AND COMPREHENSIVE LOSS	11,270	9,499
Weighted average number of shares outstanding	1	1
Basic and diluted loss per share	(11,270)	(9,499)

The accompanying notes are an integral part of these financial statements

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.)
Statements of Changes in Equity
For the Year Ended June 30, 2020 and for the Period from Incorporation on June 25, 2018 to June 30, 2019
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Reserves	Deficit	Total equity
		$	$	$	$
Balance at June 25, 2018	-	-	-	-	-
Issued on incorporation	1	1	-	-	1
Subscriptions received for warrants	-	-	16,750	-	16,750
Net loss for the period	-	-	-	(9,499)	(9,499)
Balance at June 30, 2019	1	1	16,750	(9,499)	7,252
Subscriptions received for $0.02 financing	-	-	71,500	-	71,500
Net loss for the year	-	-	-	(11,270)	(11,270)
Balance at June 30, 2020	1	1	88,250	(20,769)	67,482

Element Nutritional Sciences Inc. (formerly PJ1 Capital Corp.)
Statements of Cash Flows
For the Year Ended June 30, 2020 and for the Period from Incorporation on June 25, 2018 to June 30, 2019

(Expressed in Canadian dollars)

	Year ended June 30, 2020 $	Period from Incorporation June 25, 2018 to June 30, 2019 $
OPERATING ACTIVITIES		
Net loss	(11,270)	(9,499)
Changes in non-cash working capital		
Increase in accounts payable	11,121	9,396
Cash used in operating activities	(149)	(103)
FINANCING ACTIVITIES		
Share issued on incorporation	-	1
Cash proceeds from subscriptions for special warrants	-	16,750
Cash proceeds from subscriptions to $0.02 private placement	71,500	
Cash raised from financing activities	71,500	16,751
NET CHANGE IN CASH	71,351	16,648
CASH, BEGINNING	16,648	-
CASH, ENDING	87,999	16,648

The accompanying notes are an integral part of these financial statements

1. NATURE OF BUSINESS

PJ1 Capital Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on June 25, 2018. The principal business of the Company is the identification and evaluation of a transaction for a future listing on a stock exchange. The registered office of the Company is located at 400-725 Granville Street, Vancouver, BC V7Y 1G5.

Effective August 31, 2020, the Company changed its name from PJ1 Capital Corp. to Element Nutritional Sciences Inc.

These financial statements were approved and authorized for issue by the Company's Board of Directors on January 18, 2021.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

3. COVID-19 IMPACT ASSESSMENT

On March 11, 2020, the outbreak of the novel strain of coronavirus specifically identified as "COVID-19" was declared a pandemic by the World Health Organization. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus which in turn have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

4. BASIS OF PRESENTATION

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation
These financial statements have been prepared on a historical cost basis and presented in Canadian dollars which is the functional currency of the Company. The financial statements of the Company have been prepared on an accrual basis, except for cash flow information.

Critical Accounting Estimates and Judgments
The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ.

Estimates:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The fair values used in the measurement of financial instruments may require significant estimates as the basis for determining the stated amounts.

Judgments:

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. These estimates and judgments are reviewed periodically, and, as adjustments become necessary, they are reported in earnings/loss in the period in which they become known.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand, cash held in trust accounts and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months when acquired. The Company did not have any cash equivalents as of June 30, 2020 and June 30, 2019.

Financial instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Equity
Common shares and special warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares or special warrants are recognized as a deduction from equity, net of tax.

Income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Recent accounting pronouncements
Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The Company adopted the following new standard effective July 1, 2019:

IFRS 16 Leases
In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. IFRS 16 is effective for Company's annual period beginning July 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 – Revenue from Contracts with customers.

The adoption of IFRS 16 had no impact on the Company's financial statements as the Company has no leases.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments
The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Accounts payable and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Fair value hierarchy
As at June 30, 2020 and at June 30, 2019, the Company held the following financial instruments measured at fair value: cash (level 1).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

(Expressed in Canadian dollars)

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	**June 30, 2020**	**Level 1**	**Level 2**	**Level 3**
Cash	$ 87,999	$ 87,999	$ -	$ -

During the reporting period ending June 30, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Assets measured at fair value	**June 30, 2019**	**Level 1**	**Level 2**	**Level 3**
Cash	$ 16,648	$ 16,648	$ -	$ -

During the reporting period ended June 30, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Credit risk
The Corporation's financial asset is cash. The Company’s maximum exposure to credit risk, as at period-end, is the carrying value of its cash.

Liquidity risk
The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash balance of $87,999 (2019 – 16,648).

Other risks
None of the Company’s future cash flows of financial instruments are subject to change from other price changes and currency risks.

7. EQUITY

(a) Share capital

Authorized
Unlimited number of common shares without par value.

Issued
The Company issued one share to its director and officer upon incorporation of the Company.

Subsequent to year end, the Company completed a private placement for 11,200,000 shares at $0.02 per share for total proceeds of $224,000 and a private placement for 11,033,161 shares at $0.15 per share for total proceeds of $1,654,974 less $78,240 paid as finder's fees.

(b) Special warrants

As of June 30, 2019, and June 30, 2020, the Company had collected subscription proceeds for a financing of 335,000 special warrants at the price of $0.05 per special warrant for total proceeds of $16,750, with an additional $10,750 in subscription proceeds collected subsequent to June 30, 2020. At June 30, 2019 and June 30, 2020, no warrants have been issued as the financing was not considered closed. Upon issuance, each special warrant will upon exercise entitle the holder to receive one common share of the Company for no additional consideration. The special warrants will, if not exercised earlier, be deemed to be exercisable on the earlier of (i) the fifth business day after the date on which the Company obtains a receipt from the applicable securities commission in Canada for the final prospectus qualifying the distribution of the Company's shares to be issued upon the exercise or deemed exercise of the special warrants, and (ii) four months and one day after the date the financing closes. The special warrants are recorded at their estimated fair value which is based on the amount of cash subscriptions received.

8. KEY MANAGEMENT COMPENSATION AND RELATED PARTY DISCLOSURES

The Company has identified its director and officer as its key management personnel. Included in general and administrative expenses is $1,680 (2019 - $Nil) paid to a company controlled by this director and officer in accounting fees incurred during the period ended June 30, 2020.

All related party transactions are carried out in the normal course of operation and are recorded at fair value.

During the period ended June 30, 2020, other than key management compensation the Company did not incur any related party transactions and $1,680 (2019 - $Nil) was payable to related parties as at June 30, 2020.

(Expressed in Canadian dollars)

9. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity which is comprised of issued share capital, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at June 30, 2019 and June 30, 2020.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended June 30, 2020	**Period from June 25, 2018(date of incorporation) to June 30, 2019**
Canadian statutory income tax rate	27%	27%
	$	$
Income tax recovery at statutory rate	(3,040)	(2,560)
Effect of income taxes of:		
Change in deferred tax assets not recognized	3,040	2,560
Deferred income tax recovery	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2020	**2019**
	$	$
Non-capital loss carry forwards	5,600	2,560
Deferred tax assets not recognized	(5,600)	(2,560)
	-	-

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward years to utilize all deferred tax assets. The Company has non-capital losses carried forward of approximately $20,700 available to reduce income taxes in future years which expire starting in 2039.

11. SUBSEQUENT EVENTS

(a) Subsequent to year end, the Company collected an additional $10,750 related to the special warrants (see Note 6(b)) and closed the financing on July 6, 2020.

(b) On July 3, 2020, the Company completed a private placement for 11,200,000 common shares at $0.02 per share for total proceeds of $224,000.

(c) On August 10, 2020 the Company completed a private placement for 11,200,000 common shares at $0.15 per share for total proceeds of $1,654,974 less finder's fee of $78,240.

(d) The Company acquired Element Nutritional Inc. ("Element") and Hammock Pharmaceuticals, Inc. ("Hammock") effective August 31, 2020 pursuant to: (i) a share exchange agreement (the "Element Share Exchange Agreement") under which the Company acquired all of the issued and outstanding shares of Element in consideration of the issuance of 24,375,000 common shares to the former shareholders of Element; and (ii) a merger agreement (the "Hammock Merger Agreement") under which the Company acquired all of the issued and outstanding shares of Hammock in consideration of the issuance of 9,375,000 common shares to the former shareholders of Hammock. As part of the Element Share Exchange Agreement and the Hammock Merger Agreement, the Company reserved for issuance an aggregate of 24,000,000 management performance warrants. Each of the Element Share Exchange Agreement and the Hammock Merger Agreement contains voluntary lock-up provisions that apply to the former shareholders of Element and Hammock. 400,000 common shares of the Company were issued on August 31, 2020 as a finder's fee in connection with the acquisition of Element and Hammock.

(e) On November 9, 2020, the Special Warrants (see Note 6 (b)) were exercised and recorded at their estimated fair value which is based on the amount of cash subscriptions received.

Unaudited Interim Condensed Consolidated Financial Statements of

ELEMENT NUTRITIONAL SCIENCES INC.

For the three and nine months ended September 30, 2020 and 2019
(Unaudited)

ELEMENT NUTRITIONAL SCIENCES INC.

Consolidated Balance Sheets
(Unaudited)

As at September 30, 2020 and December 31, 2019

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 1,138,311	$ 104,829
Amounts receivable	270,425	279,200
Prepaid expenses	320,789	120,559
Inventories	286,814	295,061
	2,016,339	799,649
Non-current assets:		
Property, plant and equipment	68,328	69,976
Right-of-use assets	128,883	113,790
Total assets	$ 2,213,550	$ 983,415
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Bank demand loan (note 6)	$ 500,000	$ –
Accounts payable and accrued liabilities (note 7)	1,284,699	419,001
Notes payable (note 8)	451,272	396,272
Government loans (note 14)	266,723	–
Current portion of lease obligation	35,712	112,315
Working capital loan (note 9)	–	135,351
Other financial liabilities	–	100
Shareholder loans (note 13)	–	2,767,563
	2,538,406	3,830,602
Non-current liabilities:		
Long-term portion of lease obligation	88,828	–
Government loan (note 14)	27,116	–
Notes payable (note 8)	40,000	–
Total liabilities	2,694,350	3,830,602
Shareholders' deficiency:		
Share capital (note 10)	10,843,135	3,313,116
Accumulated other comprehensive loss	(1,627)	–
Warrants (note 10)	82,500	–
Deficit	(11,404,808)	(6,160,303)
Total shareholders' deficiency	(480,800)	(2,847,187)
Going concern (note 2)		
Subsequent events (note 16)		
Total liabilities and shareholders' deficiency	$ 2,213,550	$ 983,415

See accompanying notes to unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

For three and nine months ended September 30, 2020 and September 30, 2019

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue from sale of goods (note 11)	$ 182,460	$ 713,649	$ 661,309	$ 1,343,128
Cost of sales	141,253	334,439	425,041	646,583
	41,207	379,210	236,268	696,545
Operating expenses:				
Impairment of intangible asset (note 5)	2,180,801	–	2,180,801	–
Salaries and wages	153,460	197,196	432,793	584,798
Advertising and marketing	169,767	107,820	356,868	425,973
General and administrative	88,470	70,074	221,630	235,470
Depreciation	43,142	38,372	119,644	114,620
Product development	7,109	5,417	40,085	14,745
Professional fees	276,052	49,009	289,172	118,872
	2,918,801	467,888	3,640,993	1,494,478
Operating loss	(2,877,594)	(88,678)	(3,404,725)	(797,933)
Other income (loss) and (expenses):				
RTO Transaction (note 3)	(1,685,357)	–	(1,685,357)	–
Other income	–	42	13,386	42
Finance costs:				
Interest expense	(6,050)	(12,556)	(23,008)	(16,887)
Bank charges	(13,314)	(4,894)	(24,112)	(22,642)
Foreign exchange gain (loss)	3,439	(2,172)	(20,691)	(10,735)
	(1,701,282)	(19,580)	(1,739,782)	(50,222)
Loss before income taxes	(4,578,876)	(108,258)	(5,144,507)	(848,155)
Income tax expense (note 12)	–	–	–	–
Net loss	(4,578,876)	(108,258)	(5,144,507)	(848,155)
Other comprehensive loss:				
Foreign currency translation	(2,172)	–	(1,627)	–
Net loss and other comprehensive loss	$ (4,581,048)	$ (108,258)	$ (5,146,134)	$ (848,155)
Basic and diluted loss per common share	$ (0.23)	$ (0.02)	$ (0.37)	$ (0.09)
Weighted average number of common shares outstanding	20,548,779	11,685,602	14,483,699	11,685,602

See accompanying notes to unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

For the nine months ended September 30, 2020 and September 30, 2019

	Share capital	Warrants	Accumulated other comprehensive income - currency translation reserve	Accumulated deficit	Total equity
Balance, December 31, 2019	$ 3,313,116	$ –	$ –	$ (6,160,303)	$ (2,847,187)
Shares issued	1	–	–	–	1
Settlement of shareholder loan (note 13)	2,728,696	–	–	–	2,728,696
Settlement of other financial liabilities on share exchange	100	–	–	–	100
Fair value of RTO Transaction consideration (note 3)	3,334,974	82,500	–	–	3,417,474
Shares issued on Hammock acquisition (note 4)	1,406,250	–	–	–	1,406,250
Share issuance transaction costs (note 10)	60,000	–	–	–	60,000
Redemption of shares above paid up capital (note 8)	(2)	–	–	(99,998)	(100,000)
Net loss and other comprehensive loss for the period	–	–	(1,627)	(5,144,507)	(5,146,134)
Balance, September 30, 2020	$ 10,843,135	$ 82,500	$ (1,627)	$(11,404,808)	$ (480,800)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

For the nine months ended September 30, 2020 and September 30, 2019

	Share capital	Accumulated deficit	Total equity
Balance, December 31, 2018	$1,638,116	$ (4,663,499)	$ (3,025,383)
Shares issued	1,675,000	–	1,675,000
Net loss and other comprehensive loss for the period	–	(848,155)	(848,155)
Balance, September 30, 2019	$3,313,116	$ (5,511,654)	$ (2,198,538)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Consolidated Statements of Cash Flows

For three months ended September 30, 2020 and September 30, 2019

	September 30, 2020	September 30, 2019
Cash provided by (used in):		
Operating activities:		
Net loss	$ (5,144,507)	$ (848,155)
Items not involving cash:		
Depreciation of property, plant and equipment	12,524	12,044
Depreciation of right-of-use asset	107,119	102,576
Impairment of intangible asset	2,180,801	–
Government assistance	(12,370)	–
Unrealized foreign exchange	(15,877)	–
RTO Transaction (note 3)	1,685,357	–
Settlement of services through issuance of common shares (note 10)	60,000	–
	(1,126,953)	(733,535)
Changes in non-cash operating working capital:		
Decrease (increase) in amounts receivable	22,076	(657,462)
Increase in prepaid expenses	(185,438)	(123,678)
Decrease (increase) in inventories	8,247	(360,726)
Increase in accounts payable and accrued liabilities	215,416	374,019
Cash used in operating activities	(1,066,652)	(1,501,382)
Financing activities:		
(Repayment of) proceeds from shareholder loan	(38,867)	117,186
Proceeds from issuance of preferred shares	–	1,675,000
Proceeds from issuance of class B common shares	1	–
Proceeds from government loan (note 14)	40,000	–
Repayment of notes payable	(5,000)	–
Proceeds from bank operating line of credit	500,000	–
Repayments to shareholder	–	(132,976)
Principal repayments of lease liabilities	(116,283)	(107,919)
(Repayment of) proceeds from working capital loan	(135,351)	187,317
Cash provided by financing activities	244,500	1,738,608
Investing activities:		
Purchase of property, plant and equipment	(4,627)	(21,716)
Cash advance from PJ1 Capital prior to share exchange (note 3)	250,000	–
Cash acquired through share exchange agreements (notes 3 and 4)	1,607,662	–
Cash provided by (used in) investing activities	1,853,035	(21,716)
Impact of foreign exchange rate changes on cash	2,599	–
Net increase in cash	1,033,482	215,510
Cash, beginning of period	104,829	112,104
Cash, end of period	$ 1,138,311	$ 327,614

See accompanying notes to unaudited interim condensed consolidated financial statements.

Element Nutritional Sciences Inc. (the "Company"), formerly PJ1 Capital Corp., was incorporated under the Business Corporations Act of British Columbia on June 25, 2018. Effective August 31, 2020, the Company changed its name from PJ1 Capital Corp. to Element Nutritional Sciences Inc.

As described in note 3, the Company completed the acquisition of Element Nutrition Inc. ("Element") through a share exchange agreement ("RTO Transaction") whereby the Company acquired all the issued and outstanding shares of Element on August 31, 2020, with the former shareholders of Element obtaining control of the Company. On the same date, the Company completed the acquisition of Hammock Pharmaceuticals, Inc. ("Hammock") through an agreement and plan of merger, as described in note 4. References to PJ1 Capital Corp. prior to the RTO Transaction herein are referred to as "PJ1 Capital".

Element was incorporated under the laws of the province of Ontario on July 11, 2014 and sells nutritional supplements in the form of powders and bars under various brands. Element has completed the development and has begun the commercialization of its flagship brand Rejuvenate.

Following the RTO Transaction, the Company is controlled by Element. Since Element controls the Company after the RTO Transaction, the transaction is accounted for as a reverse acquisition of the Company by Element for accounting purposes.

As disclosed in note 3, the historical figures presented in these interim condensed consolidated financial statements represents those of Element and its subsidiaries. The acquired assets and liabilities and results of operations and cash flows of PJ1 Capital and Hammock are reflected only for periods from the acquisition date on August 31, 2020.

The registered office of the Company is located at 1100 Walkers Line, Suite 401 in Burlington, Ontario.

1. Basis of presentation:

a) Statement of compliance:

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Under International Financial Reporting Standards ("IFRS"), additional disclosures are required in the annual financial statements and therefore, these unaudited interim condensed consolidated financial statements and accompanying notes should be read in conjunction with the notes to Element's audited consolidated financial statements for the year ended December 31, 2019 and nine month period ended December 31, 2018.

These unaudited interim condensed consolidated financial statements have been prepared using consistent accounting policies and methods used in the preparation of Element's annual audited consolidated financial statements, with the exception of the significant accounting policy described below.

1. Basis of presentation (continued):

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on January ●, 2021.

Update to significant accounting policies:

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded within the consolidated statements of loss and comprehensive loss as a reduction to the related item that the grant is intended to offset, in the period in which eligible expenses were incurred or when the services have been performed.

Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for an acquisition is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

The excess of the consideration transferred and the acquisition date fair value of the identifiable net assets acquired is recorded as goodwill. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they are adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

b) Basis of measurement:

These unaudited interim condensed consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries, Element Nutrition Inc., Jaktrx Inc., Element Nutrition Ltd., and Hammock Pharmaceuticals, Inc.

All intercompany balances and transactions have been eliminated upon consolidation.

c) Functional and presentation currency:

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. The functional currency for the Company, Element Nutrition Inc. and Jaktrx Inc. is Canadian dollars and the functional currency for Element Nutrition Ltd. and Hammock Pharmaceuticals, Inc. is U.S. dollars. Foreign currency differences are recognized in other comprehensive income (loss) in the cumulative translation account within accumulated other comprehensive income.

1. Basis of presentation (continued):

d) Use of estimates and judgments:

The preparation of the accompanying unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates. In preparing these unaudited interim condensed consolidated financial statements, significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2019, except for the following new areas of judgment and estimation used in applying the Company's accounting policies:

(i) Notes 3 and 4 – reverse takeover transaction and business combination: determination of the accounting acquirer, determination of whether the acquired entity is a business, fair value of the consideration transferred and fair value of the identifiable assets and liabilities assumed, measured on a provisional basis for the business combination; and

(ii) Note 5 – impairment test of intangible assets: key assumptions underlying recoverable amount

2. Going concern:

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficiency and a shareholders' deficiency as at September 30, 2020. In addition, the Company has experienced negative cash outflows from operations in 2019 and for the nine months ended September 30, 2020. While the Company has experienced an increase in the number of locations in which its products are sold, the Company is dependent on additional sources of liquidity to discharge its current liabilities and finance continued growth and operations. While the Company has secured additional sources of liquidity as described in note 10, the Company's ability to continue as a going concern and manage any risks associated with the response to COVID-19 pandemic as described in note 14 is dependent upon raising additional capital and sources of liquidity. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These unaudited interim condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position and classifications used, which may be material.

3. RTO Transaction:

On August 31, 2020, the Company (PJ1 Capital at the time) acquired all of the issued and outstanding shares of Element by way of the RTO Transaction, pursuant to a share exchange agreement, whereby all of the issued and outstanding shares of Element (28,870,602) were exchanged for 24,375,000 common shares of PJ1 Capital.

In the RTO Transaction, although legally PJ1 Capital is the parent of Element, Element is deemed to be the accounting acquirer and PJ1 Capital is deemed to be the acquiree for accounting purposes. Upon completion of the RTO Transaction, the former shareholders of Element have become the controlling shareholders of PJ1 Capital. As Element is deemed to be the acquirer in the RTO Transaction, the assets and liabilities of Element have been accounted for at cost, and PJ1 Capital's assets and liabilities have been accounted for at fair value on acquisition at August 31, 2020. Since PJ1 Capital's operations did not constitute a business prior to August 31, 2020, the transaction has been accounted for as an asset acquisition that is not a business combination. Therefore, PJ1 Capital's share capital, reserves and deficit at the time of the RTO Transaction have been eliminated and the RTO Transaction costs have been expensed. The capital structure recognized in the interim condensed consolidated balance sheet is that of the Company, but the dollar amount of the issued share capital prior to the RTO Transaction will be that of Element, including the value of shares issued prior to the RTO Transaction.

In the accounting for the reverse takeover, the RTO Transaction consideration was determined by reference to the fair value of equity the legal subsidiary, being Element, would have issued to the legal parent entity, being PJ1 Capital, for the shareholders of PJ1 Capital to obtain the same percentage ownership interest of approximately 41% in the combined entity. The fair value of the issued equity was determined based on the most reliable and observable fair value measures being the value of shares and warrants the legal parent had outstanding at the time of the RTO Transaction (22,233,162 common shares and 550,000 special warrants) and a market price per share from a recent transaction between third party market participants ($0.15/share).

The excess of the fair value of the RTO Transaction consideration to PJ1 Capital over the fair value of the assets and liabilities of PJ1 Capital acquired by Element at August 31, 2020 is as follows:

Fair value of consideration given up:		
22,233,162 shares at $0.15/share	$	3,334,974
550,000 special warrants at $0.15/share		82,500
		3,417,474
Fair value of net assets acquired:		
Cash		1,479,183
Loan receivable		250,000
Amounts receivable		9,855
Accounts payable and accrued liabilities		(6,921)
Net assets acquired		1,732,117
Excess of RTO Transaction consideration over net assets acquired	$	1,685,357

3. RTO Transaction (continued):

The $1,685,356 excess of the RTO Transaction consideration over the net assets assumed and the RTO Transaction costs and costs associated with the Hammock acquisition (note 4) of approximately $299,500 (including a finder's fee settled through the issuance of common shares (note 10)) have been expensed in the statement of loss and comprehensive loss during the period ended September 30, 2020.

4. Business combination:

Acquisition of Hammock Pharmaceuticals, Inc.

On August 31, 2020, the Company and Hammock entered into an Agreement and Plan of Merger (the "Agreement") to acquire all of the issued and outstanding shares of Hammock consisting of 1,959,315 common shares (including 36,358 restricted shares) and 7,415,685 common shares to be issued to the holders of the convertible notes of Hammock immediately prior to the execution of the Agreement.

The consideration for the acquisition and measurement of the assets acquired and liabilities assumed in accordance with IFRS 3 is as follows:

Fair value of consideration:		
9,375,000 shares of the Company at $0.15/share	$	1,406,250
Recognized amounts of identifiable net assets:		
Cash		128,479
Amounts receivable		3,377
Prepaid expenses		14,498
Right of use assets		119,820
Leasehold improvements		6,125
Total identifiable assets acquired excluding intangible assets		272,299
Accounts payable and accrued liabilities		(630,596)
Government loans		(260,929)
Lease liabilities		(125,960)
Total liabilities assumed		(1,017,485)
Net identifiable liabilities assumed excluding intangible assets		(745,186)
License intangible assets acquired	$	**2,151,436**

The fair values of the net assets acquired, including the license intangible assets, have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

The intangible asset acquired relates to an indefinite life licensing agreement to distribute a therapeutic product in the United States and Canada. Subsequent to the acquisition, the licensing agreement was terminated resulting in impairment as detailed in note 5.

4. Business combination (continued):

The Company satisfied the purchase price by issuing 9,375,000 common shares.

5. Intangible asset:

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. If any such indication exists, then the intangible asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

An indefinite life intangible asset was recognized on August 31, 2020 through the acquisition of Hammock (note 4). The indefinite life intangible asset relates to a licensing agreement to distribute a therapeutic product in the United States and Canada. The licensing agreement was entered into by Hammock on August 15, 2019 and requires licensing fees that reset on an annual basis.

Subsequent to the acquisition and prior to September 30, 2020, the Company re-evaluated the licensing agreement and decided to take steps to terminate the agreement.

As a result of the decision to terminate the licensing agreement, an indication of impairment was determined to be present at September 30, 2020 and the license intangible asset was tested for impairment. The Company determined the recoverable amount of nil and an impairment loss in the amount of $2,180,807 was recognized in the consolidated statements of loss and comprehensive loss.

6. Bank demand loan:

The Company maintains a demand loan with RBC with an interest rate of prime + 1.61% (4.06%) and a limit of $500,000. The amount outstanding as at September 30, 2020 was $500,000. The demand loan is secured by a general security agreement.

7. Accounts payable and accrued liabilities:

	September 30, 2020	December 31, 2019
Trade payables	$ 929,968	$ 114,339
Accrued liabilities	338,231	288,162
Customer deposits	16,500	16,500
	$ 1,284,699	$ 419,001

8. Notes payable:

As consideration for the acquisition of Jaktrx Inc. by Element on March 2, 2018, Element issued unsecured, non-interest bearing notes payable to the four vendors in the aggregate amount of $500,000 subject to working capital adjustments. After consideration of the working capital adjustments of $163,725, the net amount owing to the four vendors amount to $336,275. These notes are all repayable in part or in full at any time and are due on-demand following the earlier of the completion of a capital raise of a sufficient magnitude and March 1, 2020. This balance is outstanding at the date of this report and has been classified as a current liability.

Through the acquisition of Jaktrx Inc., Element assumed a note payable of $59,997 to a previous shareholder of Jaktrx Inc. who became a shareholder of Element. This note is unsecured, non-interest bearing with no specific terms of repayment.

On August 21, 2020, a promissory note of $100,000 was issued to a former shareholder of Element to buy back and cancel 200,000 class B common shares held by the shareholder with a cost of $2. The promissory note is interest free and will be repaid in 20 monthly instalments of $5,000 commencing October 1, 2020. The first scheduled payment was paid early in September 2020. The long-term portion of the note of $40,000 is recorded in non-current liabilities.

9. Working capital loan:

On July 3, 2019, Element entered into an agreement with Gourmet Growth LLC. The unsecured loan amount outstanding at December 31, 2019 was $135,351 bearing interest at 2% monthly. There was a one-time transaction fee in the amount of $1,340. This loan was paid back in full on May 19, 2020.

10. Share capital:

The following table provides a breakdown of the authorized and issued share capital and warrants of the Company at September 30, 2020:

	September 30, 2020
Authorized:	
Unlimited number common shares, voting	
Unlimited number of special warrants	
Issued and outstanding:	
56,383,162 common shares	$ 10,843,135
550,000 special warrants	82,500
	$ 10,925,635

10. Share capital (continued):

Share transactions of the Company are detailed as follows:

(i) PJ1 Capital issued 335,000 special warrants on June 25, 2018. An additional 215,000 special warrants were issued on July 9, 2020. The special warrants converted to common shares of the Company on November 9, 2020. The warrants are recorded at their estimated fair value which is based on $0.15/share at August 31, 2020.

(ii) All shareholders of Element Nutrition Inc., pursuant to a share exchange agreement effective August 31, 2020, exchanged all of the issued and outstanding shares to Element Nutritional Sciences Inc. (see note 3). Consideration received was the issuance of 24,375,000 common shares in shares of the Company to the former shareholders of Element Nutrition Inc.

(iii) On August 31, 2020, the Company acquired all of the issued and outstanding shares of Hammock Pharmaceuticals, Inc. in consideration for the issuance of 9,375,000 common shares of the Company (see note 4).

(iv) The Company issued 400,000 common shares as a finder's fee related to the Element Nutrition Inc. share exchange and the Hammock Pharmaceuticals, Inc. acquisition. The shares were recorded at the fair value on August 31, 2020 of $0.15/share.

The Company has 24,000,000 management performance warrants reserved for issuance in connection with the Element share exchange agreement and Hammock merger and share exchange agreement. Each management performance warrant has a term of five years from the date of issue and entitles its holder to acquire one common share at an exercise price of $0.25 per share. The management performance warrants were issued on January 18, 2021 (note 16(d)).

Upon issuance, the management performance warrants are exercisable based on the following criteria:

(a) 7,200,000 management performance warrants shall become exercisable upon the Company reaching $10,000,000 in revenue and a positive net profit for a financial year;
(b) 8,400,000 management performance warrants shall become exercisable upon the Company reaching $25,000,000 in revenue and $2,500,000 in EBITDA for a financial year; and
(c) 8,400,000 management performance warrants shall become exercisable upon the Company reaching $50,000,000 in revenue and $5,000,000 in EBITDA for a financial year.

The share exchange agreements contain voluntary lock-up provisions that apply to the former shareholders of Element Nutrition Inc.

10. Share capital (continued):

The following table provides a continuity of the share capital and warrants as presented in these financial statements:

	Number of shares and warrants	Value
Share capital at December 31, 2019:		
Other financial liabilities:		
85 class A special shares	85	$ 85
15 class B special shares	15	15
	100	100
Equity:		
4,340,835 class B common shares	4,340,835	20
9,500,000 class C common shares	9,500,000	95
1 class D special share	1	1
3,313,000 series A preferred shares	3,313,000	3,313,000
	17,153,836	3,313,116
Total at December 31, 2019	17,153,936	3,313,216
666,666 class B common shares issued	666,666	1
200,000 class B common shares redeemed (note 8)	(200,000)	(2)
11,250,000 class A common shares issued to satisfy related party debt (note 13)	11,250,000	2,728,696
Share capital prior to RTO Transaction	28,870,602	6,041,911
RTO Transaction (note 3 and (ii))	(28,870,602)	–
	–	6,041,911
Shares and warrants of PJ1 Capital pre-RTO transaction:		
Common shares	22,233,162	–
Special warrants (i)	550,000	–
	22,783,162	–
Shares issued to Element in RTO Transaction (ii)	24,375,000	3,417,474
Shares issued to Hammock (iii)	9,375,000	1,406,250
Transaction costs – finder's fee (vi)	400,000	60,000
	34,150,000	4,883,724
Share capital and warrants at September 30, 2020	56,933,162	$ 10,925,635

Total share capital at September 30, 2020 is comprised of 56,383,162 common shares. Warrants at September 30, 2020 is comprised of 550,000 special warrants. The special warrants are recorded at their fair value of $82,500 as reflected in the fair value consideration exchanged in the RTO Transaction.

The special warrants were excluded from the diluted weighted average number of ordinary shares for the dilutive earnings per share calculation because their effect would have been anti-dilutive.

11. Segmented information:

The operations of the Company include activity in Canada and the United States. The Company is organized into one operating segment. For the operating segment, the Company's Chief Operating Decision Maker ("CODM") reviews internal management reports, evaluating the metrics as summarized in the table below.

	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019	Nine months ended Sept 30, 2020	Nine months ended Sept 30, 2019
Revenue on sale of goods	$ 182,460	$ 713,649	$ 661,309	$ 1,343,128
Gross profit	41,207	379,210	236,268	696,545

Sales revenue by geographical location is comprised of:

	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019	Nine months ended Sept 30, 2020	Nine months ended Sept 30, 2019
Canada	$ 95,649	$ 73,475	$ 321,561	$ 341,848
United States	86,811	640,174	339,748	1,001,280
	$ 182,460	$ 713,649	$ 661,309	$ 1,343,128

12. Income taxes:

(i) The Company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019	Nine months ended Sept 30, 2020	Nine months ended Sept 30, 2019
Loss before income taxes	$ (4,578,876)	$ (108,258)	$ (5,146,134)	$ (848,155)
Expected income tax expense at the combined tax rate of 26.5%	(1,213,402)	(28,688)	(1,363,726)	(224,761)
Increase (decrease) in income tax expense resulting from:				
Non-taxable income or non-deductible expense	476,924	2,284	482,850	12,288
Change in deferred tax assets not recognized	716,405	24,201	847,475	184,363
Impact of varying tax rates in subsidiary jurisdictions	20,073	2,837	33,838	30,570
Other	–	(634)	(437)	(2,460)
Income tax expense	$ –	$ –	$ –	$ –

(ii) Unrecognized deferred tax assets:

	September 30, 2020	December 31, 2019
Deferred tax assets:		
Non-capital loss carryforwards	$ 2,242,519	$ 1,469,052
Deferred financing fees	2,006	7,512
Property, plant and equipment	15,661	12,403
Other	11,011	18,108
	2,271,197	1,507,075
Less unrecognized deferred tax assets	(2,271,197)	(1,507,075)
Deferred tax assets	$ –	$ –

a) As at September 30, 2020, the Company had net operating loss carryforwards for income tax purposes of $113,380 (June 30, 2020 - $5,600), which are available to offset future years' taxable income. No deferred tax asset has been recognized in respect of these losses. The loss carryforwards will expire between 2039 and 2040.

12. Income taxes (continued):

b) At September 30, 2020, Element Nutrition Inc., Jaktrx Inc. and Element Nutrition Limited have net operating loss carryforwards for income tax purposes of $5,028,983, $446,106 and $1,195,132, respectively (December 31, 2019 - $4,807,517, $256,379 and $605,333 respectively), which are available to offset future years' taxable income. The net operating loss carryforwards of Element Nutrition Inc. will expire between 2034 and 2039, and the net operating loss carryforwards of Jaktrx Inc. will expire between 2037 and 2039. The net operating losses of Element Nutrition Limited are not expected to expire and can be carried forward indefinitely. No deferred tax asset has been recognized in respect of these losses.

c) At September 30, 2020, Hammock Pharmaceuticals, Inc. had net operating loss carryforwards for income tax purposes of $2,431,413 (December 31, 2019 - $1,638,336) which are available to offset future years' taxable income. Of the total net operating losses, $660,258 will expire between 2036 and 2038, and $1,771,155 can be carried forward indefinitely. No deferred tax asset has been recognized in respect of these losses.

13. Related party transactions:

The following balances relate to loans from a shareholder (CEO and Director) and are unsecured, non-interest bearing and are due on demand.

	September 30, 2020	December 31, 2019
Loans from shareholder	$ -	$ 2,767,563

Prior to the RTO Transaction (note 3), the shareholder loan outstanding of $2,728,696 was exchanged for 11,250,000 class A common shares of the Company.

Transactions with the shareholder (CEO and Director) recorded through the due to shareholder account and loans from shareholder are measured at the exchange amount which is the amount agreed to with the related parties.

Key management personnel:

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's Chief Executive Officer. During the three and nine-months ended September 30, 2020, the Company recorded $25,000 and $87,500 respectively (three and nine-months ended September 30, 2019 - $37,500 and $93,750 respectively) related to key management personnel salaries and benefits.

14. COVID-19 Pandemic:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally including Canada and the United States of America resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. As at the date of the financial statements, the Company has extended its payments terms with suppliers to assist in managing cashflow.

Element received government subsidies comprised of the Canada Emergency Wage Subsidy for the periods from April to September 2020 amounting to $34,659. The government assistance has been recorded against salaries and wages expense during the period ended September 30, 2020.

In addition, Element received the Canada Emergency Business Account ("CEBA") loan amounting to $40,000 during the period ending September 30, 2020. The CEBA program provided the Company with an interest free loan, which if repaid prior to December 31, 2022, will result in forgiveness of 25% of the loan. The government assistance received from the program has been recorded against general and administrative expenses during the period ended September 30, 2020.

Prior to the acquisition, in May 2020, Hammock applied for and received a loan under the Paycheck Protection Program ("PPP") in the amount of US $78,200. The receipt of the loan and any subsequent forgiveness is based on future adherence to the forgiveness criteria. The final details for forgiveness of the loan are still being developed by the Small Business Administration ("SBA") and the amount of any possible forgiveness cannot be measured. The PPP loan bears interest at 1% per annum and if not forgiven, has a maturity date of May 6, 2022.

Prior to the acquisition, in May 2020, Hammock also applied for and received an Economic Injury Disaster Loans program ("EIDL") loan from the SBA in the amount of US $120,200. The EIDL loan has a term of 30 years and bears interest at a rate of 3.75% per annum. The first instalment, including principal and interest will be payable on May 4, 2021, with the balance of principal and interest payable monthly at a rate of US $586 per month.

The acquisition of Hammock triggered an event of default for both US loans and the loans are considered due on demand. As a result, both loans are recorded as current liabilities at September 30, 2020.

15. Fair values of financial instruments:

The Company's financial instruments consist of cash, amounts receivable, bank demand loan, accounts payable and accrued liabilities, notes payable and government loans. The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value due to the short-term and demand nature of the instruments.

16. Subsequent events:

a) On August 31, 2020, the Company entered into an underwriting agreement to file a prospectus for the purposes of completing an initial public offering. Pursuant to a concurrent private placement completed on January 18, 2021, the Company issued an aggregate of 22,080,000 subscription receipts at a price of $0.25 each to raise aggregate gross proceeds of $5,520,000. The gross proceeds will be placed into escrow. Upon conversion of the subscription receipts, and without additional payment therefor, the Company will issue 22,080,000 common shares which are being qualified under the prospectus. In the event this does not occur on or prior to the subscription receipt deadline, which is the date that is four months following the initial closing date of the concurrent private placement, the escrowed funds will be returned to the subscribers, the subscription receipts will be cancelled, and no party shall have any further obligations thereunder.

   As part of the concurrent private placement, the Company entered into a finder's agreement with Canaccord Genuity Corp. Under the terms of the finder's agreement, the Company will pay a finder's fee of $426,360 and issue 1,705,440 broker warrants exercisable for 1,705,440 common shares at a price of $0.25/share for a period of two years from the date of closing.

b) On December 22, 2020, the Company issued 500,000 options to certain employees and officers of the Company to purchase common shares of the Company. On January 18, 2021, the Company issued 1,300,000 options to the President and Chief Executive Officer to purchase common shares of the Company. All options vested immediately at the date of issuance and have an exercise price of $0.25/share and expire five years form the date of issuance.

c) On January 15, 2021, the Company issued 1,417,500 common shares as a severance payment to a former employee.

d) On January 18, 2021, the Company issued 24,000,000 management performance warrants to the President and Chief Executive Officer in connection with the Element share exchange agreement (note 10).

Schedule "F"

Consolidated Financial Statements of

ELEMENT NUTRITION INC.

And Independent Auditors' Report thereon

Year ended December 31, 2019 and the nine-months
ended December 31, 2018

ELEMENT NUTRITION INC.

Consolidated Financial Statements

Year ended December 31, 2019 and the nine-month period ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Element Nutritional Sciences Inc.

We have audited the consolidated financial statements of Element Nutrition Inc. (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2019, December 31, 2018 and April 1, 2018
- the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019 and the nine-month period ended December 31, 2018
- the consolidated statement of changes in shareholders' deficiency for the year ended December 31, 2019 and the nine-month period ended December 31, 2018
- the consolidated statement of cash flows for the year ended December 31, 2019 and the nine-month period ended December 31, 2018
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph for the nine-month period ended December 31, 2018 and as at April 1, 2018, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and April 1, 2018 and its consolidated financial performance and its consolidated cash flows for the nine-month period ended December 31, 2018 in accordance with International Financial Reporting Standards.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion including Basis for Qualified Opinion for the nine-month period ended December 31, 2018 and as at April 1, 2018

We were not able to satisfy ourselves concerning inventory quantities held at April 1, 2018, either by observing the counting of the physical inventory or through alternative means. Accordingly, we were unable to determine whether adjustments might have been necessary in respect of the inventory reported in the consolidated balance sheet and the related note disclosure as at April 1, 2018.

Furthermore, since inventory quantities held at April 1, 2018 represent the opening inventory quantities for the period ending ended December 31, 2018, and such opening inventory enters into the determination of consolidated financial performance and consolidated cash flows, we were also unable to determine whether adjustments might have been necessary in respect of the cost of sales and net loss reported in the consolidated statements of loss and comprehensive loss and changes in shareholders' deficiency and the components of cash flows from operating activities reported in the consolidated statement of cash flows for the period ended December 31, 2018.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work that we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

January ●, 2021

ELEMENT NUTRITION INC.

Consolidated Balance Sheets

December 31, 2019, December 31, 2018 and April 1, 2018

	December 31, 2019	December 31, 2018	April 1, 2018
Assets			
Current assets:			
Cash	$ 104,829	$ 112,104	$ 43,266
Amounts receivable (note 4)	279,200	127,930	93,741
Prepaid expenses	120,559	57,985	18,563
Inventories (note 5)	295,061	101,308	143,860
	799,649	399,327	299,430
Non-current assets:			
Property, plant and equipment (note 6)	69,976	63,168	76,762
Right of use asset (note 12)	113,790	250,558	361,665
Goodwill (note 7)	–	–	377,156
Total assets	$ 983,415	$ 713,053	$ 1,115,013
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities	$ 419,001	$ 272,157	$ 337,899
Due to shareholder (note 14)	–	132,976	123,328
Notes payable (note 8)	396,272	396,272	396,272
Working capital loan (note 9)	135,351	–	–
Current portion of lease obligation (note 12)	112,315	144,616	112,315
Other financial liabilities (note 10)	100	100	100
Shareholder loans (note 14)	2,767,563	2,680,000	2,568,000
	3,830,602	3,626,121	3,537,914
Non-current liabilities:			
Long-term portion of lease obligation (note 12)	–	112,315	249,350
Total liabilities	3,830,602	3,738,436	3,787,264
Shareholders' deficiency:			
Share capital (note 10)	3,313,116	1,638,116	580,101
Deficit	(6,160,303)	(4,663,499)	(3,252,352)
Total shareholders' deficiency	(2,847,187)	(3,025,383)	(2,672,251)
Going concern (note 3)			
Subsequent events (notes 9 and 17)			
Total liabilities and shareholders' deficiency	$ 983,415	$ 713,053	$ 1,115,013

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board on January ●, 2021:

________________________ Director   ________________________ Director

ELEMENT NUTRITION INC.

Consolidated Statements of Loss and Comprehensive Loss

Year ended December 31, 2019 and the nine-months ended December 31, 2018

	Year ended December 31, 2019	Nine–months ended December 31, 2018
Revenue from sale of goods (note 12)	$ 1,674,332	$ 278,774
Cost of sales	889,020	228,877
	785,312	49,897
Operating expenses:		
Salaries and wages	792,446	472,821
Advertising and marketing	673,795	186,959
General and administrative	396,139	214,741
Depreciation	154,339	115,940
Professional fees	157,652	81,049
Product development	42,584	12,170
Goodwill impairment (note 7)	–	377,156
	2,216,955	1,460,836
Operating loss	(1,431,643)	(1,410,939)
Other income (loss) and (expenses):		
Finance costs:		
Interest expense	(33,293)	(9,082)
Foreign exchange (loss) gain	(18,649)	273
Bank charges	(13,261)	(1,394)
Other income	42	9,995
	(65,161)	(208)
Loss before income taxes	(1,496,804)	(1,411,147)
Income tax expense (note 11)	–	–
Net loss and comprehensive loss	$ (1,496,804)	$ (1,411,147)
Basic and diluted loss per common share	$ (0.13)	$ (0.11)
Weighted average number of common shares outstanding	13,840,835	13,840,835

See accompanying notes to consolidated financial statements.

ELEMENT NUTRITION INC.

Consolidated Statements of Changes in Shareholders' Deficiency

Year ended December 31, 2019 and the nine-months ended December 31, 2018

	Share capital	Accumulated deficit	Total equity (deficit)
Balance, January 1, 2019	$ 1,638,116	$ (4,663,499)	$ (3,025,383)
Shares issued (note 10)	1,675,000	–	1,675,000
Net loss and comprehensive loss for the year	–	(1,496,804)	(1,496,804)
Balance, December 31, 2019	$ 3,313,116	$ (6,160,303)	$ (2,847,187)

	Share capital	Accumulated deficit	Total equity (deficit)
Balance, April 1, 2018	$ 580,101	$ (3,252,352)	$ (2,672,251)
Shares issued (note 10)	1,058,015	–	1,058,015
Net loss and comprehensive loss for the period	–	(1,411,147)	(1,411,147)
Balance, December 31, 2018	$ 1,638,116	$ (4,663,499)	$ (3,025,383)

See accompanying notes to consolidated financial statements.

ELEMENT NUTRITION INC.
Consolidated Statements of Cash Flows

Year ended December 31, 2019 and nine-months ended December 31, 2018

	Year ended December 31, 2019	Nine–months ended December 31, 2018
Cash provided by (used in):		
Operating activities:		
Net loss and comprehensive loss	$ (1,496,804)	$ (1,411,147)
Items not involving cash:		
Goodwill impairment	–	377,156
Depreciation of property, plant and equipment	17,571	13,095
Depreciation of right of use asset	136,768	102,845
Loss on disposal of property, plant, and equipment	–	1,580
	(1,342,465)	(916,471)
Changes in non-cash operating working capital:		
Increase in amounts receivable	(151,270)	(34,189)
Increase in prepaid expenses	(62,574)	(39,422)
(Increase) decrease in inventories	(193,753)	42,552
Increase (decrease) in accounts payable and accrued liabilities	146,844	(65,742)
Cash used in operating activities	(1,603,218)	(1,013,272)
Financing activities:		
Proceeds from shareholder loan	87,563	112,000
Proceeds from issuance of preferred shares	1,675,000	1,058,000
Proceeds from issuance of class B common shares	–	15
Proceeds from working capital loan	135,351	–
(Repayments to) proceeds from shareholder	(132,976)	9,648
Principal repayments of lease liabilities	(144,616)	(96,472)
Cash provided by financing activities	1,620,322	1,083,191
Investing activity:		
Purchase of property, plant and equipment	(24,379)	(1,081)
Net (decrease) increase in cash	(7,275)	68,838
Cash, beginning of period	112,104	43,266
Cash, end of period	$ 104,829	$ 112,104

See accompanying notes to consolidated financial statements.

Element Nutrition Inc. (the "Company") was incorporated under the laws of the province of Ontario on July 11, 2014. The Company sells nutritional supplements in the form of powders and bars under various brands. The Company has completed the development and has begun the commercialization of its flagship brand Rejuvenate. During the period ended December 31, 2018, the Company changed its year end from March 31st to December 31st.

The head office is located at 1100 Walkers Line, Suite 401 in Burlington, Ontario.

1. Basis of presentation

a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. These are the Company's first consolidated financial statements reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS* ("IFRS 1") has been applied. The Company has never presented financial statements as at April 1, 2018 and therefore an opening balance sheet as at April 1, 2018 has been presented. Since the Company did not previously prepare consolidated financial statements, the Company is not required to present reconciliations as per IFRS 1.

As part of the adoption of IFRS 1, the Company has applied IFRS 9, *Financial instruments*, IFRS 15, *Revenue from customers* and IFRS 16, *Leases* in accordance with the transitional provisions of IFRS 1.

These consolidated financial statements were authorized for issue by the Board of Directors on January ●, 2021.

b) Basis of measurement:

These consolidated financial statements have been prepared on a going concern basis under the historical cost method. Significant accounting policies are presented in note 2 to these consolidated financial statements and have been consistently applied in each of the periods presented.

c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries, Jaktrx Inc., which was incorporated on June 17, 2014 and acquired by the Company on March 2, 2018, and Element Nutrition Ltd. which was incorporated on December 3, 2018 in the state of Nevada. The Company controls an entity when it has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company consolidates subsidiaries from the date control is obtained and ceases to consolidate a subsidiary on the date control is lost.

All intercompany balances and transactions have been eliminated upon consolidation.

1. Basis of presentation (continued):

d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency for the Canadian operations is Canadian dollars and the functional currency for the U.S. operation is U.S. dollars.

e) Use of estimates and judgments:

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses.

The estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period relate to:

i. Estimating the Company's incremental borrowing rate in connection with measuring lease liabilities involves judgment when the interest rate implicit in a lease is not readily determinable; and

ii. Determining estimates and assumptions in measuring deferred tax assets and liabilities. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. Changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

2. Significant accounting policies:

(a) Revenue recognition:

Revenue from the sale of goods is measured based on the consideration specified in a contract with a customer and the Company recognizes revenue when it transfers control over goods or services to a customer. Revenue is recognized when goods are shipped/delivered or services provided and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the related receivable is probable, persuasive evidence of an arrangement exists, the associated costs and possible return of goods can be estimated reliably and the sales price is fixed or determinable. Amounts received for future services are deferred until the service is provided.

2. Significant accounting policies (continued):

(b) Inventories:

Inventories held for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Included in the cost of inventories are costs of purchase, plus other costs, such as transportation, royalties and duty, that are directly incurred to bring inventories to their present location and condition. Cost is determined using the weighted average cost method, based on individual products.

(c) Property, plant and equipment:

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated based on the assets' estimated useful life using either the declining balance or straight-line method at the following years/rates:

Asset	Basis	Years/Rates
Office furniture and equipment	Straight-line	20%
Computer equipment	Declining balance	30%
Dies and plates	Straight-line	2 years
Leasehold improvements	Straight-line	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if necessary.

(d) Research and development:

Expenditures on research activities are expensed as incurred. Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, development expenditures are recognized in profit or loss as incurred.

(e) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company’s cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized.

2. Significant accounting policies (continued):

(f) Impairment of non-financial assets:

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, including property, plant and equipment, and goodwill, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated undiscounted future cash flows expected to be generated, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. If the carrying amount of the asset or cash generating unit exceeds its value in use, an impairment charge is recognized. Impairment losses are recognized in profit or loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying value of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined or amortized, if no impairment loss had been initially recognized.

Non-financial assets, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The carrying amount of an intangible asset whose life is determined to be indefinite is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. Impairment losses are not subsequently reversed.

(g) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss unless it relates to items recognized in correlation to an underlying transaction in either Other Comprehensive Income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, within their respective expiry periods.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed as at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted as at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(h) Financial instruments:

Financial assets

Amounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

The Company's financial assets are comprised of cash and amounts receivable. On initial recognition, the Company classifies these financial assets as loans and receivables and measured at amortized cost, when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

For amounts receivable, the Company applies a simplified approach in calculating expected credit losses (“ECLs”). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial liabilities

The Company’s financial liabilities include accounts payable and accrued liabilities, notes payable, working capital loan, other financial liabilities, due to shareholder and shareholder loans. Financial liabilities are initially measured at fair value less any transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company’s redeemable Class A and Class B special shares are classified as financial liabilities, because they are redeemable in cash by the holders. Non-redeemable shares are classified as equity, because they do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of equity instruments.

Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset of financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss – expensed to net income as incurred;
- Financial assets or liabilities recorded at amortized cost – included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income – included in the initial cost of the underlying asset.

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership are transferred or the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(i) Foreign currency transactions:

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary items denominated in a foreign currency and non-monetary items measured at fair value are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Foreign currency differences are recognized profit or loss and presented within finance costs.

Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The revenue and expenses of foreign operations are translated into the presentation currency at the exchange rates at the date of the transactions.

2. Significant accounting policies (continued):

(j) Leases:

At the inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represents substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For arrangements in which the Company is a lessee:

The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined by the estimated lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

2. Significant accounting policies (continued):

(j) Leases (continued):

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Segmented information:

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(l) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the impact of cumulative dividends on the series A preferred shares. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period, adjusted for the impact of cumulative dividends on the series A preferred shares and after giving effect to potentially dilutive financial instruments.

3. Going concern:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficiency and a shareholders' deficiency as at December 31, 2019, December 31, 2018 and April 1, 2018. In addition, the Company has experienced negative cash outflows from operations in 2018 and 2019. While the Company has experienced an increase in sales from fiscal 2018 to fiscal 2019 and has increased the number of locations in which its products are sold, the Company is dependent on additional sources of liquidity to discharge its current liabilities and finance continued growth and operations. While the Company has secured additional sources of liquidity as described in note 17, the Company's ability to continue as a going concern and manage any risks associated with the response to COVID-19 pandemic as described in note 17 is dependent upon raising additional capital and sources of liquidity. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the balance sheet of financial position and classifications used, which may be material.

4. Amounts receivable:

	December 31, 2019	December 31, 2018	April 1, 2018
Trade receivables	$ 199,815	$ 56,735	$ 66,451
HST receivable	79,385	71,195	27,290
	$ 279,200	$ 127,930	$ 93,741

5. Inventories:

		December 31, 2019		December 31, 2018		April 1, 2018
Finished goods	$	277,852	$	83,910	$	137,690
Packaging		17,209		14,371		488
Other		–		3,027		5,682
	$	295,061	$	101,308	$	143,860

The amount of inventory included in cost of sales was $637,859 in the current year (2018 - $148,426). For the year ended December 31, 2019 an amount of $14,805 (2018 - $19,533) was recorded as a write down from cost to net realizable value and included in cost of sales.

6. Property, plant and equipment:

Reconciliation of the net carrying amounts for each class of property, plant and equipment is summarized below:

		Office furniture and equipment		Computer equipment		Dies and plates		Leasehold improvements		Total
Cost										
April 1, 2018	$	112,846	$	44,270	$	13,974	$	2,600	$	173,690
Additions		–		1,081		–		–		1,081
Dispositions		(2,195)		(357)		–		–		(2,552)
December 31, 2018	$	110,651	$	44,994	$	13,974	$	2,600	$	172,219
Additions		2,627		9,707		–		12,045		24,379
December 31, 2019	$	113,278	$	54,701	$	13,974	$	14,645	$	196,598
Accumulated depreciation										
April 1, 2018	$	50,444	$	31,210	$	13,974	$	1,300	$	96,928
Depreciation for the period		9,600		3,095		–		400		13,095
Dispositions		(615)		(357)		–		–		(972)
December 31, 2018	$	59,429	$	33,948	$	13,974	$	1,700	$	109,051
Depreciation for the year		10,639		5,207		–		1,725		17,571
December 31, 2019	$	70,068	$	39,155	$	13,974	$	3,425	$	126,622
Net carrying amounts										
At April 1, 2018	$	62,402	$	13,060	$	–	$	1,300	$	76,762
At December 31, 2018		51,222		11,046		–		900		63,168
At December 31, 2019		43,210		15,546		–		11,220		69,976

7. Goodwill:

The Company's balance sheet at April 1, 2018 reflects goodwill arising from a past business combination. No intangible assets other than goodwill were identified in the business combination.

As at December 31, 2018, the Company performed its annual goodwill impairment test. The Company assesses goodwill at the cash generating unit level, which is the lowest level within the Company at which the goodwill is monitored for internal management purposes. The results as at December 31, 2018 determined that the recoverable amount of Jaktrx Inc. exceeded the carrying amount. The recoverable amount of Jaktrx Inc. was determined using the value in use approach based on discounted future cash flows. The Company recorded a goodwill impairment charge of $377,156 as at December 31, 2018.

8. Notes payable:

As consideration for the acquisition of Jaktrx Inc. on March 2, 2018, the Company issued unsecured, non-interest bearing notes payable to the four vendors in the aggregate amount of $500,000 subject to working capital adjustments. After consideration of the working capital adjustments of $163,725, the net amount owing to the four vendors amounted to $336,275. These notes are all repayable in part or in full at any time and are due on-demand following the earlier of the completion of a capital raise of a sufficient magnitude and March 1, 2020. The notes are outstanding at December 31, 2019 and have been classified as a current liability.

Through the acquisition of Jaktrx Inc., the Company assumed a note payable of $59,997, to a previous shareholder of Jaktrx Inc. who became a shareholder of the Company. This note is unsecured, non-interest bearing with no specific terms of repayment.

9. Working capital loan:

On July 3, 2019, the Company entered into an agreement with Gourmet Growth LLC. The unsecured loan amount outstanding at December 31, 2019 was $135,351 bearing interest at 2% monthly. There was a one-time transaction fee in the amount of $1,340. This loan was repaid in full subsequent to year end on May 19, 2020.

10. Share capital:

	December 31, 2019	December 31, 2018	April 1, 2018
Authorized:			
Unlimited number of class A common shares, voting			
Unlimited number of class A special shares, non-voting, non-cumulative, redeemable and retractable at $1			
Unlimited number of class B common shares, non-voting			
Unlimited number of class B special shares, non-voting, non-cumulative, redeemable and retractable at $1			
Unlimited number of class C common shares, non-voting			
Unlimited number of class D special shares, voting			
Unlimited number of series A preferred shares, non-voting, convertible into 1.25 Class B common shares			
Issued and outstanding:			
Other financial liabilities:			
85 class A special shares	$ 85	$ 85	$ 85
15 class B special shares	15	15	15
	100	100	100
Equity:			
4,340,835 class B common shares	20	20	5
9,500,000 class C common shares	95	95	95
1 class D special share	1	1	1
3,313,000 series A preferred shares	3,313,000	1,638,000	580,000
	$ 3,313,116	$ 1,638,116	$ 580,101

Holders of the series A preferred shares are entitled to receive a cumulative cash dividend equal to 10% of the issue price per share. These cumulative cash dividends are to be paid by the Company quarterly, within 60 days of the end of each quarter, provided that the Company, in the determination of its board of directors, has cash flow sufficient to pay such dividends and such payment would not otherwise contravene the Ontario Business Corporation Act. No dividend payments have been made to date and there are $441,560 (2018 - $137,479) cumulative non-voting preferred share dividends in arrears that have not been declared.

During the year, the Company issued 1,675,000 series A preferred shares at a subscription price of $1 per share. For the nine months ended December 31, 2018 the Company issued 1,058,000 series A preferred shares at a subscription price of $1 per share and 2,076,125 class B common shares for $15.

11. Income taxes:

(i) The Company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

		2019		2018
Net loss before income taxes	$	(1,496,804)	$	(1,411,147)
Expected income tax expense at the combined tax rate of 26.5%	$	(396,653)	$	(373,954)
Increase (decrease) in income tax expense resulting from:				
Non-taxable income or non-deductible expense		17,509		4,359
Deferred tax assets not recognized		339,475		369,595
Impact of varying tax rates in subsidiary jurisdictions		39,669		–
Income tax expense	$	–	$	–

(ii) Unrecognized deferred tax assets:

		2019		2018
Deferred tax assets:				
Non-capital loss carryforwards	$	1,462,628	$	1,145,552
Deferred financing fees		2,609		3,412
Property, plant and equipment		12,403		7,747
Other		25,715		7,169
		1,503,355		1,163,880
Less unrecognized deferred tax assets		(1,503,355)		(1,163,880)
Deferred tax assets	$	–	$	–

(iii) At December 31, 2019, Element Nutrition Inc., Jaktrx Inc. and Element Nutrition Limited have net operating loss carryforwards for income tax purposes of $4,778,744, $261,175 and $605,333, respectively, which are available to offset future years' taxable income. The net operating loss carryforwards of Element Nutrition Inc. will expire between 2034 and 2038, and the net operating loss carryforwards of Jaktrx Inc. will expire between 2037 and 2038. The net operating losses of Element Nutrition Ltd. are not expected to expire and can be carried forward indefinitely. No deferred tax asset has been recognized in respect of these losses.

12. Leases:

The Company leases building space for a term ending in October 2020 at which point the Company will maintain the same payments on a month by month basis in the amount of $12,646. The Company has not entered into any new leases or leases of low-value during the year ended December 31, 2019 and nine-month period ended December 31, 2018.

The Company's lease liabilities are calculated using the Company's incremental borrowing rate based on the specific lease commitment and term. The average incremental borrowing rate for 2019 is 4.0% (2018 - 4%).

(i) Right-of-use assets:

Right of use asset – Facility lease	December 31, 2019	December 31, 2018	April 1, 2018
Opening balance	$ 250,558	$ 361,665	$ 361,665
Less: lease remeasurement loss	–	(8,262)	–
Less: depreciation	(136,768)	(102,845)	–
Ending balance	$ 113,790	$ 250,558	$ 361,665

(ii) Lease liabilities:

Lease liability – Facility	December 31, 2019	December 31, 2018	April 1, 2018
Opening balance	$ 256,931	$ 361,665	$ 361,665
Add: interest expense	7,139	9,082	–
Less: principal repayments	(144,616)	(96,472)	–
Less: interest payments	(7,139)	(9,082)	–
Less: lease remeasurement loss	–	(8,262)	–
Ending balance	$ 112,315	$ 256,931	$ 361,665

(iii) Lease liabilities included in consolidated balance sheets:

	December 31, 2019	December 31, 2018	April 1, 2018
Current	$ 112,315	$ 144,616	$ 112,315
Non-current	–	112,315	249,350
Balance	$ 112,315	$ 256,931	$ 361,665

12. Leases (continued):

(iv) Maturity analysis for leased liabilities – contractual undiscounted cash flows:

	December 31, 2019	December 31, 2018	April 1, 2018
Less than one year	$ 113,816	$ 151,755	$ 105,555
1 to 5 years	–	113,816	265,571
Over 5 years	–	–	–
Total undiscounted lease liabilities	$ 113,816	$ 265,571	$ 371,126

Total cash outflow for leases for 2019 was $151,755 (2018 - $105,555).

13. Segmented information:

The operations of the Company include activity in Canada and the United States. The Company is organized into one operating segment. For the operating segment, the Company's Chief Operating Decision Maker ("CODM") reviews internal management reports, evaluating the metrics as summarized in the table below.

	Year ended December 31, 2019	Nine–months ended December 31, 2018
Revenue on sale of goods	$ 1,674,332	$ 278,774
Gross profit	785,312	49,879

The following disaggregates revenue by primary geographical markets:

	Year ended December 31, 2019	Nine–months ended December 31, 2018
Canada	$ 433,813	$ 278,774
United States	1,240,519	–
	$ 1,674,332	$ 278,774

14. Related party transactions:

The following balances relate to loans from the founder and controlling shareholder and are unsecured, non-interest bearing and are due on demand.

	December 31, 2019	December 31, 2018	April 1, 2018
Shareholder loans	$ 2,767,563	$ 2,680,000	$ 2,568,000
Due to shareholder	–	132,976	123,328

Transactions with the founder and controlling shareholder recorded through the due to shareholder account and shareholder loans account are measured at the exchange amount which is the amount agreed to with the related parties.

Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO. During the year ending December 31, 2019, the Company recorded $118,750 (nine-months ended December 31, 2018 - $112,500) related to key management personnel salaries and benefits.

15. Financial instruments and financial risk management:

Financial risk factors:

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: currency risk, liquidity risk, credit risk, and interest rate risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

(a) Accounting classifications and fair values:

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, notes payable, working capital loan, other financial liabilities, due to shareholder and shareholder loans. The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value due to the short-term and demand nature of the instruments.

(b) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company purchases inventories and incurs operating expenses denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk, however, the Company also has sales in U.S. dollars to reduce the net currency risk. The Company held US$132,956 in cash at December 31, 2019 (December 31, 2018 - US$438).

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company, which is in the commercial development stage of a key product, manages its liquidity risk by monitoring its operating requirements. The Company has experienced losses and the ability to meet its obligations and commitments as they come due is dependent upon raising additional capital and sources of liquidity and on the achievement of profitable operations in the future (note 3).

The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Company's accounts payable and accrued liabilities are due and payable in the short-term and amounted to $419,001 at December 31, 2019 (December 31, 2018 - $272,157, April 1, 2018 - $337,899).

15. Financial instruments and financial risk management (continued):

(d) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Company monitors the credit risk of customers through credit rating reviews. The allowance for doubtful accounts as at December 31, 2019 is nil (December 31, 2018 - nil, April 1, 2018 - nil). The maximum credit risk exposure for all of the Company's current financial assets is the carrying value of those assets.

16. Capital management:

The Company's objectives when managing capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth, by investing in sales, marketing and production development. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board of Directors is responsible for overseeing this process.

The capital structure of the Company consists of loans from its shareholders and components of equity including share capital and accumulated deficit, which as at December 31, 2019 totaled a deficit of ($2,847,187) (deficit of ($3,025,383) at December 31, 2018).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, repurchase shares, or issue debt. Management reviews the capital structure on a regular basis to ensure that objectives are met. The Company is not subject to external restrictions on its shareholder debt or its share capital.

17. Subsequent events:

a) All shareholders of Element Nutrition Inc., pursuant to a share exchange agreement effective August 31, 2020, exchanged all of the issued and outstanding shares to Element Nutritional Sciences Inc. ("ENSI"). Consideration received was the issuance of 24,375,000 common shares in shares of ENSI to the former shareholders of Element Nutrition Inc. The share exchange agreement contains voluntary lock-up provisions that apply to the former shareholders of Element Nutrition Inc.

17. Subsequent events (continued):

b) On August 31, 2020, the Company entered into an underwriting agreement to file a prospectus for the purposes of completing an initial public offering. Pursuant to a concurrent private placement completed on January 18, 2021, the Company issued an aggregate of 22,080,000 subscription receipts at a price of $0.25 each to raise aggregate gross proceeds of $5,520,000. The gross proceeds will be placed into escrow. Upon conversion of the subscription receipts, and without additional payment therefor, the Company will issue 22,080,000 common shares which are being qualified under the prospectus. In the event this does not occur on or prior to the subscription receipt deadline, which is the date that is four months following the initial closing date of the concurrent private placement, the escrowed funds will be returned to the subscribers, the subscription receipts will be cancelled, and no party shall have any further obligations thereunder.

   As part of the concurrent private placement, the Company entered into a finder's agreement with Canaccord Genuity Corp. Under the terms of the finder's agreement, the Company will pay a finder's fee of $426,360 and issue 1,705,440 broker warrants exercisable for 1,705,440 common shares at a price of $0.25/share for a period of two years from the date of closing.

c) On December 22, 2020, the Company issued 500,000 options to certain employees and officers of the Company to purchase common shares of the Company. On January 18, 2021, the Company issued 1,300,000 options to the President and Chief Executive Officer to purchase common shares of the Company. All options vested immediately at the date of issuance and have an exercise price of $0.25/share and expire five years form the date of issuance.

d) On January 15, 2021, the Company issued 1,417,500 common shares as a severance payment to a former employee.

e) On January 18, 2021, the Company issued 24,000,000 management performance warrants to the President and Chief Executive Officer in connection with the Element share exchange agreement (note 17(a)). Each management performance warrant has a term of five years from the date of issue and entitles its holder to acquire one common share at an exercise price of $0.25 per share.

   Upon issuance, the management performance warrants are exercisable based on the following criteria:

   a. 7,200,000 management performance warrants shall become exercisable upon the Company reaching $10,000,000 in revenue and a positive net profit for a financial year;
   b. 8,400,000 management performance warrants shall become exercisable upon the Company reaching $25,000,000 in revenue and $2,500,000 in EBITDA for a financial year; and
   c. 8,400,000 management performance warrants shall become exercisable upon the Company reaching $50,000,000 in revenue and $5,000,000 in EBITDA for a financial year.

17. Subsequent events (continued):

f) On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally including Canada and the United States of America resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. As at the date of the auditors' report, the Company has extended its payments terms with suppliers to assist in managing cashflow. In addition, the Company received government subsidies including the Canada Emergency Wage Subsidy and the Canada Emergency Business Account.

Schedule "G"

HAMMOCK PHARMACEUTICALS, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

(Expressed in United States dollars)

INDEX OF FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Hammock Pharmaceuticals, Inc.

Opinion

We have audited the financial statements of Hammock Pharmaceuticals, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018 and the statements of changes in shareholders' deficit, loss and comprehensive loss, and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(Continues)

Independent Auditor's Report to the Shareholders and Board of Directors of Hammock Pharmaceuticals, Inc. (*Continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(Continues)

Independent Auditor's Report to the Shareholders and Board of Directors of Hammock Pharmaceuticals, Inc. (*Continued*)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

/s/ SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario, Canada
September 11, 2020

STATEMENTS OF FINANCIAL POSITION

As at December 31

(Expressed in United States dollars)

	Notes	2019 $	2018 $
ASSETS			
CURRENT			
Cash		128,002	92,987
Accounts receivable – trade, no allowance		34	-
Inventories	5	85,481	-
Prepaid expenses	15	49,256	19,947
Other receivables	4	125,000	250,193
TOTAL CURRENT ASSETS		387,773	363,127
Right-of-use Assets	7,8	139,366	-
Property and equipment	6	5,538	-
TOTAL ASSETS		**532,677**	**363,127**
LIABILITIES AND SHAREHOLDERS' DEFICIT			
CURRENT			
Accounts payable and accrued liabilities	9	389,947	194,944
Current portion of lease liabilities	8	41,262	-
Loans payable	12	-	140,065
TOTAL CURRENT LIABILITIES		431,209	335,009
Convertible notes payable	10,12	341,745	128,554
Interest payable - convert notes		13,948	8,898
Lease liabilities	8	79,156	-
TOTAL LIABILITIES		866,058	472,461
SHAREHOLDERS' DEFICIT			
Common shares	11	52	45
Contributed Surplus		1,079,191	497,785
Deficit		(1,412,624)	(607,164)
TOTAL SHAREHOLDERS' DEFICIT		(333,381)	(109,334)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**532,677**	**363,127**

Commitments (Note 15)

Subsequent events (Note 17)

See accompanying Notes

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

As at December 31
(Expressed in United States dollars)

	Common Shares		Restricted Stock Units	Contributed Surplus	Deficit	Shareholders' Deficit
	#	$	#	$	$	$
Balance, January 1, 2018	1,712,433	36	-	471,773	(539,017)	(67,208)
Issuance of restricted stock units (Note 11)	-	-	86,706	26,012	-	26,012
Conversion of restricted stock units to common shares (Note 11)	86,706	9	(86,706)	-	-	9
Net loss for the year	-	-	-	-	(68,147)	(68,147)
Balance, December 31, 2018	1,799,139	45	-	497,785	(607,164)	(109,334)
Issuance of restricted stock units (Note 11)	-	-	72,289	21,687	-	21,687
Conversion of restricted stock units to common shares (Note 11)	72,289	7	(72,289)	-	-	7
Note Issuance costs	-	-	-	(13,303)	-	(13,303)
Note conversion reserve (Note 10)	-	-	-	573,022	-	573,022
Net loss for the year	-	-	-	-	(805,460)	(805,460)
Balance, December 31, 2019	1,871,428	52	-	1,079,191	(1,412,624)	(333,381)

See accompanying Notes

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years Ended December 31

(Expressed in United States dollars)

	Notes	2019 $	2018 $
REVENUE			
Sales		922	-
Cost of sales	5	19,965	-
GROSS LOSS		(19,043)	-
EXPENSES			
Salaries, wages and benefits	12	329,099	118,512
Professional fees		97,560	142,688
Advertising & promotion		176,157	-
General and administrative		112,769	91,865
Share based compensation		21,687	26,011
Net interest		5,082	5,108
TOTAL EXPENSES		742,354	384,184
LOSS FROM OPERATONS		(761,397)	(384,184)
OTHER INCOME (EXPENSES)			
Interest accretion expense		(44,063)	(21,463)
Gain on sale of asset	4	-	337,500
LOSS BEFORE INCOME TAXES		(805,460)	(68,147)
Income taxes	13	-	-
NET LOSS AND COMPREHENSIVE LOSS		(805,460)	(68,147)
Net loss per common share	14		
- basic and diluted		(0.44)	(0.04)
Average number of common shares outstanding			
- basic and diluted		1,821,309	1,725,626

See accompanying Notes.

STATEMENTS OF CASH FLOWS
Year Ended December 31

(Expressed in United States dollars)

	Notes	2019 $	2018 $
Cash flows used in operating activities			
Net loss and comprehensive loss		(805,460)	(68,147)
Items not affecting cash:			
Depreciation		4,419	-
Accretion expense on convertible debt		44,063	21,463
Share based compensation		21,687	26,011
Gain on sale of asset		-	(450,000)
Changes in operating assets and liabilities			
Increase in accounts receivables		(34)	-
Increase in inventories		(85,481)	-
Increase (decrease) in prepaid expenses		(29,309)	9,851
Decrease (increase) in other receivables		125,193	6,642
Interest expense on convertible notes		5,082	5,108
Increase in accounts payables and accrued liabilities		195,000	71,375
Cash flows used in operating activities		(524,840)	(377,697)
Cash flows from (used in) investing activities			
Additions to property and equipment		(25,538)	-
Proceeds from sale of intangible asset		-	250,000
Cash flows (used in) from investing activities		(25,538)	250,000
Cash flows from (used in) financing activities			
Proceeds from loans payable		-	140,000
Repayment of loans payable		(10,064)	-
Proceeds from convertible notes		616,170	-
Payment of lease liabilities (principal portion)		(3,398)	-
Payment of transaction costs relating to convertible notes		(17,322)	-
Purchase of common shares		7	9
Cash flows from financing activities		585,393	140,009
Changes in cash		35,015	12,312
Cash, beginning of year		92,987	80,675
Cash, end of year		128,002	92,987

See accompanying Notes.

Supplemental Cash Flow Information		
Interest paid	65	-
Income tax paid	-	-

1. DESCRIPTION OF BUSINESS

Hammock Pharmaceuticals, Inc. (the “Company”), was incorporated under the state of Delaware on January 26, 2016. The Company is a pharmaceutical company that sells health products into the North American marketplace. The Company is privately owned and located at 11922 General Drive, Unit C, Charlotte, North Carolina, 28273. The Company actively seeks out and researches new products for introduction into several therapeutic areas.

2. BASIC OF PRESENTATION AND MEASUREMENT

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“ISAB”).

The audited financial statements for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors on September 11, 2020.

(b) Functional and presentation of currency:

These financial statements are presented in United States dollars, which is the functional currency of the Company.

(c) Basis of presentation:

These consolidated financial statements are prepared under the historical cost basis, except for the measurement of certain financial instruments at fair value. The financial statements are prepared on an accrual basis except for cash flows.

(d) Use of significant estimates and assumptions:

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumption that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company’s ability to continue as a going concern.

The estimates and assumptions made are continually evaluated and have been based on prior historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods. Management has applied significant estimates and assumptions to the following:

2. BASIC OF PRESENTATION AND MEASUREMENT (continued)

(d) Use of significant estimates and assumptions (continued):

Stock based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of the Company's issued restricted stock units. The Black-Scholes pricing model requires management to make various estimates about certain inputs into the model, including the expected life, expected volatility, risk-free interest rate and expected dividend yield. A change in any of these estimates at the time the underlying restricted stock units were issued would have impacted the Company's equity and ongoing stock-based compensation expense.

Income taxes

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute limitations for examination expires, or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially such differences will affect the tax provisions in the period in which such determination is made.

Derivative liabilities

Management uses valuation techniques to determine the fair value of the derivate liabilities. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES

IFRS 1-First Time Adoption of International Financial Reporting Standard

The financial position as of December 31, 2019 and 2018 and the related statements of loss and comprehensive loss and changes in shareholder's deficiency, and cash flows for the years ended December 31, 2019 and 2018, are the first financial statements of the Company which are presented in accordance with IFRS. The Company's financial statements are in compliance with IFRS. On date of transition to IFRS as of January 1, 2018, the Company has stated its statement of financial position under IFRS. As a result, the entity has recognized all assets and liabilities required by IFRS; derecognized all assets and liabilities not permitted by IFRS; classified all assets, liabilities and components of equity in accordance with IFRS; and measured all assets and liabilities in accordance with IFRS.

The Company's principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Adoption of New and Revised Standards and Interpretations

The following standards have been adopted:

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The Company has adopted IFRS 16 effective January 1, 2019, with no restatement of comparatives, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments excluding renewal options as they are not reasonably certain that the options will be exercised, discounted using the Company's incremental borrowing rate as of commencement of lease.

The weighted average incremental borrowing rate applied to the lease liabilities on commencement was 10%.

There were no lease contracts on the date of initial application that would have required an adjustment.

In applying IFRS 16 for the first time, the Company elected to use the following practical expedients and accounting policy choices as permitted by the standard:

- In accordance with IFRS 16C10(c) the election has been taken to exclude leases for which the term ends within 12 months from January 1, 2019;

- In accordance with IFRS 16C10(d), the election is being taken to exclude initial direct costs from the measurement of the right-of-use asset;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

- In accordance with IFRS 16.5(a), the election is being taken to not recognize a right-of-use asset and liability for leases for which the lease has a term less than 12 months; and
- In accordance with IFRS 16.5(b), the election is being taken to not recognize a right-of-use asset and lease liability for leases for which the underlying asset is of low value when new.

The recognized right-of-use asset relates to the lease agreement entered on October 1, 2019 for leases entered into on that date. The change in accounting policy increased the assets by $143,785 as a result of this change in policy.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no significant impact on the Company’s financial statements as a result of this adoption.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract- based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no significant impact on the Company’s financial statements as a result of this adoption.

Other Pronouncements

New and revised IFRS issued by not yet effective

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Pronouncements (continued)

Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current. In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

(b) Foreign currency translation

Foreign currency transactions are translated into United States dollars as follows: monetary assets and liabilities at the closing rate at the date of the statement of financial position, non-monetary assets at historical rates, and income and expenses at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss.

(c) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Asset	Basis
Leasehold improvements	Term of lease or useful life, whichever is less

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

(d) Inventories

Inventory held for sale is valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to have the goods made ready for a sale. Included in the cost of inventories is the purchase price and other costs such as, transportation and import and duty charges incurred to bring the inventories to their selling location. Cost is used based on a weighted average cost method. Management reviews inventory for shrinkage and obsolescence annually to determine if a provision is required.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Company applies a forward-looking expected credit loss (“ECL”) model, which requires a loss allowance be recognized based on expected credit losses, to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective rate or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If such an indication exists, the recoverable amount is estimated. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses for intangible assets are recognized in research and development expenses.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provisions

Provisions are recognized when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows. As at December 31, 2019 and 2018, there were no such obligations.

(g) Revenue recognition

Revenue is recognized by the Company in accordance with IFRS 15, Revenue from Contracts with Customers. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from product sales is recognized upon shipment of the product to the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method, as this best predicts the amount of variable consideration to which the Company is entitled to receive. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a sales return provision is recognized as a reduction of revenue at the time control of the products is transferred to the customers.

The Company may provide discounts and rebates, to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. The Company applies the most likely amount method estimating discounts and rebates provided to customers using contracted rates. Consequently, revenue is recognized net of reserves for estimated sales discounts and rebates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

(i) Share-based compensation

The Company may grant stock options to its directors, officers, employees and consultants and restricted stock units (“RSUs”) to its directors and officers and employees. The Company records share-based compensation related to stock options using the fair value method. The Company records share-based compensation related to RSUs using the fair value of the Company’s common shares as assigned on the date of grant of the RSU. The grant-date fair value of the stock options and RSUs are recognized, together with a corresponding increase in contributed surplus, over the period that the performance and/or service conditions are fulfilled. The amount recognized as an expense at each reporting date is adjusted to reflect the number of awards for which the related service and non-market conditions are expected to be met at the vesting date.

(j) Income taxes

Income tax expense comprises current and deferred taxes which are recognized in profit and loss, except to the extent that they relate to items recognized directly in other comprehensive income or in equity. Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities and any adjustment to tax payable in respect of previous years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date in the country where the company operates.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are presented as non-current. As at December 31, 2019 and 2018, the Company has no deferred income tax assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and RSUs, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, and RSUs were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options and RSUs in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

(l) Financial instruments

Financial Assets

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Subsequent measurement of financial assets depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Company classifies its financial assets:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in net income (loss) using the effective interest rate method.

- Fair value through other comprehensive income (“FVOCI”): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in net income (loss).

- Fair value through profit (loss) (“FVTPL”): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

The Company has classified its financial instruments as follows:

Cash	Amortized costs
Accounts receivable	Amortized costs
Other receivables	Amortized costs
Accounts payable and accrued liabilities	Amortized costs
Loans payable	Amortized costs

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Compound financial instruments

In accordance with the substance of the contractual arrangement, compound financial instruments are accounted for separately by their components: a financial liability and an equity instrument. The identification of components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the compound financial instrument at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Compound financial instruments issued by the Company include units that can be converted into ordinary shares and warrants at the decision of the holder. When the number of shares to be issued on exercise of warrants is not fixed, the warrants are identified as derivatives, which is fair valued first with residual assigned to equity.

When the number of shares to be issued on exercise of warrants is fixed, the proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the market price of the shares as on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Any value attributed to the warrants is recorded in the warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Subsequent to initial recognition, the derivative component of a compound financial instrument is remeasured to fair value at each reporting period with any gain or loss recognised in the statements of loss or comprehensive loss. The equity component of a compound financial instrument is not remeasured. Transaction cost related to the issue of a compound financial instrument is applied against the value of equity and derivative component proportionately. The portion of issuance cost attributed to equity is adjusted against share capital and the portion assigned to derivative is charged to statements of loss and comprehensive loss.

4. OTHER RECEIVABLES

		December 31, 2019		December 31, 2018
Sale of asset	$	125,000	$	250,000
Other receivables		-		193
Total other receivables	$	125,000	$	250,193

Sale of Asset

On December 5, 2018, the Company assigned and transferred to the Daré Biosciences, Inc ("Daré") all of its right, title and interest in and to the MilanaPharm License Agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan to be agreed upon by the parties.

4. OTHER RECEIVABLES (continued)

Under the terms of the agreement, the Company received $250,000 from Daré in connection with the execution of the Assignment Agreement, $125,000 December 5, 2019, with an additional $137,500 due on January 31, 2020.

The Company may receive from Daré up to $1.1 million in the aggregate milestone payments upon Dare's achievement of certain clinical and regulatory development milestones.

The Assignment Agreement will terminate upon the later of; 1) completion of the parties' technology transfer plan, and 2) payment to Hammock of the last of the payments described above, including the milestone payments.

5. INVENTORIES

Inventory, represents finished goods, recognized as an expense during the year ended December 31, 2019 was $17,683 (December 31, 2018 - $nil). For the year ended December 31, 2019, the company recorded a write-down for expired inventory of $17,417 (December 31, 2018 - $nil) in the cost of sales.

6. PROPERTY AND EQUIPMENT

The Company recorded $25,538 in property and equipment for the year ended December 31, 2019 (December 31, 2018 - $nil), related to leasehold improvements that occurred during the year ended December 31, 2019. In addition, certain costs associated with renovations pertaining to the facility were subject to a reimbursement of up to $20,000. The Company recorded $25,538 in renovation costs, of which $20,000 was recorded as rights of use assets and the remaining $5,538 was recorded as leasehold improvements and will be amortized over the remaining term of the lease.

No amortization expense occurred for the year ended December 31, 2019. Amortization for the remaining $5,538 in leasehold improvements will be applied against the remaining life of the asset starting January 1, 2020.

7. LEASED PROPERTIES

The Company's lease for its corporate headquarters (4,563 square feet of office space) commenced on October 1, 2019. Under the terms of the lease agreement, the company pays a base annual rent, (subject to an annual fixed increased) plus property taxes, and other normal and necessary expenses, such as utilities, and certain repairs and maintenance costs.

(Expressed in United States dollars)

8. RIGHT-OF-USE ASSETS

The Company was required to analyze all current commitments and determine which agreements were within the scope of IFRS 16 Leases. The Company determined that its facility agreement and office equipment agreement, previously classified as operating leases were not within the scope of the new standard as those lease agreements expired within the first nine months from January 1, 2019.

The leases do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

The Company used an incremental borrowing rate of 10% as of October 1, 2019 for the operating leases that commenced on that date. The depreciable lives of the operating lease assets are limited by the expected lease term.

At December 31, 2019, the Company reported right-of-use assets of approximately $139,366 in other non-current assets, and approximately $41,262 and $79,156, respectively, in current and non-current other liabilities on the statement of financial position.

Cash paid for amounts included in the measurement of operating lease liabilities was approximately $4,526 for the year ended December 31, 2019 and these amounts are included in operating activities in the statement of cash flows. Further, as of December 31, 2019, operating leases had a weighted average remaining lease term of 2.84.

At December 31, 2019, future minimum lease payments under the Company's operating leases are as follows:

Year	Amount $
2020	41,262
2021	41,262
2022	37,398
Total future minimum lease payments	119,922

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Amounts included in accounts payable and accrued liabilities for the years ended December 31, 2019 and 2018, are all related to trade payables.

(Expressed in United States dollars)

10. CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2017, the company issued convertible promissory notes (the "2017 Convertible Notes") in exchange for gross proceeds of $505,000, bearing interest of 1% per annum and mature the earlier of meeting certain financing or sale events, or December 31, 2026. The conversion features embedded in the 2017 Convertible Notes require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded $91,866 as a loan liability and $413,114 was allocated to equity as conversion reserve. Accordingly, the fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note.

In connection with the issuance of the 2017 Convertible Notes the Company paid cash of $7,643 for debt issuance fees. The company recorded $6,252 to share issuance costs and $1,391 was recorded in notes payable.

On July 3, 2019, the company issued convertible promissory notes (the "2019 Convertible Notes") in exchange for gross proceeds of $746,140, bearing no interest and mature the earlier of meeting certain financing or sale events, or December 31, 2026. Included in the gross proceed were $129,970 transferred from loans payable. The conversion features embedded in the 2019 Convertible Notes require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded $173,139 as a loan liability and $573,022 was allocated to equity as conversion reserve. Accordingly, the fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note.

Convertible Notes	Amount $
Beginning Balance, January 1, 2018	107,091
Accretion expense	21,463
Ending Balance, December 31, 2018	128,554
2019 Convertible notes	746,170
Equity portion of convertible note	(573,022)
Debt issuance costs	(4,020)
Accretion expense	44,063
Ending Balance, December 31, 2019	341,745

In connection with the issuance of the 2019 Convertible Notes the Company paid cash of $17,323 for debt issuance fees. The company recorded $13,303 to share issuance costs and $4,020 was recorded in convertible notes payable.

(Expressed in United States dollars)

11. COMMON SHARES

The company is authorized to issue 3,000,000 common shares. For the year ended December 31, 2019 the company had 1,871,428 issued and outstanding shares (December 31, 2018 – 1,779,139).

For the year ended December 31, 2019 and 2018, 72,289 and 86,706, respectively, RSU's were exercised to common shares for gross proceeds of $7 and $9, respectively, to directors, officers and employees of the Company.

For the year ended December 31, 2019, and 2018, no stock options were issued by the Company. The number of stock options available to be issued as at December 31, 2019 and 2018 is 631,460.

Summary of RSUs Activity

The table below summarizes RSUs activity under the 2016 Stock Option Plan, and related information for the years ended December 31, 2019 and 2018.

RSUs Activity	
Outstanding # of RSUs at December 31, 2017	117,872
Granted	145,431
Vested	(86,706)
Forfeited	(70,423)
Outstanding # of RSUs at December 31, 2018	106,174
Granted	80,384
Vested	(72,289)
Forfeited	(4,359)
Outstanding # of RSUs at December 31, 2019	109,910

The Company's RSUs granted to directors, employees and consultants in respect of compensation were estimated using the Black-Scholes pricing model with the following assumptions for the years ended December 31, 2019:

	Years Ended December 31,	
	2019	2018
Expected Life in Years	1.09	2.09
Risk Free Interest Rate	1.5%	1.5%
Expected Volatility	101.4%	101.4%
Forfeiture Rate	0.0%	0.0%
Dividend Yield	0.0%	0.0%
Underlying share price	0.30	0.30

(Expressed in United States dollars)

12. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the years ended December 31, 2019 and 2018 are related to loans payable and convertible notes payable. A portion of the convertible notes owing have an interest rate of 1%. The loans payable was unsecured, non-interest bearing with no set terms or repayment. There have been no guarantees provided or received for any related party payables. Amounts included at December 31, 2019 as due to key management personnel in loans payable and convertible notes was $nil and $144,994, respectively (December 31, 2018 – $140,065 and $71,148, respectively).

For the year ended December 31, 2019, $247,739 is included in salary, wages and benefits for key management personnel of the Company (December 31, 2018 - $80,845 is recorded in salary, wages and benefits).

13. INCOME TAXES

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

The Company's provision for (recovery of) income taxes differs from the amount that is computed by applying the combined Federal and state statutory income tax rate of 23.25% (2018 –23.25%) to the Company's net loss before income taxes as follows:

Income tax recovery

	December 31, 2019 $	December 31, 2018 $
Net loss for the year before income taxes	(805,460)	(68,147)
Expected income tax recovery from net loss	(187,269)	(15,844)
Non-deductible expenses	19,604	3,928
Other temporary differences	(1,161)	(355)
Change in valuation allowance	168,826	12,271
	—	—

Deferred tax asset

	December 31, 2019 $	December 31, 2018 $
Non-capital loss carry-forwards	(282,793)	(113,967)
Other temporary differences	—	—
Change in valuation allowance	282,793	113,967
	—	—

13. INCOME TAXES (continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The future benefit of US non-capital losses carried forward may be limited on an annual basis and in total under Section 382 of the US Internal Revenue Code as a result of prior and future ownership changes.

The Company has not yet recognized deferred tax assets related to these amounts as it is not yet probable that these carry-forward losses and temporary differences will be utilized in the foreseeable future. Therefore, a net deferred income tax asset is not being recognized for the non-capital loss carry-forwards and other available tax assets. At December 31, 2019, the Company had non-capital losses carry-forward for income tax purposes in the amount of $1,229,890.

14. NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the year ended December 31, 2019 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the year ended December 31, 2019 because to do so would be anti-dilutive.

15. COMMITMENTS

Under the terms of the license agreement with Athletes Gel Australia, the Company is committed to pay an annual license fees of $104,145 (AU$150,000) in year one, to be paid in three installments of $17,125 (AU$25,000) up execution of the license agreement and the remaining two installments at three and six months time points following the launch of the product, as well as an additional $210,885 (AU$300,000) payable upon achieving five million in net sales. For the year ended December 31, 2019 the company recorded $33,850 (AU$50,000) associated with the licensing fees to prepaid, as inventory purchases made during the year had a licensing fee per unit amount applied directly to them upon their purchase

For all subsequent years the annual licensing fee payable is $210,885 (AU$300,000). Under the terms of the agreement a per unit fee is applicable for all product manufactured at the Australia manufacturing facility which converts to a 10% royalty based on net sales, for all product manufactured at a North American manufacturing facility selected by the Company. The licensing fee amount is recoupable from both the per unit fee and the royalty fee amounts. For the year ended December 31, 2019, the company included $32,532 (AU$48,628) as a cost of the inventory.

16. FINANCIAL INSTRUMENTS

Fair value

IFRS 13 Fair Value Measurement provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical instruments that are observable.
Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's financial assets and financial liabilities, including cash, amounts receivable, accounts payable and accrued liabilities and loans payable, and are all classified as amortized cost and are all short-term in nature being receivable or due within one year and their carrying values approximate fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and there is additional risk since those financial instruments are primarily held by a single counterparty. Management believes the risk of the counterparty, a United States Tier1 bank, failing to meet its obligations related to the cash and held by the Company is remote. Other receivable is primarily composed of amounts from a sale agreement as disclosed in Note 4. The balance outstanding in the amount of $125,000 was paid in full on January 31, 2020.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is in a launch stage and is reliant on external fundraising to support its current operations. Once funds have been raised, the Company will manage its liquidity risk by investing in cash and marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at December 31, 2019 the Company had cash of $128,002 (December 31, 2018 - $92,987), which was not adequate to settle the current liabilities of $431,209 (December 31, 2018 - $335,009).

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	Carrying amount	0 to 3 months	4 to 12 months	Over 1 year
Cash	128,002	128,002	—	—
Accounts receivable	34	34	—	—
Other receivables	125,000	125,000	—	—
	253,036	253,036	—	—
Accounts payable and accrued liabilities	389,947	389,947	—	—
Lease liabilities	120,418	10,316	30,947	79,156
Convertible notes payable	341,745	—	—	341,745
Interest payable on convertible notes	13,948	—	—	13,948
	866,058	400,263	30,947	434,849

(c) Foreign currency risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates for any cash, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is related to expenses denominated in Australian and Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

For the years ended December 31, 2019 and 2018, the Company had payment obligations to its Australian licensor in the amount of $48,628 and $nil, respectively.

(d) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Accounts receivable and accounts payable and accrued liabilities bear no interest.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. All the Company's borrowings are convertible and hence there are no interest rate risk.

17. SUBESEQUENT EVENTS

(a) Milestone Payments

On January 31, 2020, the company received $137,500 from Daré Bioscience, Inc. as payment in full of the balance owing and included in Other Receivables at December 31, 2019 (2018 - $250,000). On July 10, 2020, the Company was advised that a milestone payment of $100,000 became due on July 10, 2020 as one of four milestone events occurred.

(b) COVID-19 Effects on Business

Subsequent to the year ended December 31, 2019, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. As a measure to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

The company is actively pursuing relief programs state and county relief programs, and Economic Injury Disaster Loan (“EIDL”) and the Paycheck Protection Program (“PPP”) loans available through the Small Business Administration (“SBA”) in the USA. In May 2020, the Company received $120,100 from the EIDL Program and $78,700 from the PPP both available through the SBA.

(c) Share exchange transaction

The company has entered into a share exchange agreement with Element Nutritional Sciences Inc. (a private company) effective August 31, 2020 under which Element Nutritional Sciences Inc. acquired all of the issued and outstanding shares of the company in consideration of the issuance of 9,375,000 common shares to the former shareholders of the company. As part of the Share Exchange Agreement and a related arrangement, Element Nutritional Sciences Inc. reserved for issuance an aggregate of 24,000,000 management performance warrants. The share exchange agreement contains voluntary lock-up provisions that apply to the former shareholders of the company.

HAMMOCK PHARMACEUTICALS, INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2020

(unaudited)

(Expressed in United States dollars)

HAMMOCK PHARMACEUTICALS, INC.
INTERIM STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 $	December 31, 2019 $
ASSETS		
CURRENT		
Cash	102,987	128,002
Accounts receivable – trade, no allowance	1,035	34
Inventories (Note 4)	82,927	85,481
Prepaid expenses	20,443	49,256
Other receivables (Notes 3 and 15(a))	-	125,000
TOTAL CURRENT ASSETS	207,392	387,773
Right-of-use assets (Notes 6 and 7)	98,735	139,366
Property and equipment (Note 5)	5,137	5,538
TOTAL ASSETS	**311,264**	**532,677**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT		
Accounts payable and accrued liabilities	413,304	389,947
Current portion of lease liabilities (Note 7)	23,373	41,262
Loans payable (Note 8)	78,700	-
TOTAL CURRENT LIABILITIES	515,377	431,209
Convertible notes payable (Notes 9 and 11)	377,656	341,745
Interest payable - convert notes	16,481	13,948
Long-term debt (Note 8)	120,200	-
Lease liabilities (Notes 6 and 7)	79,156	79,156
TOTAL LIABILITIES	1,108,870	866,058
SHAREHOLDERS' DEFICIT		
Common shares (Note 10)	52	52
Contributed Surplus	1,097,901	1,079,191
Deficit	(1,895,559)	(1,412,624)
TOTAL SHAREHOLDERS' DEFICIT	(797,606)	(333,381)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**311,264**	**532,677**

Commitments (Note 13)
Subsequent events (Note 15)

See accompanying Notes

HAMMOCK PHARMACEUTICALS, INC.
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

	Common Shares		Contributed Surplus	Deficit	Shareholders' Deficit
	#	$	$	$	$
Balance, January 1, 2019	1,799,139	45	497,785	(607,164)	(109,334)
Conversion of RSUs to common shares	37,653	7	-	-	7
RSU compensation expense	-	-	11,129	-	11,129
Net loss for the period	-	-	-	(212,940)	(212,940)
Balance, June 30, 2019	1,836,792	52	508,914	(820,104)	(311,138)
Conversion of RSUs to common shares	34,636	-	-	-	-
RSU compensation expense	-	-	10,558	-	10,558
Note Issuance costs	-	-	(13,303)	-	(13,303)
Note conversion reserve (Note 9)	-	-	573,022	-	573,022
Net loss for the period	-	-	-	(592,520)	(592,520)
Balance, December 31, 2019	1,871,428	52	1,079,191	(1,412,624)	(333,381)
Conversion of RSUs to common shares	37,653	-	-	-	-
RSU compensation expense (Note 10)	-	-	18,710	-	18,710
Net loss for the period	-	-	-	(482,935)	(482,935)
Balance, June 30, 2020	1,910,835	52	1,097,901	(1,895,559)	(797,606)

See accompanying Notes

HAMMOCK PHARMACEUTICALS, INC.
INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months		Six Months	
	2020	2019	2020	2019
	$	$	$	$
REVENUE				
Sales	6,479	-	11,454	-
Cost of sales	(4,862)	-	(10,136)	-
Royalty and licensing fees (Note 13)	(68,900)	-	(102,750)	-
GROSS LOSS	(67,283)	-	(101,432)	-
EXPENSES				
Salaries, wages and benefits	100,880	81,282	211,676	124,410
Professional fees	5,000	17,070	10,000	17,070
Advertising & promotion	22,006	3,500	50,161	3,500
General and administrative	33,155	23,337	66,089	43,643
Share based compensation	5,857	6,931	18,710	11,131
Interest expense	3,268	185	6,456	304
TOTAL EXPENSES	170,166	132,305	363,092	200,058
LOSS FROM OPERATONS	(237,449)	(132,305)	(464,524)	(200,058)
OTHER INCOME (EXPENSES)				
Interest Income	-	-	12,500	-
Interest accretion expense	(17,956)	(6,441)	(35,911)	(12,882)
Miscellaneous Income	5,000	-	5,000	-
LOSS BEFORE INCOME TAXES	(250,405)	(138,746)	(482,935)	(212,940)
Income taxes	-	-	-	-
NET LOSS	(250,405)	(138,746)	(482,935)	(212,940)
Net loss per common share (Note 12)				
- basic and diluted	(0.10)	(0.08)	(0.25)	(0.13)
Weighted average number of common shares outstanding				
- basic and diluted	1,903,379	1,802,281	1,894,172	1,816,656

See accompanying Notes.

HAMMOCK PHARMACEUTICALS, INC.
INTERIM STATEMENTS OF CASH FLOWS

	For the Six Months Period Ended	
	June 30, 2020	June 30, 2019
Cash flows used in operating activities		
Net loss	(482,935)	(212,940)
Items not affecting cash:		
Depreciation expense	21,580	-
Accretion expense on convertible notes	35,911	12,882
Share-based compensation	18,711	11,131
Changes in operating assets and liabilities		
Increase in receivables	(1,001)	-
Decrease in inventories	2,554	-
Decrease in prepaids, deposits and advances	28,813	3,323
Decrease (increase) in other receivables	125,000	(186)
Interest expense on convertible notes	2,532	2,504
Increase in accounts payables and accrued liabilities	23,358	11,112
Cash flows used in operating activities	(225,477)	(172,174)
Cash flows from (used in) investing activities		
Additions to property and equipment	(549)	-
Proceeds from reimbursement of leasehold improvements	20,000	-
Cash flows from investing activities	19,451	-
Cash flows from (used in) financing activities		
Proceeds from convertible notes	-	444,747
Repayment of loans payable	-	(10,065)
Payment of lease liabilities (principal portion)	(17,889)	-
Proceeds from SBA loans	198,900	-
Purchase of common shares	-	7
Cash flows from financing activities	181,011	434,689
Changes in cash and cash equivalents	(25,015)	262,515
Cash and cash equivalents, beginning of period	128,002	92,987
Cash and cash equivalents, end of period	102,987	355,502

See accompanying Notes.

Supplemental Cash Flow Information

Interest paid	-	-
Income tax paid	-	-

1. DESCRIPTION OF BUSINESS

Hammock Pharmaceuticals, Inc. d/b/a Hammock Consumer (the “Company”), was incorporated under the state of Delaware on January 26, 2016. The Company is a healthcare company that sells, markets and distributes specialty healthcare products into the North American marketplace. The Company is privately owned and located at 11922 General Drive, Unit C, Charlotte, North Carolina, 28273. The Company actively seeks out and researches new products for introduction into several therapeutic areas.

2. BASIC OF PRESENTATION AND MEASUREMENT

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the audited financial statements of the Company for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. These condensed interim financial statements do not contain all the information and disclosures required for annual financial statements and should be read in conjunction with the Company’s audited financial statements as at and for the years ended December 31, 2019 and 2018.

Since early March 2020, several significant measures have been implemented in United States and the rest of the world by authorities in response to the increased impact from COVID-19. The continued spread of the COVID-19 globally could materially and adversely impact the Company’s business including, without limitation, employee health, limitations on travel, self-imposed quarantine periods and social distancing. Certain business and organizational closures have caused material disruptions to businesses and other factors that depend on future developments beyond the Company’s control.

In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The Company determined that it qualified for the Economic Injury Disaster Loan (“EIDL”) and amounts provided by the Paycheck Protection Program (“PPP”) loans available through the Small Business Administration (“SBA”) in the USA. During the six month period ended June 30, 2020, the Company applied for and received a loan of $120,100 through the EIDL program and $78,700 through the PPP program (See note 8). The Company also received a $5,000 payment from the SBA upon submission of the EIDL application. This amount is fully forgivable.

(a) Functional and presentation of currency:

These condensed interim financial statements are presented in United States dollars, which is the functional currency of the Company.

(b) Basis of presentation:

These condensed interim financial statements are prepared under the historical cost basis, except for the measurement of certain financial instruments at fair value.

(c) Use of significant estimates and assumptions:

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumption that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern.

The estimates and assumptions made are continually evaluated and have been based on prior historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain.

Stock based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of the Company's issued restricted stock units. The Black-Scholes pricing model requires management to make various estimates about certain inputs into the model, including the expected life, expected volatility, risk-free interest rate and expected dividend yield. A change in any of these estimates at the time the underlying restricted stock units were issued would have impacted the Company's equity and ongoing stock-based compensation expense.

Income taxes

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute limitations for examination expires, or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially such differences will affect the tax provisions in the period in which such determination is made.

Derivative liabilities

Management uses valuation techniques to determine the fair value of the derivate liabilities. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

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3. OTHER RECEIVABLES

Sale of Asset

On December 5, 2018, the Company assigned and transferred to the Daré Biosciences, Inc ("Daré") all of its right, title and interest in and to the MilanaPharm License Agreement and agreed to transfer to Daré all of the data, materials and the licensed technology in its possession pursuant to a technology transfer plan agreed upon by the parties.

Under the terms of the agreement, the Company received $537,500 from Daré in connection with the execution of the Assignment Agreement. A payment in the amount of $250,000 was received upon execution of the agreement, and additional payments were received on December 5, 2019 in the amount of $125,000 and the remaining $137,500 was received on January 31, 2020.

The Company may receive from Daré up to $1.1 million in the aggregate milestone payments upon Dare's achievement of certain clinical and regulatory development milestones.

The Assignment Agreement will terminate upon the later of; 1) completion of the parties' technology transfer plan, and 2) payment to Hammock of the last of the payments described above, including the milestone payments.

4. INVENTORIES

	June 30, 2020 $	December 31, 2019 $
Finished Goods	79,421	84,822
Packaging Materials	2,939	659
Merchandise	567	-
Total Inventory	82,927	85,481

Finished goods inventory includes product received in a package format, product cartons, plus transportation and handling related charges.

During the three and six months ended June 30, 2020 inventories in the amount of $4,862 and $10,136, respectively, were recognized as cost of goods (June 30, 2019 - $nil and $nil), respectively. Included in the cost of goods is quality testing and product liability insurance. There were no reversals of prior period write-downs during the three and six months ended June 30, 2020.

5. PROPERTY AND EQUIPMENT

The Company recorded $25,538 in property and equipment for the year ended December 31, 2019, related to leasehold improvements that occurred during the year ended December 31, 2019. In addition, certain costs associated with renovations pertaining to the facility were subject to a reimbursement of up to $20,000. The Company recorded $25,538 in renovation costs, of which $20,000 was recorded as rights of use assets and the remaining $5,538 was recorded as leasehold improvements and will be amortized over the remaining term of the lease. During the six month period ended June 30, 2020 the Company received a payment in the amount of $20,000 for reimbursement of expenses it incurred related to renovations.

For the three and six months period ended June 30, 2020, the Company recorded $475 and $949 (2019 - $nil and $nil), respectively as depreciation expense. Depreciation expense will be applied against the remaining term of the lease which expires on November 30, 2022.

6. LEASED PROPERTIES

The Company's lease for its corporate headquarters (4,563 square feet of office space) commenced on October 1, 2019. Under the terms of the lease agreement, the Company pays a base annual rent, (subject to annual fixed increases) plus property taxes, and other normal and necessary expenses, such as utilities, and certain repairs and maintenance costs.

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company was required to analyze all current commitments and determine which agreements were within the scope of IFRS 16 Leases. The Company determined that its facility agreement and office equipment agreement, previously classified as operating leases were not within the scope of the new standard as those lease agreements expired within the first nine months from January 1, 2019.

The leases do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

The Company used an incremental borrowing rate of 10% as of October 1, 2019 for the operating leases that commenced on that date. The depreciable lives of the operating lease assets are limited by the expected lease term.

At June 30, 2020, the Company reported right-of-use assets, net of depreciation, of $98,735 (December 31, 2019 - $139,336) in other non-current assets, and approximately $23,373 and $79,156, in current and non-current other liabilities, respectively, on the condensed interim statement of financial position.

During the six month period ended June 30, 2020, the Company received $20,000 as a reimbursement of expenses for a right-of-use asset and subsequently recorded a credit of $19,444 against the asset and reversed $556 recorded as accumulated depreciation on the asset.

Cash paid for amounts included in the measurement of operating lease liabilities for the three and six months ended June 30, 2020 was approximately $8,945 and $17,889, respectively. These amounts are included in operating activities in the statement of cash flows. Further, as of June 30,2020, operating leases had a weighted average remaining lease term of 2.34 years.

At June 30, 2020, future minimum lease payments under the Company's operating leases are as follows:

Year	Amount $
2020	20,631
2021	41,262
2022	37,398
Total future minimum lease payments	99,291

8. LOANS PAYABLE

During the six month period ended June 30, 2020, the Company applied for, and received a loan under the PPP in the amount of $78,200. The receipt of this loan, and the forgiveness of the loan, is dependent on the Company qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. Because the final details for forgiveness of the loan are still being developed by the Small Business Administration ("SBA") and analyzed by the Company, the Company cannot be certain as to the amount, if any, of the loan that will be forgiven. The PPP loan bears interest of 1% per annum and, if not forgiven, has a maturity date of May 6, 2022.

During the six month period ended June 30, 2020, the Company applied for, and received a EIDL loan from the SBA in the amount of $120,200. The EIDL loan has a term of 30 years and bears an interest rate of 3.75% per annum. The first installment, including principal and interest will be payable on May 4, 2021, with the balance of principal and interest payable monthly at a rate of $586 per month.

9. CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2017, the Company issued convertible promissory notes (the "2017 Convertible Notes") in exchange for gross proceeds of $505,000, bearing interest of 1% per annum and mature the earlier of meeting certain financing or sale events, or December 31, 2026. The conversion features embedded in the 2017 Convertible Notes require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded $91,866 as a loan liability and $413,114 was allocated to equity as conversion reserve. Accordingly, the fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note.

In connection with the issuance of the 2017 Convertible Notes the Company paid cash of $7,643 for debt issuance fees and recorded $6,252 to share issuance costs with the remaining $1,391 recorded as convertible notes payable.

On July 3, 2019, the Company issued convertible promissory notes (the "2019 Convertible Notes") in exchange for gross proceeds of $746,140, bearing no interest and mature the earlier of meeting certain financing or sale events, or December 31, 2026. Included in the gross proceed were $129,970 transferred from loans payable. The conversion features embedded in the 2019 Convertible Notes require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as compound financial instruments. The Company recorded $173,139 as a loan liability and $573,022 was allocated to equity as conversion reserve. Accordingly, the fair value of the equity portion was deducted from the gross proceeds and were accreted over the term of the note.

During the three and six months period ended June 30, 2020, the Company recorded $17,955 and $35,911, respectively (2019 - $6,441 and $12,882), as accretion expense related to the convertible notes payable.

Convertible Notes	Amount $
Balance, January 1, 2019	128,554
2019 Convertible notes	746,170
Equity portion of convertible note	(573,022)
Debt issuance costs	(4,020)
Accretion expense	44,063
Balance, December 31, 2019	341,745
Accretion expense	17,956
Balance, March 31, 2020	359,701
Accretion expense	17,955
Balance, June 30, 2020	377,656

In connection with the issuance of the 2019 Convertible Notes the Company paid cash of $17,323 for debt issuance fees and recorded $13,303 to share issuance costs with the remaining $4,020 recorded as convertible notes payable.

10. COMMON SHARES

The Company is authorized to issue 3,000,000 common shares. For the period ended June 30, 2020 the Company had 1,910,834 issued and outstanding shares (December 31, 2019 – 1,871,428).

For the three and six month periods ended June 30, 2020, no stock options were issued by the Company. The maximum number of stock options that may be issued under the stock option plan as at June 30, 2020 is 631,460.

The total number of restricted stock options ("RSUs") outstanding as at June 30, 2020 was 48,400 (December 31, 2019 – 109,910). During the six-month period ended June 30, 2020 37,653 RSUs were vested and 23,857 RSUs were forfeited or adjusted. The weighted average fair value of the RSUs for the three and six months period ended June 30, 2020, was $0.30 and $0.30, respectively.

Key assumptions used in determining the fair values were estimated using the Black-Scholes pricing model with the following assumptions for the period end are summarized below:

	Period Ended June 30,	
	2020	2019
Expected Life in Years	0.6	1.6
Risk Free Interest Rate	1.5%	1.5%
Expected Volatility	101.4%	101.4%
Forfeiture Rate	0.0%	0.0%
Dividend Yield	0.0%	0.0%
Underlying share price	0.30	0.30

11. RELATED PARTY TRANSACTIONS

Key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel at June 30, 2020 are various convertible notes payable. A portion of the convertible notes owing have an interest rate of 1%. There have been no guarantees provided or received for any related party payables. The amounts included as due to key management personnel in convertible notes payable at June 30, 2020, was $532,142 (December 31, 2019 – $530,771).

12. NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the three and six months period ended June 30, 2020, exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the three and six months period ended June 30, 2020 because to do so would be anti-dilutive.

13. COMMITMENTS

Under the terms of the license agreement with Athletes Gel Australia, the Company is committed to pay an annual license fees of $102,750 (AU$150,000) in year one, to be paid in three installments of $34,250 (AU$50,000) with the first, due and paid, up execution of the license agreement and the remaining two installments at three and six months time points following the launch of the product. An additional $206,691 (AU$300,000) will be due and payable upon achieving five million in net sales of the product.

For all subsequent years the annual licensing fee payable is $206,691 (AU$300,000). Under the terms of the agreement a per unit fee is applicable for all product manufactured at the Australia manufacturing facility. This fee converts to a 10% royalty on net sales, for all product manufactured at a North American manufacturing facility selected by the Company. The licensing fee amount is recoupable from both the per unit fee and the royalty fee amounts. During the six month period ended June 30, 2020, the Company recorded $102,750 (AU$150,000) in regards to its obligation to the annual licensing fee for 2020, as a cost of sales.

14. FINANCIAL INSTRUMENTS

Fair value

IFRS 13 Fair Value Measurement provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical instruments that are observable.
Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's financial assets and financial liabilities, including cash, amounts receivable, accounts payable and accrued liabilities and loans payable, and are all classified as amortized cost and are all short-term in nature being receivable or due within one year and their carrying values approximate fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and there is additional risk since those financial instruments are primarily held by a single counterparty. Management believes the risk of the counterparty, a United States Tier1 bank, failing to meet its obligations related to the cash and held by the Company is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is in a launch stage and is reliant on external fundraising to support its current operations. Once funds have been raised, the Company will manage its liquidity risk by investing in cash and marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. At June 30, 2020 the Company had cash of $102,987 (December 31, 2019 - $128,002), which was not adequate to settle the current liabilities of $515,377 (December 31, 2019 - $431,209).

	Carrying amount	0-3 months	4-12 months	Over 1 year
Accounts payable and accrued liabilities	413,304	413,304	—	—
Lease liabilities	102,529	10,316	30,947	61,266
Loans payable	198,900	4,864	7,296	186,740
Interest payable	16,481	—	—	16,481
Convertible notes payable	377,656	—	—	377,656

1,108,870	428,484	38,243	642,143

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations on commercially reasonable terms could have a materially adverse impact on the Company's financial condition or operating results.

(c) Foreign currency risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates for any cash, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is related to expenses denominated in Australian and Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At June 30, 2020, the Company had payment obligations to its Australian licensor in the amount of $77,040.

(d) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Accounts receivable and accounts payable and accrued liabilities bear no interest.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. All the Company's borrowings are convertible and hence there are no interest rate risk.

15. SUBESEQUENT EVENTS

(a) Milestone Payments

On July 10, 2020, the Company was advised that a milestone payment of $100,000 became due as one of four milestone events had occurred. In addition to this milestone payment, the Company may receive from Daré up to an additional $1 million in the aggregate milestone payments upon Dare's achievement of certain clinical and regulatory development milestones.

(b) Share exchange transaction

The Company has entered into a share exchange agreement with Element Nutritional Sciences Inc. (a private company) effective August 31, 2020 under which Element Nutritional Sciences Inc. acquired all of the issued and outstanding shares of the Company in consideration of the issuance of 9,375,000 common shares to the former shareholders of the Company. As part of the Share Exchange Agreement and a related arrangement, Element Nutritional Sciences Inc. reserved for issuance an aggregate of 24,000,000 management performance warrants. The share exchange agreement contains voluntary lock-up provisions that apply to the former shareholders of the Company.

(c) COVID-19 Effects on Business

The Company continues to actively pursue state and county relief programs, including additional amounts that may be provided by the Paycheck Protection Program ("PPP") and Economic Injury Disaster Loan ("EIDL") loans available through the Small Business Administration ("SBA") in the U.S..

In September 2020, the Company received a $10,000 fully forgivable grant from the City of Charlotte under the Small Business Recovery Program which was established as part of the CARES Act.

Schedule "H"

Element Nutritional Sciences Inc.

(Formerly PJ1 Capital Corp.)

UNAUDITED PRO-FORMA

Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

(Prepared by Management)

June 30, 2020

ELEMENT NUTRITIONAL SCIENCES INC.
UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Element Nutritional Sciences Inc.	Element Nutrition Inc.	Hammock Pharmaceuticals, Inc.	Notes	Adjustments	Pro-Forma Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$87,999	$18,049	$140,351	5(a)	$10,750	$1,986,383
				5(b)	152,500	
				5(c)	1,576,734	
Accounts receivable		387,074	1,410			388,484
Prepaid expenses		128,296	27,860			156,156
Inventories		324,549	-			324,549
	87,999	857,968	169,621		1,739,984	2,855,572
Property, plant and equipment		61,859	7,001			68,860
Right of use asset		46,529	134,556			181,085
Intangible asset				5(d)	2,069,110	2,069,110
	87,999	966,356	311,178		3,809,094	5,174,627
Liabilities and Shareholder's Equity						
Current liabilities:						
Accounts payable	20,517	709,549	563,250			1,293,316
Bank demand loan		491,391				491,391
Notes payable		357,669				357,669
Lease obligation		50,333	139,727			190,060
Government loans		-	271,061			271,061
Shareholder loans		2,730,784	537,130	5(d)	(537,130)	-
				5(e)	(2,730,784)	
	20,517	4,339,726	1,511,168		(3,267,914)	2,603,497
Government loans		26,814	-			26,814
Lease liabilities			-			-
Total liabilities	20,517	4,366,540	1,511,168		(3,267,914)	2,630,311
Shareholder's equity:						
Share capital	1	3,313,216	70	5(b)	152,500	10,845,224
				5(c)	1,576,734	
				5(d)	1,406,250	
				5(d)	(70)	
				5(e)	2,730,784	
				5(b)	71,500	
				5(f)	(1,800,735)	
				5(f)	3,334,974	
				5(g)	60,000	
Warrants reserve				5(a)	10,750	82,500
				5(a)	16,750	
				5(f)	(27,500)	
				5(f)	82,500	
Contributed surplus			1,496,220	5(d)	(1,496,220)	-
Reserve	88,250		-	5(a)	(16,750)	-
				5(b)	(71,500)	
Deficit	(20,769)	(6,713,400)	(2,696,280)	5(d)	2,696,280	(8,383,408)
				5(f)	20,769	
				5(f)	(1,610,008)	
				5(g)	(60,000)	
	67,482	(3,400,184)	(1,199,990)		7,077,008	2,544,316
	$87,999	$966,356	$311,178		$3,809,094	$5,174,627

1. PROPOSED TRANSACTION

Element Nutritional Sciences Inc. (the "Company") completed the acquisition of Element Nutrition Inc. ("Element") through a share exchange agreement and Hammock Pharmaceuticals, Inc. ("Hammock") through an agreement and plan of merger effective August 31, 2020 as follows:

(i) a share exchange agreement (the "Element Share Exchange Agreement") under which the Company acquired all of the issued and outstanding shares of Element in consideration of the issuance of 24,375,000 common shares to the former shareholders of Element; and

(ii) an agreement and plan of merger (the "Hammock Merger Agreement") under which the Company acquired all the issued and outstanding shares of Hammock in consideration of the issuance of 9,375,000 common shares to the former shareholders of Hammock.

Collectively, the acquisition of Element and Hammock form the "Transaction".

2. BASIS OF PRESENTATION

This unaudited pro-forma consolidated statement of financial position has been prepared to show the effect of the Transaction as if it had been applied as at June 30, 2020. Since Element will control the Company following the Transaction, the share exchange with Element is being accounted for as a reverse takeover ("RTO"), whereby Element is the accounting acquiror and the Company is the accounting acquiree. Given that the Company has not been determined to be a business prior to the share exchange, as defined in IFRS 3 Business Combinations ("IFRS 3"), Element will account for the transaction in accordance with IFRS 2 Share Based Payments, with the difference between the consideration transferred, and the identifiable net assets acquired of the Company as the RTO Transaction costs. The Hammock Merger Agreement will be accounted for as a business combination in accordance with IFRS 3.

The pro forma consolidated statement of financial position has been compiled from information derived from the Company's June 30, 2020 audited financial statements and the June 30, 2020 interim statements of financial position of Element and Hammock, which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, under International Financial Reporting Standards ("IFRS").

The pro forma statement of financial position has been prepared based on the assumptions and adjustments made by management as described in note 5 as if the Transaction had occurred on June 30, 2020. It is management's opinion that this unaudited pro forma consolidated statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, of the Transaction in accordance with IFRS applied on a basis consistent with the Company's accounting policies. The unaudited pro forma consolidated statement of financial position is not necessarily indicative of the financial position of the Company which would have actually resulted had the Transaction been effected on June 30, 2020.

All amounts are shown in Canadian dollars unless otherwise indicated. The reporting currency of Hammock is U.S. dollars and for purposes of this unaudited pro forma consolidated statement of financial position, an exchange rate of CA$1.00 = US$0.7338 has been used to translate Hammock's statement of financial position at June 30, 2020 to Canadian dollars. The reporting currency of Element is Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro-forma consolidated statement of financial position has been compiled using the significant accounting policies, as set out in the audited consolidated financial statements of the Company at June 30, 2020.

Management has determined that no material adjustments are necessary to conform the Company's accounting policies to the accounting policies used by Element and Hammock in the preparation of their financial statements.

For the financial activity of Element and Hammock not captured under the Company's significant accounting policies, the unaudited pro-forma consolidated financial statements have been compiled using the significant accounting policies of Element and Hammock, which management has determined are consistent between the two entities. These policies will form the basis of the consolidated significant accounting policies of the Company post Transaction.

4. THE TRANSACTION

ELEMENT - ACCOUNTING FOR THE REVERSE TAKEOVER:

a) In the RTO Transaction with the Company, Element is deemed to be the accounting acquirer and the Company is deemed to be the acquiree for accounting purposes. Upon completion of the RTO, the former shareholders of Element will become the controlling shareholders of the Company.

b) As Element is deemed to be the accounting acquirer in the RTO Transaction, the assets and liabilities of Element are accounted for at cost, and the Company's assets and liabilities are accounted for at fair value on acquisition.

c) Since the Company's operations do not constitute a business, the transaction has been accounted for as an asset acquisition that is not a business combination.

d) Therefore, the Company's share capital, equity reserve and deficit at the time of the RTO transaction will be eliminated and the RTO transaction costs will be expensed.

e) The capital structure recognized in the pro forma statement of financial position will be that of the Company, but the dollar amount of the issued share capital in the unaudited pro forma consolidated statement of financial position prior to the acquisition will be that of Element, including the value of shares issued prior to or as part of the transaction.

f) In the accounting for the reverse takeover, the RTO Transaction consideration was determined by reference to the fair value of equity the legal subsidiary, being Element, would have issued to the legal parent entity, being the Company, to obtain the same percentage ownership interest of 43% in the combined entity. The fair value of the issued equity was determined based on the most reliable and observable fair value measures being the value of shares and warrants the legal parent had outstanding at the time of the RTO Transaction (22,233,162 common shares and 550,000 special warrants) and a market price per share from a recent transaction between third party market participants ($0.15/share).

HAMMOCK

The Hammock merger will be accounted for as a business combination. The acquisition consideration is determined by reference to the fair value of the number of shares the Company issued to the former shareholders of Hammock. The Company issued 9,375,000 common shares with a value of $0.15 per share for total consideration of $1,406,250. The net assets acquired were negative $662,860. The acquisition resulted in the recognition of an intangible asset equal to $2,069,110, the excess of the fair value over the acquisition consideration determined on a provisional basis.

5. PRO-FORMA ADJUSTMENTS

a) An adjustment of $10,750 to cash to reflect gross proceeds from the Company's issuance of 215,000 special warrants on July 6, 2020 at a price of $0.05 per warrant, with a corresponding increase to warrants reserve.

   This adjustment also includes an adjustment to equity reserve of $16,750 to reflect the conversion of 335,000 special warrant subscription receipts to special warrants on June 28, 2020, with a corresponding increase to warrants reserve.

b) An adjustment of $152,500 to cash to reflect the gross proceeds received in cash from the Company's private placement of common shares which closed on August 10, 2020, with a corresponding increase to share capital.

   This adjustment also includes a reduction to the Company's equity reserve of $71,500 to reflect the settlement of subscription receipts previously received under private placement, which were converted to common shares on August 10, 2020, with a corresponding increase to share capital.

c) An adjustment of $1,576,734 to cash to reflect net proceeds from the Company's private placement which resulted in the issuance of 11,033,161 common shares at a price of $0.15 per share. This adjustment is net of transaction costs in the form of a finder's fee amounting to $78,240. A corresponding increase of $1,576,734 was recorded to share capital.

d) An adjustment to reflect the acquisition accounting, in accordance with IFRS 3, with respect to the Company's acquisition of Hammock. The share capital, contributed surplus, and deficit of Hammock as at June 30, 2020 in the amount of $70, $1,496,220, and $2,696,280 respectively, were eliminated. In connection with this transaction, the convertible shareholder loans previously issued by Hammock, having a carrying value of $537,130 as at June 30, 2020, were converted to common shares and subsequently eliminated. As discussed in the section above, 9,375,000 common shares of the Company, having a value of $1,406,250, were provided as consideration resulting in an increase to share capital. The carrying value of the identifiable net assets were deemed to represent their fair value. Based on the collective adjustments and consideration noted above, an adjustment was made to recognize an intangible asset on a provisional basis in the amount of $2,069,110.

   The consideration for the acquisition and measurement of the net assets acquired and liabilities assumed at June 30, 2020 in accordance with IFRS 3 is as follows:

Fair Value of Consideration	
9,375,000 shares of the company at $0.15 / share	**$ 1,406,250**
Recognized amounts of identifiable net assets	
Cash	140,351
Accounts receivable	1,410
Prepaid expenses	27,860
Right of use assets	134,556
Leasehold improvements	7,001
Total identifiable assets acquired excluding intangible assets	311,178
Accounts payable and accrued liabilities	(563,250)
Government loans	(271,061)
Lease liabilities	(139,727)
Total liabilities assumed excluding intangible assets	(974,038)
Net identifiable liabilities assumed excluding intangible assets	**(662,860)**
License intangible assets acquired	**$ 2,069,110**

e) An adjustment of $2,730,784 to reflect to conversion of the Element shareholder loan to 11,250,000 class A common shares of Element immediately prior to the RTO transaction. A corresponding increase of $2,730,784 was recorded to share capital.

f) An adjustment of $3,334,974 to reflect the acquisition-date fair value of the share consideration transferred by Element to PJ1 related to Element's 43% equity interest in the combined entity after giving effect to the previous equity transactions leading up to the RTO. The purchase consideration also includes fair value of the Company's special warrants which are assumed by Element and are deemed to have a fair value of $82,500. The excess of the purchase consideration over the fair value of the identifiable net assets of the Company is accounted for as a charge to expense in the amount of $1,610,008 and is reflected as an adjustment to deficit. The Company's June 30, 2020 share capital, warrant reserve, and deficit balances immediately prior to the transaction in the amount of $1,800,735, $27,500, and $20,769 respectively, have been eliminated through this adjustment.

As at June 30, 2020, the fair value of the consideration deemed to be issued by Element, and the fair value of the identifiable net assets acquired in the RTO was estimated to be as follows:

Fair value of consideration given up:	
22,233,162 shares at $0.15 / share	$ 3,334,974
550,000 special warrants at $0.15 / share	82,500
	3,417,474
Fair value of net assets acquired	
Cash	87,999
Assumed working capital related to adjustments 5a), 5b), and 5c)	1,739,984
Accounts payable and accrued liabilities	- 20,517
Net Assets Acquired	1,807,466
Listing Fee Expense	**$ 1,610,008**

g) The Company issued 400,000 common shares as a finder's fee at a value of $0.15 per share for total consideration of $60,000. The amount is recorded as professional fees through the statement of loss and comprehensive loss and accordingly adjusted through retained deficit.

6. PRO-FORMA SHARE CAPITAL

	Warrants	Share Capital
Original share capital of Element	-	3,313,216
Settlement of shareholder loan, Adjustment 5(e)	-	2,730,784
Fair value of RTO Transaction consideration, adjustment 5(f)	82,500	3,334,974
Shares issued on Hammock acquisition, adjustment 5(d)	-	1,406,250
Share issuance transaction costs, adjustment 5(g)	-	60,000
	82,500	**10,845,224**

7. SUBSEQUENT EVENT

After the acquisition of Hammock on August 31, 2020, the distribution agreement and license for Hammock's key product was not renewed due to certain decisions to refocus on operations that generate positive margins and cash flows. While at the time of the acquisition, the Company had the view of eventually restructuring the current Hammock operations to be accretive to the group, it was later determined that the investment required could not provide the returns management had planned pre-merger. Subsequent to August 31, 2020, the intangible asset was written down to nil.

CERTIFICATE OF THE COMPANY

Dated: March 29, 2021

This amended and restated prospectus and this prospectus constitute full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of Ontario, British Columbia and Alberta and relating to the securities previously issued by the issuer as required by the securities legislation of Saskatchewan.

"Stuart Lowther"
Stuart Lowther
Chief Executive Officer, President and Chairman

"Shaun Power"
Shaun Power
Chief Financial Officer, Corporate Secretary and Director

ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

"Lino Fera"
Lino Fera
Director

"Sean Bromley"
Sean Bromley
Director

CERTIFICATE OF THE PROMOTER

Dated: March 29, 2021

This amended and restated prospectus and this prospectus constitute full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of Ontario, British Columbia and Alberta and relating to the securities previously issued by the issuer as required by the securities legislation of Saskatchewan.

"Stuart Lowther"

Stuart Lowther
Promoter