Unaudited Interim Condensed Consolidated Financial
Statements of

ELEMENT NUTRITIONAL SCIENCES INC.

For the three months ended March 31,2021 and 2020
(Unaudited)

ELEMENT NUTRITIONAL SCIENCES INC.

For the three months ended March 31,2021 and 2020

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Balance Sheets
As at March 31, 2021 and December 31, 2020
(Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 165,061	$ 87,481
Amounts receivable (note 4)	685,513	626,976
Prepaid expenses	291,517	77,200
Inventories (note 5)	1,397,807	341,053
	2,539,898	1,132,710
Non-current assets		
Property and equipment (note 6)	76,256	68,362
Right-of-use assets (note 7)	85,552	99,443
Total assets	**2,701,706**	**1,300,515**
Liabilities and Shareholders' Deficiency		
Current liabilities		
Bank demand loan (note 8)	410,000	500,000
Accounts payable and accrued liabilities	3,467,774	2,432,240
Other payable (note 10)	50,000	-
Current portion of notes payable (note 9)	456,372	456,372
Current portion of government loans (note 13)	252,991	256,150
Current portion of lease liabilities (note 7)	52,007	55,890
	4,689,144	3,700,652
Non-current liabilities		
Long-term portion of lease liabilities (note 7)	41,468	52,060
Government loan (note 13)	27,732	27,423
Notes payable (note 9)	10,000	25,000
Total liabilities	4,768,344	3,805,135
Shareholders' deficiency		
Share capital (note 10)	12,690,769	10,925,635
Common shares to be issued	-	354,374
Options and warrants (note 10)	641,566	131,728
Accumulated other comprehensive loss	6,012	60,264
Deficit	(15,404,985)	(13,976,621)
Total shareholders' deficiency	(2,066,638)	(2,504,620)
Total liabilities and shareholders' deficiency	**$ 2,701,706**	**$ 1,300,515**

Going concern (note 3)
Commitments and contingencies (note 16)
Subsequent events (note 18)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2021 and March 31, 2020
(Unaudited)

		March 31, 2021		**March 31, 2020**
Revenue from sale of goods	$	345,734	$	177,047
Cost of sales		345,015		123,541
		719		53,506
Operating expenses:				
Salaries and wages		724,303		219,977
Advertising and marketing		203,327		73,352
Professional fees		471,827		3,770
General and administrative		42,523		81,293
Depreciation and amortization		18,632		38,251
Product development		2,035		30,929
		1,462,647		447,572
Operating loss		(1,461,928)		(394,066)
Other income (expenses)				
Other income		3,188		42
Finance costs:				
Interest expense		(6,362)		(7,580)
Bank charges		(9,463)		(7,757)
Foreign exchange gain (loss)		46,201		(20,566)
		33,564		(35,861)
Loss before income taxes		(1,428,364)		(429,927)
Income tax expense		-		-
Net loss		(1,428,364)		(429,927)
Other comprehensive loss:				
Foreign currency translation		(54,252)		45,629
Net loss and other comprehensive loss	$	(1,482,616)	$	(384,298)
Basic and diluted loss per common share		(0.02)		(0.12)
Weighted average number of common shares outstanding		61,095,895		3,313,116

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
For three months ended March 31, 2021 and March 31, 2020
(Unaudited)

	Share capital	Options and warrants	Common shares to be issued	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2020	$10,925,635	$ 131,728	$ 354,374	$ 60,264	$(13,976,621)	$ (2,504,620)
Shares issued (note 10)	354,374	-	(354,374)	-	-	-
Stock options (note 10)	-	459,146	-	-	-	459,146
Warrants issued (note 10)	-	50,692	-	-	-	50,692
Shares issued for cash (note 10)	1,503,000	-	-	-	-	1,503,000
Finders' fees for issuance of shares (note 10)	(92,240)	-	-	-	-	(92,240)
Net loss and other comprehensive loss	-	-	-	(54,252)	(1,428,364)	(1,574,856)
Balance, March 31, 2021	$12,690,769	$ 641,566	$ -	$ 6,012	$(15,404,985)	$ (2,066,638)

	Share capital	Options and warrants	Common shares to be issued	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2019	$ 3,313,116	$ -	$ -	$ -	$ (6,160,303)	$ (2,847,187)
Net loss and other comprehensive loss	-	-	-	45,629	(429,927)	(384,298)
Balance, March 31, 2020	$ 3,313,116	$ -	$ -	$ 45,629	$ (6,590,230)	$ (3,231,485)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and March 31, 2020
(Unaudited)

	March 31, 2021	March 31, 2020
Operating activities		
Net loss	$ (1,428,364)	$ (429,927)
Items not involving cash:		
Depreciation of property and equipment	5,883	38,251
Depreciation of right-of-use asset	13,644	60,807
Interest accretion	2,863	-
Share based compensation	509,838	-
	(896,136)	(330,869)
Changes in non-cash operating working capital:		
Increase in amounts receivable	(60,789)	(60,576)
Increase in prepaid expenses	(215,399)	(33,310)
Increase in inventories	(1,066,121)	(58,968)
Increase in accounts payable and accrued liabilities	1,053,102	176,957
Increase in other payable	50,000	-
Cash used in operating activities	(1,135,343)	(306,766)
Investing activities		
Purchase of property and equipment	(13,898)	(34,192)
Cash used in investing activities	(13,898)	(34.192)
Financing activities		
Proceeds from issuance of common shares, net	1,503,000	-
Payment of finder's fees	(92,240)	-
Repayment of notes payable	(15,000)	(26,513)
(Repayment) proceeds from bank operating line of credit	(90,000)	406,646
Repayment to shareholder	-	(24,729)
Principal repayments of lease liabilities	(13,123)	(37,065)
Repayment of working capital loan	-	(78,714)
Cash provided by financing activities	1,292,637	239,625
Impact of foreign exchange rate changes on cash	(65,816)	45,587
Net increase (decrease) in cash	143,396	(101,333)
Cash, beginning of period	87,481	104,829
Cash, end of period	$ 165,061	$ 49,083
Supplementary information		
Interest paid	-	-
Income tax paid	-	-

The accompanying notes are an integral part of the 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.

The Company completed the acquisition of Element Nutrition Inc. ("Element") through a share exchange agreement (the "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. References to PJ1 Capital Corp. prior to the RTO Transaction herein are referredto 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 was accounted for as a reverse acquisition of the Company by Element for accounting purposes.

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") and the IFRS Interpretations Committee. Accordingly, certain disclosures included in annual consolidated financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to Element's audited consolidated financial statements for the year ended December 31, 2020.

The unaudited interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors on May 31, 2021.

b) Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis under the historical cost method.

1. **Basis of presentation** (continued)

c) Basis of consolidation

The unaudited interim condensed 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, Element Nutrition Inc., which was acquired in the RTO Transaction on August, 31, 2020 and Hammock Pharmaceuticals, Inc. which was acquired on August 31, 2020. 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 and preparation of these unaudited interim condensed consolidated financial statements.

d) 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.

e) Use of estimates and judgments

The preparation of the 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.

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. Note 3 – going concern.
ii. 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.

1. **Basis of presentation** (continued)

e) Use of estimates and judgments (continued)

iii. 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.

iv. Note 10 – determination of the fair value of warrants and options issued estimated at the date of grant using a Black-Scholes pricing model using key assumptions on the life of the warrants, volatility, and risk-free interest rate.

2. **Significant accounting policies**

These unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies, significant accounting judgments and estimates, and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB which are applicable for annual periods beginning on or after January 1, 2021.

Changes in accounting standards effective January 1, 2021:

IFRS 3 - Business Combinations
In October 2018, new amendments to IFRS 3 were issued to provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The adoption of this amendment did not have an impact on the unaudited interim condensed consolidated financial statements.

IAS 1 - Presentation of Financial Statements
In October 2018, new amendments to IAS 1 were issued to provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications. The adoption of this amendment did not have an impact on the unaudited interim condensed consolidated financial statements.

3. 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 March 31, 2021. In addition, the Company has experienced negative cash outflows from operations in 2020 and for the three months ended March 31, 2021. 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 the 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 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 interim condensed consolidated financial statements, adjustments would be necessary to the statement of financial position and classifications used, which may be material.

4. Amounts receivable

	March 31, 2021	December 31, 2020
Trade receivables	$ 445,082	$ 407,400
HST receivable	192,965	111,619
Other receivable	47,466	107,957
	$ 685,513	$ 626,976

5. Inventories

	March 31, 2021	December 31, 2020
Finished goods	$ 218,389	$ 100,789
Packaging	341,624	113,103
Sub-components	837,794	127,161
	$ 1,397,807	$ 341,053

The amount of inventory included in cost of sales was $176,828 (March 31, 2020 - $79,458) for the three months ended March 31, 2021. For the three months ended March 31, 2021 there was no write down from cost to net realizable value and included in cost of sales (March 31, 2020 - $nil).

6. Property and equipment

Reconciliation of the net carrying amounts for each class of property and equipment is summarized below:

	Office Furniture and equipment	Computer equipment	Dies and plates	Leasehold improvements	Total
Cost					
January 1, 2020	$ 113,278	$ 54,701	$ 13,974	$ 14,645	$ 196,598
Additions	-	4,627	5,364	7,961	17,952
December 31, 2020	$ 113,278	$ 59,328	$ 19,338	$ 22,606	$ 214,550
Additions	-	13,899	-	-	13,899
March 31, 2021	$ 113,278	$ 73,227	$ 19,338	$ 22,606	$ 228,449
Accumulated depreciation					
January 1, 2020	$ 70,068	$ 39,155	$ 13,974	$ 3,425	$ 126,622
Depreciation	8,642	5,126	-	3,839	17,607
Foreign exchange impact	-	-	-	1,959	1,959
December 31, 2020	$ 78,710	$ 44,281	$ 13,974	$ 9,223	$ 146,188
Depreciation for the period	2,161	1,860	445	1,417	5,883
Foreign exchange impact	-	-	64	58	122
March 31, 2021	$ 80,871	$ 46,141	$ 14,483	$ 10,698	$ 152,193
Net carrying amounts					
At December 31, 2020	34,568	15,047	5,364	13,383	68,362
At March 31, 2021	32,407	27,086	4,855	11,908	76,256

7. Leases

The Company leases building space for a term ended in October 2020 at which point the Company maintains the same payments on a month-by-month basis in the amount of $12,646. Through the acquisition of Hammock Pharmaceuticals, Inc., the Company acquired operating leases ending in October 2022 and November 2022.

The Company’s lease obligations are calculated using the Company’s incremental borrowing rate based on the specific lease commitment and term. The average incremental borrowing rate for 2021 ranged between 4% to 10% (2020 - 4% to 10%).

7. Leases (continued)

(i) Right-of-use assets

Right of use asset	March 31, 2021	December 31, 2020
Opening balance	$ 99,443	$ 113,790
Additions: Hammock acquisition	-	119,820
Less: depreciation	(13,644)	(131,780)
Foreign exchange translation impact	(247)	(2,387)
Ending balance	$ 85,552	$ 99,443

(ii) Lease liabilities

Lease liabilities	March 31, 2021	December 31, 2020
Opening balance	$ 107,950	$ 112,315
Additions: Hammock acquisition	-	125,960
Add: interest expense	2,553	5,388
Less: principal repayments	(13,123)	(129,726)
Less: interest payments	(2,553)	(5,388)
Foreign exchange translation impact	(1,352)	(599)
Ending balance	$ 93,475	$ 107,950

(iii) Lease liabilities included in the unaudited interim condensed consolidated balance sheets

	March 31, 2021	December 31, 2020
Current	$ 52,007	$ 55,890
Non-current	41,468	52,060
Balance	$ 93,475	$ 107,950

(iv) Maturity analysis for leased liabilities – contractual undiscounted cash flows:

	March 31, 2021	December 31, 2020
Less than one year	$ 63,170	$ 63,659
1 to 5 years	42,680	54,023
Over 5 years	-	-
Total undiscounted lease obligations	$ 105,850	$ 117,682

8. 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 March 31, 2021 was $410,000 (December 31, 2020 - $500,000). The demand loan is secured by a general security agreement.

9. 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 amounts 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 as at March 31, 2021 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 per class B common share. 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 current portion of the note of $60,000 is recorded in current liabilities. The balance owing as at March 31, 2021 is $70,000 of which $10,000 is considered a non-current liability.

10. Share capital

The following table provides a breakdown of the authorized and issued share capital and warrants of the Company at March 31, 2021:

	March 31, 2021
Authorized:	
Unlimited number common shares, voting	
Unlimited number of special warrants	
Issued and outstanding:	
64,362,662 common shares	$ 12,690,769
908,560 special warrants	92,420
	$ 12,783,189

10. Share capital (continued)

a) On January 15, 2021, the Company issued 1,417,500 common shares in relation to severance payment to a former employee pertaining to the fiscal year ended December 31, 2020.

b) The Company issued 6,012,000 common shares for $1,503,000 ($0.25/share) through multiple private placements that closed on February 1, 2021, February 4, 2021 and March 15, 2021. As part of the private placements, Canaccord Genuity Corp. received a finder's fee of $92,240 and 386,960 special warrants exercisable at $0.25/share for a period of two years from the date of grant. The value of these special warrants $50,692 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 2.00 years; (ii) risk free rate of 0.5%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) fair value of the share price of $0.25 at the time of grant based on the most recent private placement for a valuation of $0.131 per option.

c) The Company issued 200,000 common shares for $50,000 ($0.25/share) to Canaccord Genuity Corp. subsequent to year end for services provided during the period ended March 31, 2021. Accordingly, this obligation was classified as other payable as at March 31, 2021.

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.

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)

Stock options

The Company recorded share-based compensation of $459,146 in relation to the stock options issued.

a) 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. The value of these options vested during the period in amount of $240,500 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5.00 years; (ii) risk free rate of 0.5%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) fair value of the share price of $0.25 at the time of grant based on the most recent private placement for a valuation of $0.185 per option.

b) On March 10, 2021, the Company issued 3,400,000 options to certain employees and officers of the Company to purchase common shares of the Company at $0.25/share for a period of five year. One-third of all options vested immediately on the grant date, one-third will vest on the one-year anniversary of the grant date, with the remaining one-third vesting on the two year anniversary of the grant date. The value of these options was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5.00 years; (ii) risk free rate of 0.5%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) fair value of the share price of $0.25 at the time of grant based on the most recent private placement for a valuation of $0.185 per option.

The outstanding stock options as at March 31, 2021 are as follows:

Grant date	Exercise price	Number of options	Number of vested options	Weighted average remaining life (Years)
December 22, 2020	$0.25	500,000	500,000	4.73
January 18, 2021	$0.25	1,300,000	1,300,000	4.81
March 10, 2021	$0.25	3,400,000	1,116,667	4.95
Total	$0.25	5,200,000	2,916,667	4.89

11. Related party transactions

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 -months ended March 31, 2021, the Company recorded $62,500 (three -months ended March 31, 2020 - $37,500) related to key management personnel salaries and benefits.

12. 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.

Sales revenue by geographical location is comprised of:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Canada	$ 82,004	$ 72,943
United States	263,730	104,104
	$ 345,734	$ 177,047

13. 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.

Canada Emergency Wage Subsidy

The Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a subsidy towards eligible employees’ remuneration, subject to certain criteria. Accordingly, the Company applied for the CEWS to the extent it met the requirements to receive the subsidy during the period ended March 31, 2021 and $57,561 as wage subsidy is recognized in the interim condensed consolidated statement of loss and comprehensive loss as a reduction of the salaries and wages expenses at the time they are incurred.

Canada Emergency Rent Subsidy

On November 19, 2020, the Government of Canada also implemented the Canada Emergency Rent Subsidy (“CERS”). CERS provides a taxable subsidy to cover eligible expenses for qualifying properties, subject to certain maximums, starting on September 27, 2020 until June 2021, with the amount of the subsidy based on the percentage decline of the Company in certain of its Canadian-sourced revenues in each qualifying period. Accordingly, the Company applied for the CERS to the extent it met the requirements to receive the subsidy and, during the three month period ended March 31, 2021, $18,616 as rent subsidy is recognized in the interim condensed consolidated statement of loss and comprehensive loss as a reduction of rent at the time they are incurred.

Canada Emergency Business Account

The Company received the Canada Emergency Business Account (“CEBA”) loan amounting to $40,000 during the year ended December 31, 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. Since there is reasonable assurance that the company will repay $30,000 by December 31, 2022, the Company recognized $10,000 in net income when the loan was granted. The liability resulting from the $30,000 balance was initially recognized at its fair value of $26,614 using an interest rate of 4.5%.

13. COVID-19 Pandemic (continued)

Paycheck Protection Program

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 PPP loan bears interest at 1% per annum and if not forgiven, has a maturity date of May 6, 2022.

Economic Injury Disaster Loans program

Prior to the acquisition, in May 2020, Hammock also applied for and received an Economic Injury Disaster Loans program ("EIDL") loan from the U.S. Small Business Administration 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 was 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 as at March 31, 2021.

14. Fair values of financial instruments

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 and credit risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Accounting classifications and fair values

The Company's financial instruments consist of cash, amounts receivable, bank demand loan, accounts payable and accrued liabilities, other payables, 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.

(a) 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$56,099 in cash at March 31, 2021. The Company manages its exposure through its regular operating and financing activities. A 1% change in the exchange rate between the U.S. dollars and the Canadian Dollar would have an immaterial impact on these unaudited interim condensed consolidated financial statements.

14. Fair values of financial instruments (continued)

(b) 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.

The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Company's financial liabilities are comprised of its bank demand loan, accounts payable and accrued liabilities, notes payable, government loan and lease obligation.

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

	12 months $	1 to 2 years $	2 to 5 years $	Total $
Bank demand loan	410,000	-	-	410,000
Accounts payable and accrued liabilities	3,467,774	-	-	3,467,774
Other payable	50,000	-	-	50,000
Notes payable	456,372	10,000	-	466,372
Government loans	252,991	27,732	-	280,723
Lease obligations	63,170	42,681	-	105,851
As at March 31, 2021	4,700,307	80,413	-	4,780,720

(c) Credit risk and economic dependence

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 March 31, 2021 is $4,194 (December 31, 2020 - $6,721). The maximum credit risk exposure for all of the Company's current financial assets is the carrying value of those assets.

The following table provides information regarding the aged trade receivable:

	Current	31-60 days	61-90 days	91 days+
March 31, 2021	41%	7%	9%	35%

As at March 31, 2021, 3 customers comprised of 79% of trade receivables.

15. 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 March 31, 2021 totaled deficit of $15,404,985 (deficit of $13,976,621 at December 31, 2020).

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.

16. Commitments and contingencies

a) Under the license agreements with its suppliers, the Company is required to purchase certain minimum quarterly servings and make quarterly royalty payments in order to maintain its rights under the agreements.

b) During the three-month period ended March 31, 2021, a claim for alleged wrongful dismissal, unpaid wages and general damages in the aggregate amount of $197,625 was filed against the Company by a former employee of Hammock Pharmaceuticals, Inc. The Company believes the claim is without merit and that the ultimate disposition of the proceedings will not have a material effect on it consolidated results of operations, cash flows, or financial position.

17. Hammock Pharmaceuticals, Inc.

The future operations for Hammock Pharmaceuticals, Inc. is still undergoing discussions by management.

As at March 31, 2021, assets of Hammock included leasehold improvement having a net book value of $4,349 and right-of-use assets of $85,552 and liabilities included accounts payable of $500,072, lease liabilities of $93,475 and government loans of $252,991. For the three-month period ended March 31, 2021, total sales of Hammock amounted to $nil and total expenses were $83,041.

18. 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 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 were placed into escrow. Upon conversion of the subscription receipts, and without additional payment therefor, the Company would issue 22,480,000 common shares, which were qualified for distribution under the prospectus. The qualified final prospectus was issued and receipted and the monies in escrow were released from escrow in May 2021.

   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 paid a finder's fee of $426,360 and issued 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. A corporate finance fee of $200,000 was also paid to Canaccord Genuity Corp. as at the date the prospectus was receipted.

b) On April 27, 2021, the Company entered into a bridge loan agreement with L5 Capital Inc. to borrow up to $1,250,000 in three tranches of $500,000, $500,000, and $250,000 whereby it would pay an interest rate of 10% and in addition to the interest, issue two (2) warrants for each one (1) dollar loaned. The company issued the 2,500,000 warrant on May 19, 2021.

   The Company repaid the loan with the escrowed funds as noted above.