

SURENANO SCIENCE LTD.

Condensed interim financial statements

Nine months ended December 31, 2021

(Expressed in Canadian Dollars)

(unaudited)

SURENANO SCIENCE LTD.

Condensed interim statements of financial position
(Expressed in Canadian dollars)
(unaudited)

	December 31, 2021 \$	March 31, 2021 \$
ASSETS		
Current assets		
Cash	887,292	929,011
Accounts receivable	18,422	37,800
Total assets	905,714	966,811
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	44,133	17,323
Total liabilities	44,133	17,323
Shareholders' equity		
Share capital	1,439,845	1,032,000
Share-based payment reserves (Note 7)	403,817	—
Deficit	(982,081)	(82,512)
Total shareholders' equity	861,581	949,488
Total liabilities and shareholders' equity	905,714	966,811

Nature of operations and continuance of business (Note 1)
Commitment (Note 8)
Subsequent event (Note 11)

Approved and authorized for issuance on behalf of the Board of Directors on February 25, 2022:

/s/ "Charles MaLette"

Charles MaLette, Director

/s/ "Mark Scott"

Mark Scott, Director

(The accompanying notes are an integral part of these condensed interim financial statements)

SURENANO SCIENCE LTD.

Condensed interim statements of operations and comprehensive loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended December 31, 2021 \$	Nine months ended December 31, 2021 \$	For the period from incorporation on January 14, 2021 to March 31, 2021 \$
Revenue	–	18,000	36,000
Cost of goods sold	–	(1,487)	(1,342)
Gross profit		16,513	34,658
Expenses			
Consulting fees (Note 4)	32,691	56,867	–
License fee (Note 3 and 4)	–	125,000	100,000
Management fees (Note 4)	30,000	90,000	–
Office and miscellaneous	40,839	67,668	506
Professional fees	31,828	110,526	6,739
Research and development (Note 8)	16,005	56,789	–
Royalties (Notes 3 and 4)	–	4,500	9,000
Share-based compensation (Notes 4 and 7)	–	403,817	–
Total expenses	151,363	915,167	116,245
Net loss before taxes	(151,363)	(898,654)	(81,587)
Income tax expense	–	(915)	(925)
Net loss and comprehensive loss for the period	(151,363)	(899,569)	(82,512)
Loss per share, basic and diluted	(0.01)	(0.05)	(0.01)
Weighted average shares outstanding	20,120,000	19,841,000	13,854,000

(The accompanying notes are an integral part of these condensed interim financial statements)

SURENANO SCIENCE LTD.

Condensed interim statement of changes in equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital		Special warrants	Share-based payment reserves	Deficit	Total shareholders' equity
	Number of shares	Amount \$				
Balance, January 14, 2021 (date of incorporation)	–	–	–	–	–	–
Common shares issued for cash	19,700,100	1,032,000	–	–	–	1,032,000
Net loss for the period	–	–	–	–	(82,512)	(82,512)
Balance, March 31, 2021	19,700,100	1,032,000	–	–	(82,512)	949,488
Special warrants issued for cash	–	–	439,425	–	–	439,425
Special warrants issuance costs	–	–	(31,580)	–	–	(31,580)
Special warrants converted to common shares	1,757,700	407,845	(407,845)	–	–	–
Share-based compensation	–	–	–	403,817	–	403,817
Net loss for the period	–	–	–	–	(899,569)	(899,569)
Balance, December 31, 2021	21,457,800	1,439,845	–	403,817	(982,081)	861,581

(The accompanying notes are an integral part of these condensed interim financial statements)

SURENANO SCIENCE LTD.

Condensed interim statements of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Nine months ended December 31, 2021 \$	For the period from incorporation on January 14, 2021, to March 31, 2021 \$
Operating activities		
Net loss for the period	(899,569)	(82,512)
Items not involving cash:		
Share-based compensation	403,817	–
Changes in non-cash operating working capital:		
Accounts receivable	19,378	(37,800)
Accounts payable and accrued liabilities	26,810	17,323
Net cash used in operating activities	(449,564)	(102,989)
Financing activities		
Proceeds from issuance of common shares	–	1,032,000
Proceeds from subscriptions of special warrants	439,425	–
Special warrants issuance costs	(31,580)	–
Net cash provided by financing activities	407,845	1,032,000
Change in cash	(41,719)	929,011
Cash, beginning of period	929,011	–
Cash, end of period	887,292	929,011
Non-cash investing and financing activities:		
Special warrants converted to common shares	407,845	–

(The accompanying notes are an integral part of these condensed interim financial statements)

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements
Nine months ended December 31, 2021
(Expressed in Canadian Dollars)
(unaudited)

1. Nature of Operations and Continuance of Business

SureNano Science Ltd. (the “Company”) was incorporated under the Business Corporations Act in British Columbia on January 14, 2021. The principal business of the Company is the sale and distribution of the SureNano™ surfactant, which is a ready-to-mix food grade compound that provides the base for high performance nano-emulsions to create incredibly homogeneous and stable products while maximizing bioavailability, clarity, and taste. The Company has exclusive licenses to distribute the SureNano™ surfactant within Canada and the State of Colorado, USA (Note 3). The Company’s head office is located at 350 – 1650 West 2nd Avenue, Vancouver, British Columbia.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at December 31, 2021, the Company has negative cash flow from operations, and has an accumulated deficit of \$982,081. The Company expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. These factors indicate the existence of a material uncertainty that may cast doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, “*Interim Financial Reporting*”.

These condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency.

The accounting policies used in these condensed interim consolidated financial statements are the same as those used in the Company’s audited financial statements as at, and for the period ended March 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with those statements.

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements
Nine months ended December 31, 2021
(Expressed in Canadian Dollars)
(unaudited)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

Significant areas requiring the use of estimates include the recovery of accounts receivable, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Recent Accounting Pronouncements

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Licensing Agreements

- (a) On February 19, 2021, the Company entered into a licensing agreement (the "Licensing Agreement") with 1150641 B.C. Ltd. ("1150641"), a company controlled by an individual who was appointed as a Director of the Company subsequent to entering into the Licensing Agreement, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within Canada with respect to the SureNano™ surfactant (the "Product"), which is owned by 1150641. The Company was also granted the first right of refusal over licenses and rights to the Product in Europe over the life of the Licensing Agreement. The Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the exclusive license and rights, the Company agreed to pay the following:

- (a) \$50,000 within 3 business days of signing the Licensing Agreement (paid);
- (b) \$50,000 on March 31, 2021 (paid);
- (c) \$50,000 on June 30, 2021 (paid); and
- (d) \$50,000 on September 30, 2021 (paid).

The Company also agreed to pay an on-going royalty calculated as 25% of net sales, which are payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements
Nine months ended December 31, 2021
(Expressed in Canadian Dollars)
(unaudited)

3. Licensing Agreements (continued)

- (b) On June 10, 2021, the Company entered into a Licensing Agreement (the “Colorado Licensing Agreement”) with 1150641, a company controlled by a Director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Colorado, USA, with respect to the Product, which is owned by 1150641. The Colorado Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the rights and licenses, the Company paid \$25,000 and agreed to pay an on-going royalty calculated as 25% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

During the nine months ended December 31, 2021, the Company recognized royalty expense of \$4,500 (period from incorporation on January 14, 2021, to March 31, 2021 – \$9,000) pursuant to the above licensing agreements.

4. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that its key management personnel are the members of the Company’s current and former Board of Directors and its executive officers.

- (a) During the nine months ended December 31, 2021, the Company incurred management fees of \$45,000 (period from incorporation on January 14, 2021, to March 31, 2021 – \$nil) to the Chief Executive Officer (“CEO”) of the Company.
- (b) During the nine months ended December 31, 2021, the Company incurred management fees of \$45,000 (period from incorporation on January 14, 2021, to March 31, 2021 – \$nil) to the Chief Financial Officer (“CFO”) of the Company.
- (c) During the nine months ended December 31, 2021, the Company incurred royalties of \$4,500 (period from incorporation on January 14, 2021, to March 31, 2021 – \$9,000) and license fees of \$125,000 (period from incorporation on January 14, 2021, to March 31, 2021 – \$100,000) to a company controlled by a Director of the Company.
- (d) During the nine months ended December 31, 2021, the Company incurred consulting fees of \$30,000 (period from incorporation on January 14, 2021, to March 31, 2021 – \$nil) to a company controlled by the son of the CFO of the Company.
- (e) During the nine months ended December 31, 2021, the Company incurred share-based compensation of \$302,863 (period from incorporation on January 14, 2021, to March 31, 2021 – \$nil) to officers and directors of the Company.

5. Share Capital

Authorized: Unlimited number of common shares without par value.

On December 9, 2021, the Company issued 1,757,700 common shares upon the conversion of 1,757,700 special warrants (Note 6).

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements
Nine months ended December 31, 2021
(Expressed in Canadian Dollars)
(unaudited)

6. Special Warrants

On May 19, 2021, the Company completed a private placement of 1,757,700 non-transferable special warrants at \$0.25 per special warrant for gross proceeds of \$439,425. Each special warrant entitles subscribers to acquire, without payment of any consideration in addition to that already paid, one common share of the Company. In connection with the private placement, the Company paid a finder's fee of \$27,350 and incurred other issuance costs of \$4,230. On December 9, 2021 the Company converted 1,757,700 special warrants into 1,757,700 common shares of the Company (Note 5).

7. Stock Options

On June 16, 2021, the Board of Directors of the Company adopted the Company's Stock Option Plan (the "Plan"). The Plan is administered by the Board of Directors. Stock options granted under the Plan have a maximum term of 10 years, and vest at the discretion of the Board of Directors. The aggregate number of shares of the Company's common stock available for issuance under the Plan is 10% of the Company's issued and outstanding shares on the date on which a stock option is granted.

The following table summarizes information about the stock options at December 31, 2021, and the changes for the period then ended:

	Number of stock options	Weighted average exercise price \$
Outstanding, March 31, 2021	–	–
Granted	2,000,000	0.25
Outstanding and exercisable, December 31, 2021	2,000,000	0.25

Additional information regarding stock options outstanding and exercisable as at December 31, 2021, is as follows:

Range of exercise prices \$	Number of stock options	Weighted average remaining contractual life (years)	Expiry date
0.25	2,000,000	2.46	June 16, 2024

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the nine months ended December 31, 2021, the Company recognized share-based compensation expense of \$403,817 (incorporation on January 14, 2021, to March 31, 2021 - \$nil) in share-based payment reserves, of which \$302,863 (incorporation on January 14, 2021, to March 31, 2021 - \$nil) pertains to directors and officers of the Company. The weighted average fair value of options granted during the nine months ended December 31, 2021, was \$0.20 (incorporation on January 14, 2021, to March 31, 2021 - \$nil) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	December 31, 2021	March 31, 2021
Risk-free interest rate	0.54%	–
Expected life (in years)	3	–
Expected volatility	150%	–

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements
Nine months ended December 31, 2021
(Expressed in Canadian Dollars)
(unaudited)

8. Commitment

On June 10, 2021, the Company entered into a Collaborative Research Agreement with 1150641, a company controlled by a Director of the Company, whereby the Company and 1150641 will participate in a collaborative research project regarding the use of surfactants in cannabis oil and the products resulting therefrom and does not include the development of new surfactant formulae. Pursuant to the agreement, the Company agreed to pay and contribute half of the amounts required to pay for invoices of consultants in carrying out the research project to a maximum of \$100,000 during every six months of the term of the agreement. In addition, the Company was also responsible for covering half of the \$34,464 already paid by 1150641. The term of the agreement is 1 year, unless extended by mutual agreement or terminated with 90 days prior written notice by either party.

9. Capital Management

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's capital management during the period.

10. Fair Value Measurements and Risk Management

(a) Fair Values

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company has recorded its cash at fair value using level 1 inputs. The fair values of the Company's other financial instruments, which include accounts receivable, and accounts payable approximate their carrying values due to the relatively short-term maturity of these instruments.

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

(b) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including accounts receivable. Accounts receivable consists of trade receivables from customers. Of the Company's trade receivables outstanding at December 31, 2021, 100% (March 31, 2021 – 100%) is held with 1 customer of the Company. The carrying amount of these financial assets represents the maximum credit exposure.

SURENANO SCIENCE LTD.

Notes to the condensed interim financial statements

Nine months ended December 31, 2021

(Expressed in Canadian Dollars)

(unaudited)

10. Fair Value Measurements and Risk Management (Continued)

(c) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

(d) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

(ii) Foreign Exchange Rate Risk and Interest Rate Risk

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

(iii) Price Risk

The Company is not exposed to significant price risk.

(e) Economic Dependence Risk

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impact the financial performance of the Company. During the nine months ended December 31, 2021, the Company recorded sales from 1 (period from incorporation on January 14, 2021, to March 31, 2021 – 1) customer of the Company representing 100% (period from incorporation on January 14, 2021, to March 31, 2021 – 100%) of total revenue.

11. Subsequent Event

On January 4, 2022, the Company entered into an agreement with a marketing firm to provide media and marketing services for a term of 1 year, whereby the marketing firm will receive monthly compensation of \$6,500. In addition, the Company agreed to grant the marketing firm 200,000 stock options, which are subject to vesting terms and may be exercised at a price of \$0.30 per common share, expiring on February 15, 2023.