

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Ovation Science Inc. (the "Issuer").

Trading Symbol: OVAT

MARCH 2020

SCHEDULE A: FINANCIAL STATEMENTS

Financial Statements are attached as schedule Attached "A"

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Related party transactions

See Note 11 of schedule "A"

2. Summary of securities issued and options granted during the period.

(a) Summary of shares issued during the period

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
13 Mar 2020	Common	Warrants	10,000	\$0.45	4,500	Cash	Third party	None

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
1 Feb 2020	100,000		Contractor	\$0.30	1 Feb 2022	
25 Mar 2020	50,000		Contractor	\$0.35	25 March 2022	

3. Summary of securities as at the end of the reporting period.

See page 5 of Schedule "A" (Condensed Interim Statements of Changes in Shareholder Equity)

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

Terry Howlett, Chief Executive Officer and Director
Doreen McMorran, COO, Director
Logan Anderson, Chief Financial Officer and Director
David Ryan, Investor relations, Director
Ian Howard, Director
Joan Chypyha, Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis is attached as schedule "C"

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

As of May 30, 2020.

Terry Howlett
Name of Director or Senior Officer

"Terry Howlett"
Signature

CEO, Director
Official Capacity

Issuer Details Name of Issuer Ovation Science Inc.		For Quarter Ended 31 March 2020	Date of Report YY/MM/D 2020/05/30
Issuer Address Suite 1140 – 625 Howe Street			
City/Province/Postal Code VANCOUVER BC V6C 2T6	Issuer Fax No. ()	Issuer Telephone No. (604)283-0903	
Contact Name Logan Anderson	Contact Position CFO	Contact Telephone No. (604)283-0903	
Contact Email Address loganbanderson@outlook.com	Web Site Address www.ovationscience.com		

SCHEDULE A

OVATION SCIENCE INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2020 and 2019

*Expressed in Canadian dollars
(Unaudited)*

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for Ovation Science Inc. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	Note	As at March 31, 2020	As at December 31, 2019
ASSETS			
Current assets			
Cash		\$ 218,021	\$ 378,756
Short-term investments		604,102	601,027
Trade and other receivables	3	33,548	56,084
Prepaid expenses	4	20,126	57,359
Inventory	5	338,436	111,132
		1,214,233	1,204,358
Equipment	7	28,989	28,665
License	6	606,812	606,812
Total assets		\$ 1,850,034	\$ 1,839,835
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	8	\$ 165,739	\$ 100,818
Due to related parties	13	21,971	19,478
Convertible notes	9	241,697	230,159
Derivative liability	9	-	11,781
Total liabilities		429,407	362,236
Shareholders' equity			
Share capital	10	1,946,975	1,940,692
Reserves	11	984,545	941,198
Accumulated other comprehensive income		5,826	1,597
Deficit		(1,516,719)	(1,405,888)
		1,420,627	1,477,599
Total liabilities and shareholders' equity		\$ 1,850,034	\$ 1,839,835

Nature of business and going concern (Note 1)

Subsequent events (Note 15)

**These condensed consolidated interim financial statements were approved by the Board of Directors on
June 1, 2020:**

"Logan Anderson" Director "Terry Howlett" Director

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

OVATION SCIENCE INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue			
Product sales		\$ 210,924	\$ -
Polymer sales		15,147	20,668
Packaging fees		65,415	38,498
		291,486	59,166
Cost of sales	5	(99,870)	(11,754)
Gross margin		191,616	47,412
Operating expenses			
Management and director fees	13	96,231	81,890
Advertising and promotion		-	27,400
Depreciation	7	2,142	-
Office and general		50,539	23,593
Professional fees		43,433	27,407
Product development		40,978	28,180
Royalty fees		10,155	-
Share-based payments	11	45,130	14,432
Investor relations		21,000	-
		309,608	202,902
Loss from operations		(117,992)	(155,490)
Other income (expenses)			
Interest expense		(5,136)	(9,885)
Accretion expense	9	-	(2,190)
Interest income		3,096	7,688
Change in fair value of derivative liability	9	11,781	(27,980)
Foreign exchange gain (loss)		(2,580)	(391)
Net loss		\$ (110,831)	\$ (188,248)
Foreign currency translation to reporting currency		5,826	-
Net loss and comprehensive loss		(105,005)	(188,248)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.01)
Basic and diluted weighted average number of common shares outstanding		23,235,290	23,153,964

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

OVATION SCIENCE INC.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share capital								
	Number	Amount	Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity			
Balance at December 31, 2018	23,153,121	\$ 1,900,518	\$ 858,866	\$ -	\$ (569,945)	\$ 2,189,439			
Warrants exercised	25,000	11,108	(3,608)	-	-	7,500			
Share-based payments	-	-	14,432	-	-	14,432			
Loss for the period	-	-	-	-	(188,248)	(188,248)			
Balance at March 31, 2019	23,178,121	\$ 1,911,626	\$ 869,690	\$ -	\$ (758,193)	\$ 2,023,123			
Balance at December 31, 2019	23,234,631	\$ 1,940,692	\$ 941,198	\$ 1,597	\$ (1,405,888)	\$ 1,477,599			
Warrants exercised	10,000	6,283	(1,783)	-	-	4,500			
Share-based payments	-	-	45,130	-	-	45,130			
Foreign currency translation adjustment	-	-	-	4,229	-	4,229			
Loss for the period	-	-	-	-	(110,831)	(110,831)			
Balance at March 31, 2020	23,244,631	\$ 1,946,975	\$ 984,545	\$ 5,826	\$ (1,516,719)	\$ 1,420,627			

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

OVATION SCIENCE INC.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2020		Three months ended March 31, 2019	
OPERATING ACTIVITIES				
Loss for the period	\$	(110,831)	\$	(188,248)
Adjustments for non-cash items:				
Accretion expense		-		2,190
Interest expense		4,986		9,885
Depreciation		2,142		-
Share-based payments		45,130		14,432
Interest earned		(3,075)		-
Change in fair value of derivative liability		(11,781)		27,980
Unrealized foreign exchange loss		13,301		391
Changes in working capital items:				
Trade and other receivables		22,536		(1,523)
Inventory		(227,304)		11,753
Prepaid expense		37,233		18,750
Accounts payable and accrued liabilities		62,428		(19,808)
Cash flows used in operating activities		(165,235)		(124,198)
INVESTING ACTIVITIES				
Short-term investment		-		1,500,000
Cash flows provided by investing activities		-		1,500,000
FINANCING ACTIVITIES				
Proceeds from exercise of warrants		4,500		-
Repayment of promissory notes		-		(122,272)
Cash flows provided by (used in) financing activities		4,500		(122,272)
Change in cash		(160,735)		1,253,530
Cash, beginning		378,756		468,969
Cash, ending	\$	218,021	\$	1,722,499
SUPPLEMENTAL CASH FLOW DISCLOSURE:				
Proceeds receivable on option exercise	\$	-	\$	7,500

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

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF BUSINESS AND GOING CONCERN

Ovation Science Inc. (the “Company”) was incorporated in the Province of British Columbia on July 18, 2017, under the Business Corporations Act of British Columbia. The Company is in the business of providing topical and transdermal cannabis products under the “Ovation” brand label utilizing patented “Invisicare” delivery technology which it acquired for exclusive use for cannabis formulated products from Skinvisible Pharmaceuticals, Inc. (“Skinvisible”). The Company’s shares are traded on the Canadian Securities Exchange under the symbol “OVAT”.

The Company’s head office is located at Suite 510, 744 West Hastings Street, Vancouver, B.C. V6C 1A5, and its registered office is Suite 704, 595 Howe Street, Vancouver, B.C. V6C 2T5.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2020, the Company is not able to finance day to day activities through operations and has incurred losses since inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

COVID-19

The recent outbreak of the coronavirus, also known as “COVID-19”, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States, and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2019 and have been consistently followed in the preparation of these condensed consolidated interim financial statements.

Except as summarized below, the Company used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2019.

Basis of preparation

Statement of compliance

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

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2020.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Basis of measurement*

These condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the amounts of the Company and its wholly-owned subsidiary, Ovation Science USA Inc. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

Significant estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2019.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

3. TRADE AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019
Trade receivables	\$ 29,587	\$ 46,635
GST receivable	3,961	9,449
	\$ 33,548	\$ 56,084

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

4. PREPAID EXPENSES

	March 31, 2020	December 31, 2019
Prepaid expenses	\$ 15,605	\$ 31,327
Legal retainer	4,521	26,032
	\$ 20,126	\$ 57,359

5. INVENTORY

	March 31, 2020	December 31, 2019
Finished goods	\$ 91,650	\$ 98,995
Packaging	70,270	8,443
Raw materials	176,516	3,694
	\$ 338,436	\$ 111,132

During the three months ended March 31, 2020, the Company incurred \$99,870 (2019 - \$11,754) in costs of sales.

6. LICENSE

On September 29, 2017, the Company entered into a License and Assignment Agreement (the "Assignment Agreement") with Skinvisible, whereby Skinvisible granted the License to the Company. The agreement shall remain in effect, except for sub-licensees appointed by the Company. The consideration for the Assignment Agreement is US\$500,000 (\$606,812) payable as follows:

- \$312,000 (US\$250,000) within 90 days of execution of this agreement (paid);
- A promissory note for \$294,812 (US\$250,000) due upon the earlier of the Company completing an initial public offering or March 31, 2018, which was later amended to June 30, 2018 and September 15, 2018 (paid).

On November 10, 2017, the Company entered into a License Agreement (the "Agreement") with Lighthouse Strategies, LCC ("Lighthouse"), whereby the Company granted to Lighthouse the exclusive right to, utilize the License. The agreement shall remain in effect until terminated (with 30 days written notice from either party), unless failure to comply with the terms in the agreement. As part of the consideration related to this agreement, the Company have received a quarterly minimum packaging fee that started at the beginning of June 2018.

During the three-month period ended March 31, 2020, there were no additions or impairment losses recognized related to the license.

The key assumptions used in the calculations of the recoverable amounts include sales growth per year, changes in cost of sales and operating costs based on internal forecasts. Cash flows were projected out 5 years and a terminal value was calculated using a long-term steady growth of 13.4%. A pre-tax discount rate of 17.5% was used.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

7. FURNITURE AND EQUIPMENT

	Furniture		Computer equipment		Total
Cost:					
At December 31, 2018	\$	-	\$	-	\$ -
Additions		15,834		15,834	31,668
Foreign translation impact		(215)		(215)	(430)
At December 31, 2019		15,619		15,619	\$ 31,238
Foreign translation impact		1,385		1,385	2,770
At March 31, 2020		17,004		17,004	\$ 34,008
Accumulated amortization:					
At December 31, 2018	\$	-	\$	-	\$ -
Depreciation		965		1,608	2,573
At December 31, 2019	\$	965	\$	1,608	\$ 2,573
Depreciation		803		1,339	2,142
Foreign translation impact		114		190	304
At March 31, 2020		1,882		3,137	\$ 5,019
Net book value					
At December 31, 2019	\$	14,654	\$	14,011	\$ 28,665
At March 31, 2020	\$	15,122	\$	13,867	\$ 28,989

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Accounts payable	\$ 117,447	\$ 34,560
Accrued liabilities	42,021	50,166
Due to related parties (Note 13)	6,271	16,092
	\$ 165,739	\$ 100,818

9. CONVERTIBLE NOTES

On June 28, 2018 and June 29, 2018, the Company issued unsecured convertible notes for proceeds of \$50,000 and \$100,000, respectively. The convertible notes bear interest at 10% per annum and were due on August 28, 2019 and August 29, 2019, respectively. The \$100,000 convertible note was issued to a director of the Company. At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a value of \$0.30 principal per share. These convertible notes include both a liability component for the contractual cash flows and an equity component for the conversion feature.

The liability component was valued first based on the present value of contractual cash flows using a discount rate of 12% which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$3,245 was measured based on the residual value of the compound instrument as a whole after deducting the amount determined separately for the liability component.

During the year ended December 31, 2019, the Company repaid the convertible note of \$50,000 initially issued on June 28, 2018.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

9. CONVERTIBLE NOTES (continued)

On August 14, 2018, the Company issued a convertible promissory note for a principal amount of \$130,870 (US\$100,000). The note is unsecured, bears interest at 10% per annum, and is due October 14, 2019.

At any time after issuance, the holder is entitled to convert, at their sole discretion, all or a portion of the principal amount into common shares of the Company at a value of CAD \$0.30 principal per share.

As the note is issued in a currency different from the Company's functional currency, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component

The following table summarizes the continuity of the liability components of the Company's convertible notes:

		Note (i)		Note (ii)		Total
As at December 31, 2018	\$	148,480	\$	131,250	\$	279,730
Accretion		1,520		5,293		6,813
Repayments		(50,000)		-		(50,000)
Exchange gain on convertible note		-		(6,384)		(6,384)
As at December 31, 2019	\$	100,000	\$	130,159	\$	230,159
Exchange loss on convertible note		-		11,538		11,538
As at March 31, 2020	\$	100,000	\$	141,697	\$	241,697

During the period ended March 31, 2020, interest expense of \$4,986 (2019 - \$699) and accretion expense of \$nil, (2019 - \$566) was recorded for the convertible notes. As at March 31, 2020, all convertible notes outstanding are in default and payable on demand.

Derivative Liability

The conversion option on the convertible note denominated in U.S. dollars has been accounted for as a derivative liability as the number of shares or units issuable on conversion will vary as a result of changes in foreign exchange rates. A continuity of the derivative liability is as follows:

As at December 31, 2017	\$	-
Recognized on issuance of convertible note		10,825
Net change in fair value of liability		45,154
Exchange loss on embedded derivative		2,866
As at December 31, 2018	\$	58,845
Net change in fair value of liability		(47,064)
As at December 31, 2019	\$	11,781
Derecognition of conversion option		(11,781)
As at March 31, 2020	\$	-

During the period ended March 31, 2020, the convertible note matured and as a result, there is no longer a conversion option. The derivative liability associated with the conversion option of \$11,781 was derecognized and is presented as a change in fair value of derivative liability.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

10. SHARE CAPITAL**Authorized share capital and shares in escrow**

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

At March 31, 2020, 5,032,501 (March 31, 2019 – 7,548,751) shares are held in escrow, to be released by 2021.

Authorized share capital

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Common shares

During the three months ended March 31, 2020:

During the three-month period ended March 31, 2020, the Company issued 10,000 common shares for exercise of 10,000 warrants at \$0.45 for cash proceeds of \$4,500. The value allocated to these warrants when issued of \$1,783 was reclassified from reserves to share capital.

During the three months ended March 31, 2019:

On March 28, 2019, the Company issued 25,000 common shares for exercise of 25,000 stock options at \$0.30 for cash proceeds of \$7,500. The proceeds have not been received as of March 31, 2019 and have been recorded in accounts receivable.

Escrowed shares

In accordance with National Policy 46-201 - Escrow for Initial Public Offerings, all securities an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer's initial public offering, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding securities of the issuer after giving effect to the initial public offering. Upon completion of the Offering, the Company became an "emerging issuer" as defined in NP 46-201.

8,387,501 common shares (the "Escrowed Securities") are held by and are subject to the terms of an escrow agreement dated April 10, 2018 and the holders of the Escrowed Securities. The shares are subject to Escrow with the following release dates.

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

As at March 31, 2020, 5,032,501 common shares remained in escrow.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
 For the three months ended March 31, 2020 and 2019
 (Expressed in Canadian dollars)
 (Unaudited)

11. RESERVES**Stock option plan**

The Directors of the Company adopted a stock option plan on April 10, 2018 (the “Plan”). The Plan provides that, subject to the requirements of the Canadian Securities Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company’s Common Shares issued and outstanding at the time such options are granted. The Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 1% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

Stock options

During the three months ended March 31, 2020:

On February 1, 2020, the Company granted 100,000 stock options to a consultant of the Company. The options entitle the holders to acquire common shares of the Company at \$0.30 per share. These options vested February 1, 2020 and expire on February 1, 2022.

On March 25, 2020, the Company granted 50,000 stock options to a consultant of the Company. The options entitle the holders to acquire common shares of the Company at \$0.35 per share. These options vested March 25, 2020 and expire on March 25, 2022.

During the three months ended March 31, 2020, the Company recorded share-based payment expense of \$45,130 (March 31, 2019 - \$14,432).

The stock options were valued using the Black Scholes Option Pricing model using the following weighted average assumptions: share price: \$0.33, expected life: 1.12 years, expected volatility: 132%, dividend yield: 0%, and risk-free interest rate: 0.48%.

A summary of stock option activity for the three months ending March 31, 2020 is as follows:

	Options	Weighted average exercise price
Outstanding, January 1, 2020	1,750,000	\$ 0.30
Granted	150,000	0.20
Outstanding, March 31, 2020	1,900,000	\$ 0.30
Exercisable, March 31, 2020	1,900,000	\$ 0.30

As at March 31, 2020, the following stock options were outstanding:

Numbers of options	Exercise price	Expiry date
1,150,000	\$ 0.30	April 10, 2020
300,000	0.30	October 8, 2021
300,000	0.30	December 3, 2020
100,000	0.30	February 1, 2022
50,000	0.35	March 25, 2022
1,900,000		

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

11. RESERVES (continued)

At March 31, 2020, the weighted-average remaining contractual life of options outstanding is 0.51 years (2019 - 1.08 years).

Warrants

A summary of warrant activity for the year ending March 31, 2020 as follows:

	Warrants	Weighted average exercise price
Outstanding, January 1, 2020	4,647,490	0.45
Exercised	(10,000)	0.45
Outstanding, March 31, 2020	4,637,490	0.45
Exercisable, March 31, 2020	4,637,490	\$ 0.45

As at March 31, 2020, the following warrants were outstanding:

Numbers of warrants	Exercise price	Expiry date
4,637,490	\$ 0.45	November 15, 2020
4,637,490		

As at March 31, 2020, the weighted-average remaining contractual life of warrants outstanding is 0.88 years (2018 – 1.88 years).

12. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, the sub-licensing and sales of products that utilize Invisicare®, a patented polymer-based technology for topical and transdermal skin care products. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

The operating segment of the Company is defined as a component of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the Chief Executive Officer.

The Company has one group of similar products due to having a similar underlying technology, class of customers, and economic characteristics

Revenue

	March 31, 2020	March 31, 2019
United States	\$ 109,465	\$ 59,166
Canada	2,078	-
United Kingdom	56,725	-
China	123,218	-
	\$ 291,486	\$ 59,166

Total Assets

	March 31, 2020	December 31, 2019
United States	\$ 635,801	\$ 635,477
	\$ 635,801	\$ 635,477

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

12. SEGMENTED INFORMATION (Continued)

The majority of the revenue earned in the United States of America, United Kingdom, and China, are generated from one major customer in each of the respective countries.

13. RELATED PARTY TRANSACTIONS*Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the three months ended March 31,		2020		2019
Management fees	\$	94,231	\$	81,290
Director fees		2,000		600
	\$	96,231	\$	81,890

Related party transactions and balances

As at March 31, 2020, due to related parties of \$21,971 (December 31, 2019 - 19,478) consists of accrued interest, management and directors' fees. As at March 31, 2020, trade and other payables consists of \$6,271 (December 31, 2019 - \$16,092) in management fees and expense reimbursements owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

During the three-month period ended March 31, 2020, the Company paid \$3,000 (2019 - \$nil) in consulting fees to a Company owned by the CFO's spouse.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its promissory notes, convertible notes and shareholders' equity.

The Company's primary source of capital is through the issuance of convertible notes and equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

15. SUBSEQUENT EVENTS

On May 27, 2020, the Company closed a private placement of 5,040,000 units at a price of \$0.42 per unit for gross proceeds of \$2,116,800, net \$1,968,624 after payment of commissions totaling \$148,176. The Company issued a total of 352,800 brokers warrants exercisable to purchase one common share at \$0.42 per share for 18 months from closing to registered investment dealers in connection with the offering.

Each unit consists of one common share of the Company and one half of one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of \$0.60 per share for a period of 18 months from closing of the private placement.

OVATION SCIENCE INC.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

15. SUBSEQUENT EVENTS (*Continued*)

On April 10, 2020, a total of 1,150,000 stock options with an exercise price of \$0.30 expired.

On April 13, 2020, the Company granted 1,100,000 stock options to members of key management. These options have an exercise price of \$0.41 per share and expire on April 13, 2022.

SCHEDULE C



OVATION SCIENCE INC.

Management Discussion & Analysis

For the three months ended March 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of June 1, 2020 and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2020, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of Ovation Science Inc. (the "Company"), unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or its achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. See also "Cautionary Statement Regarding Forward-Looking Information".

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act of British Columbia on July 18, 2017. The Company was established to take advantage of a new business opportunity to use patented Invisicare® technology in the production of skin products containing derivatives of cannabis, including THC, cannabinoids and hemp oil. Under the terms of the Invisicare Agreement described in detail below, the Company holds the exclusive world wide right to manufacture, distribute, sell, market, sub-license and promote products formulated with Invisicare®, containing cannabis products including cannabinoids, hemp seed and synthetic derivatives of cannabis.

Invisicare® is a patented polymer-based technology for topical and transdermal skin care products. The advantages of products using Invisicare® are enhancement of drug delivery to the skin by delivering greater amounts and enhancing cannabinoid penetration to enter the blood stream as required. The technology also forms a protective bond that holds ingredients on skin resisting rub-off and wash off, is non-occlusive and allows for normal skin respiration and perspiration and the formulations do not contain alcohol, parabens, waxes or other organic solvents.

The Company's business model is to sublicense Invisicare® enhanced product formulations to licensed businesses engaged in the production of cannabis or hemp products for approved markets and/or geographic areas. At June 30, 2018, the Company had two sublicensees, Canopy, which holds the exclusive sublicense for certain cannabis-based products in Canada. The Company's second sublicensee is Lighthouse, which holds the exclusive license for the United States for licensed dispensaries and non-exclusive outside of dispensaries in the United States. Canopy also has certain rights of first refusal to license products for other worldwide markets. On April 16, 2019, the Company announced that it and Canopy had mutually elected to terminate their license agreement, eliminating any restrictions preventing the Company from dealing with other licensed producers in Canada and terminating the right of first refusal held by Canopy.

Under the Company's business model, it earns revenue from a number of sources including, licensing fees, product development fees, product royalties, and polymer sales to its sublicensees.

Since incorporation on July 18, 2017, the Company's activities have focused on developing product lines and entering sublicensing agreements, including the Canopy License Agreement and the Lighthouse License Agreement.

The Company intends to continue sublicensing with other government licensed companies engaged in the sale of cannabinoid and/or hemp oil containing products worldwide.

The Company develops skin care lines containing hemp seed oil and cannabis, and licenses rights to hemp seed oil and cannabis products. The Company has the exclusive world-wide rights to all hemp seed oil and cannabis products (hemp and marijuana) developed with Invisicare®, which enhances the delivery of drugs and other ingredients to and through the skin. The Company, through the Invisicare® Agreement has the right to use Invisicare®, a skin delivery technology covered by patents in eleven (11) countries including the USA and Canada. The Company has developed topical and transdermal creams and lotions made with CBD, THC and combinations thereof plus hemp seed oil. All formulations are formulated with Invisicare® and go through a rigorous pharmaceutical testing process to ensure the formulations are validated throughout the process. The Company does not handle product formulas containing marijuana and the production and testing of marijuana containing products is done at the licensed premises of its sublicensees. As previously discussed, the Company's business model is also to sublicense the Invisicare® enhanced products to licensed businesses engaged in the production of cannabis or hemp products for certain markets and/or geographic areas.

In April 2019, the Company announced it will be launching its own hemp-derived CBD anti-aging skin care line called ARLO CBD Beauty. ARLO CBD Beauty will initially launch with four products with line extensions planned for later in the year. This announcement was followed by the results of Ovation's sunscreen testing. Ovation's CBD SPF 30 sunscreen passed independent testing for highest claims available: broad-spectrum and 80 minute water-resistance. This product will be added to the ARLO CBD Beauty product line in 2021.

To support the Company's continued efforts to develop science-based products, the Company entered into an exclusive agreement with Skincareguide.com Ltd., a leading international peer-reviewed publisher and an authoritative source of dermatology information for physicians and consumers since 2001, to act as the Company's Medical Dermatology Advisory Board for cannabis formulated products. The objective of the Medical Dermatology Advisory Board is to provide guidance, along with clinical, scientific, research and strategic advice to the Company as it continues to advance its topical and transdermal cannabis product development.

On May 22, 2019 the Company announced the completion of its second cannabidiol ("CBD") product line Invibe MD. Invibe MD is a "health and wellness" product line infused with hemp-derived CBD and delivered by Ovation's patented skin delivery technology.

On February 13, 2020 the Company announced that it has entered into an extendable three-year, exclusive world-wide licensing agreement with Skinvisible Pharmaceuticals, Inc. to manufacture, market and sell its DermSafe® hand sanitizer.

It is the first non-cannabis product distributed by Ovation Science Inc., DermSafe is proven to kill a host of bacteria and viruses, including envelope viruses and it provides an extra level of continued protection since it remains bound to the skin for up to four hours, resisting both wash-off and rub off.

Hemp and CBD regulatory environment in the United States

The Company is directly involved in the Industrial Hemp, hemp oil, and CBD marketplace in the State of Nevada and other states which have regulated such activity.

All Industrial Hemp produced and sold by the Company constitutes Industrial Hemp under the 2018 and 2014 Farm Bills, as well as the laws of the states in which it produces and sells such Industrial Hemp and its Products.

The Products will be legal as a matter of federal law because they will constitute hemp as defined in the Agriculture Improvement Act of 2018 ("**2018 Farm Bill**"). As a result, the Products may be legally shipped and transported in interstate commerce as a matter of federal law. The Products will be legal as a matter of the laws of Nevada for the same reason and may be legally offered for retail sale in Nevada.

It is noted, however, that topical products containing CBD fall within the regulatory jurisdiction of the U.S. Food and Drug Administration (“**FDA**”) under the federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 *et seq.*) (“**Food and Drug Act**”). Accordingly, because they will contain CBD, certain of the Products, including the Company’s body care Products, may be subject to enhanced scrutiny or enforcement action by FDA.

2018 Farm Bill

On December 20, 2018 the 2018 Farm Bill became law in the United States. Under the 2018 Farm Bill, industrial and commercial hemp will no longer be classified as a Schedule I controlled substance in the United States. Under the 2018 Farm Bill, hemp includes the plant *Cannabis sativa L.* and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the 2018 Farm Bill, hemp must contain no more than 0.3 percent of delta-9-tetrahydrocannabinol (THC). Moving forward, the 2018 Farm Bill forever deems hemp an agricultural commodity. As such, federal law enforcement and regulatory officials can no longer mistake hemp for its illicit cousin, marijuana, also a subspecies of the cannabis plant.

The 2018 Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp. Ovation expects the removal of hemp as a controlled substance will positively impact the public perception of hemp and sales of its topical and transdermal products containing CBD should increase. In addition, Ovation expects that now that industrial and commercial hemp is federally authorized, the barriers to national distribution have been eliminated and therefore the trend should be product sales expanding nationally in the United States for Ovation and its licensees.

Accordingly, the Drug Enforcement Administration (“**DEA**”) no longer has any possible claim to interfere with interstate commerce involving hemp products. This should give comfort to federally-regulated institutions -- pharmacies, banks, merchant services, credit card companies, e-commerce sites, and advertising platforms -- as well as private retailers, to conduct commerce involving hemp and the hemp product industry.

The U.S. Food & Drug Administration (“**FDA**”) retains exclusive jurisdiction over the regulation of ingestible and topical hemp-derived products, as the 2018 Farm Bill does not amend or modify the Food and Drug Act, section 351 of the Public Health Service Act (42 U.S.C. 301 *et seq.*), or certain authorities of the Commissioner of Food and Drugs or Secretary of the U.S. Department of Health and Human Services.

The 2018 Farm Bill does not, however, pre-empt state or local law. As such, through their regulatory plans, states or tribes may impose separate (and greater) restrictions or requirements on hemp production in their jurisdiction.

Prior to enactment of the 2018 Farm Bill, the Agricultural Act of 2014 (“**2014 Farm Bill**”) regulated the production of hemp at the federal level. Under this regime, states -- through their departments of agriculture -- were authorized to establish agricultural pilot programs for the production of hemp for research purposes, including marketing studies. The 2014 Farm Bill sanctioned, but did not require, states to establish agricultural pilot programs for the growth and cultivation of hemp for research purposes. At least forty-one (41) states, including Nevada, established agricultural pilot programs under the 2014 Farm Bill, some of them with broader permissions (and more sophisticated regulatory frameworks) than others.

The Company’s objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the industrial hemp, hemp oil and cannabis industry in the State of Nevada and, if permitted, other states in the U.S. Accordingly, there are a number of significant risks associated with the business of the Company. If the FDA takes a position regulating all CBD products intended for human or pet consumption there is a risk that federal authorities may enforce this position, and some or all of the products produced by the business of the Company may be deemed unfit for consumption.

For these reasons, the Company’s operations in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities.

There can be no assurance that third party service providers, including, but not limited to, suppliers, contractors and banks will not suspend or withdraw services which could negatively impact the business of the Company.

State Law

The Products will also be legal as a matter of Nevada law. The Products will derive from hemp lawfully grown and cultivated as part of IHRP and do not contain more than three tenths of one percent (0.3%) THC. Further, the Products will be protected as hemp products and hemp-derived CBD products under Nevada law. As such, they will be removed from scheduled control as marijuana and may be legally distributed and sold as a matter of Nevada law.

Health Canada

On December 22, 2018, Health Canada published in the Canada Gazette, Part I, draft regulations for edible cannabis, cannabis extracts and cannabis topicals. These regulations cover the production and sale of cannabis topicals and permitting their legal sale by October 17, 2019.

This is positive news for Ovation as following legalization of topical CBD and THC products, Ovation can expand its business into Canada.

Cannabis Industry

The Company indirectly derives a portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Company is indirectly involved in the cannabis industry in the United States where local state law permits such activities.

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Federal Controlled Substances Act. The Company's sublicensees have assured that they are in compliance with state licensing and regulatory frameworks.

Almost half of U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on THC (as defined herein) while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule II controlled substance under the CSA in the United States and as such, is illegal under federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future investments in the United States, and such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "Risk Factors".

There can be no assurance that third party service providers, including, but not limited to, suppliers, subcontractors and banks will not suspend or withdraw services which could negatively impact the business of the Company.

Recreation transdermal creams

On February 19, 2019, the Company announced the creation of a new product category for the cannabis market: recreational transdermal creams. This first-to-market recreational cannabis product has been formulated to quickly deliver a high-dose of THC into the blood stream (transdermal).

This new product is marketed and distributed in the USA by Cannabiniers under the name BASKiN GLOW. BASKiN GLOW contains 500 milligrams of THC and 50 milligrams of CBD in each 59 ml jar. This product will be a game-changer in the cannabis industry and the Company is the leader in this new category.

The recreational transdermal cream has been developed using Ovation's drug delivery technology and has the following unique distinctions; Proprietary polymer delivery system delivers high-dose THC to the blood stream; bypassing first-pass through the liver; Patent-protection means no other cream can deliver like Ovation's; The unique formula delivers THC transdermally without the use of a patch; it's invisible; significant demand has been established with multiple pre-orders; Third-party testing verifies potency of each product; available in Nevada dispensaries and coming soon to California and other states where legalized.

With over twenty years of topical drug delivery experience, Ovation's management and science team has created a unique pipeline of over twenty-five topical and transdermal cannabis products including CBD, THC and combination products along with a line of anti-aging / beauty products made with CBD.

On May 21, 2019 the Company completed the development of its second cannabidiol ("CBD") infused product line focused on health and wellness Invibe MD. The product line is infused with hemp-derived CBD and is delivered by Ovation's patented skin delivery technology. This new product line follows the Company's anti-aging skincare product line ARLO CBD Beauty.

Invibe MD will begin with three products: Troubled Skin, Keep Fit Sports Relief and R&R (Rest & Relaxation). Our product line has additional products that have completed development and will be launched at a later time.

Invibe MD:

- Our Invibe MD wellness creams have been developed using Invisicare® drug delivery technology; a technology with over twenty years of research and development in the pharmaceutical industry; specifically dermatology and is patented in eleven countries;
- The Invibe MD products are enhanced with hemp-derived CBD to provide the maximum effect; CBD has many benefits when used topically and without the potential side-effects of smoking, vaping or edibles; CBD is non-psychoactive and does not contain THC so it does not get you high;
- All Ovation products are thoroughly tested to ensure product stability and to validate that they deliver the stated amount of high quality CBD.

There are many benefits to using a topically applied CBD product compared to other methods of delivery. Using products like ARLO CBD Beauty or Invibe MD allows the user to apply the cream or lotion directly on the area affected. The CBD is absorbed into the skin and since it does not have to be digested like oils or edibles, the products work quickly and effectively, focusing right on the area where it is needed.

Statements have not been evaluated by the Food and Drug Administration. These products are not intended to diagnose, treat, cure, or prevent any disease.

On June 25, 2019, the Company announced that its product under license in the USA, remains the #1 topical cannabis product sold in Nevada dispensaries. According to Headset data, a cannabis analytics company that provides key business intelligence to the cannabis industry, Ovation Science's transdermal CBD (cannabidiol) formulation under license again is ranked the #1 selling topical in Nevada during April, May and June by number of units sold according to their latest update. For more information, visit: <https://www.headset.io>

Ovation's patented skin delivery technology, Invisicare®, is the backbone of all products developed by Ovation Science. It provides exceptional topical and transdermal delivery of CBD and THC to and through the skin; greater than many products on the market according to the Company's research studies.

The continued #1 ranking of our product in Nevada will be a catalyst to expansion into other states by our licensee. This will add immediate royalty revenue and shareholder value as our products will have the opportunity to be offered in significantly more dispensaries than before.

The company also have interest from potential licensees outside of the USA including Canada and Europe and these opportunities would give Ovation's products the opportunity for global expansion. Ovation products are unique from other infused product companies as the Company leverages its expertise in the pharmaceutical industry to develop highly effective, patent-protected products that have the results to prove it.

Ovation products are used for improved wellness, pain management and even anti-aging, to name a few. Ovation earns revenues from licensing and development fees, royalties and the sale of Invisicare to its licensees. In addition, the Company will be launching its new line of CBD Beauty products in July in the US both in the retail market and online. Statements have not been evaluated by the Food and Drug Administration. These products are not intended to diagnose, treat, cure, or prevent any disease.

On September 23, 2019 the Company announced that it has launched its e-commerce website www.ArloCBDBeauty.com featuring its anti-aging beauty line ARLO CBD Beauty. The website is designed for US consumers who want to purchase high quality anti-aging products infused with the benefits of CBD.

ARLO CBD Beauty products showcase Ovation's commitment to be a leader in the CBD skin care space and to elevate the standards surrounding the quality and efficacy of topical CBD products available to consumers. The website will serve as a platform to highlight Ovation Science's dedication to the following high standards:

High Quality CBD: Ovation uses only high quality, non-psychoactive CBD (cannabinoid), derived from US grown industrial hemp (with less than .03% THC) so our products are non-psychoactive;

Effective Products Backed By Science: Ovation is dedicated to bring only highly effective products to the market with ingredients that work synergistically to bring you the best possible results.

We Stand Behind Our Products: Customer satisfaction is guaranteed or your money; Ovation continues to increase shareholder value by seeking expanded patent protection for its products as well as developing new unique, effective products that can be brought to the market in the US, Canada and globally. Ovation also persists in its negotiations with potential global partners for possible licensing opportunities and joint ventures.

DermSafe

During the period ended March 31, 2020, the Company launched its new product “DermSafe”, which uses chlorhexidine gluconate (CHG) as its active ingredient. CHG formulated hand care products including soaps have been used worldwide in hospitals as it has a proven ability to kill both bacteria and viruses. DermSafe binds to the hands and resists wash-off and rub-off for up to 4 hours post application while continuing to kill both bacteria and viruses. The Company has licensed DermSafe exclusively and the intent is to provide this product as one of the Company’s product offerings long-term.

During the three-months ended March 31, 2020, the Company has generated revenues in China, the United Kingdom, and Canada, from DermSafe product sales.

COVID-19

In March 2020, the World Health Organization declared the recent outbreak of coronavirus, also known as “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. The impact on the Company is not currently determinable but management continues to monitor the situation.

For Ovation, COVID-19 has had both positive and negative effects on the business.

The Company’s DermSafe product, which has proven to be effective at killing envelope viruses tested like H1N1, H5N1 and H3N2 (COVID-19 is also an envelope virus) has been in incredibly high demand, whereby demand has outstripped the Company’s ability to provide materials like bottles, caps and ingredients which are harder to obtain due to the worldwide demand arising from COVID-19. There is strong competition for these items as many traditional alcohol hand sanitizers use the same components.

Due to the mandatory closure of non-essential retail stores and dispensaries and the subsequent decrease in sales in the cannabinoid market, the Company has seen a decrease in sales of the Lighthouse products that are sold to their dispensary clients..

The offset of DermSafe sales has more than made up for where the sales to cannabinoids producers have decreased.

OVERALL PERFORMANCE

During the three months ended March 31, 2020:

As at March 31, 2020, the Company had \$218,021 (December 31, 2019 - \$378,756) in cash. For the three months ended March 31, 2020, the Company generated revenue of \$291,486 (2019 - \$59,166) and a gross profit of \$191,616 (2019 - \$47,412).

Working capital decreased as at March 31, 2020 to \$784,826 from \$842,122 for the year ended December 31, 2019. Working capital decreased as a result of an increase in operating expenses in the quarter ended March 31, 2020.

Revenue and gross margin

Revenues and gross margins for the three months ended March 31, 2020 were \$291,486 and \$191,616 respectively (2019 - \$59,166 and \$47,412, respectively). The Company primarily derived its revenue from its relationship with Lighthouse Strategies, LLC which commenced on April 2018 and the sale of its DermSafe product. Sales of DermSafe product have increased significantly due to COVID19.

Operating expenses

Operating expenses for the three months ended March 31, 2020 were \$309,608 (2019 - \$202,902). The increase primarily relates to an increase in management and director fees, investor relations expenses, product development expenses and in share-based payments.

The increase in management and director fees relates to growth of the Company and increase time and attention required by members of management. The increase in product development expense relates to further research on the Company's DermSafe product. The increase in share-based payments expense relates to options issued in the current period, which were not issued in prior periods.

Other income (expenses)

Other income for the three months ended March 31, 2020 were \$7,164 (2019 - \$32,758 loss). The increase primarily relates to a gain recognized on the expiration of a conversion option in a convertible loan. Also contributing to the increase is interest income of \$3,069 (2019-\$7,688) earned during the quarter ended March 31, 2020. These factors were partially offset by interest expense of \$5,133 (2019- \$9,885) in the three months ended March 31, 2020.

During the three months ended March 31, 2020:

During the three-month period ended March 31, 2020, the Company issued 10,000 common shares for exercise of 10,000 warrants at \$0.45 for cash proceeds of \$4,500. The value allocated to these warrants when issued of \$1,783 was reclassified from reserves to share capital.

On February 1, 2020, the Company granted 100,000 stock options to a consultant of the Company. The options entitle the holders to acquire common shares of the Company at \$0.30 per share. These options vested February 1, 2020 and expire on February 1, 2022.

On March 25, 2020, the Company granted 50,000 stock options to a consultant of the Company. The options entitle the holders to acquire common shares of the Company at \$0.35 per share. These options vested March 25, 2020 and expire on March 25, 2022.

During the three months ended March 31, 2020, the Company recorded share-based payment expense of \$55,524 (March 31, 2019 - \$14,432), for these options. The stock options were valued using the Black Scholes Option

Pricing model using the following assumptions: share price: \$0.33, expected life: 1.12 years, expected volatility: 132%, dividend yield: 0%, and risk-free interest rate: 0.48%.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended,	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
	\$	\$	\$	\$
Total revenue	291,486	108,607	78,908	55,701
Net loss	(110,831)	(302,574)	(141,161)	(203,960)
Basic and diluted net loss per share	(0.00)	(0.02)	(0.01)	(0.01)

Three months ended,	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	\$	\$	\$	\$
Total revenue	59,166	49,505	28,924	17,979
Net loss	(188,248)	(205,711)	(80,074)	(140,749)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.01)	(0.01)

- i) The Company’s net loss decreased in the three months ended March 31, 2020 as compared to the preceding quarter due to the increase in income generated from the sale of the Company’s new product “DermSafe”.
- ii) The Company’s net loss increased in the three months ended December 31, 2019 as compared to the preceding quarter.
- iii) The Company’s net loss decreased in the three months ended September 30, 2019 as compared to the preceding quarter. The decrease is due to the change in the fair value of the derivative liability in Q3 from \$25,082 to \$72,304.
- iv) The Company’s net loss increased in the three months ended June 30, 2019 as compared to the preceding quarter. The increase is due to the Company incurring in advertising and promotion for \$78,982 and \$51,124 for office and general expense during the three months ended June 30, 2019 in comparison to \$27,400 and \$23,593 during the three months ended March 31, 2019, respectively. The increase was offset by a gain in the fair value of the derivative by \$2,899 during the three months ended June 30, 2019 in comparison to the loss in the fair value of the derivative for \$27,980 incurred during the three months ended March 31, 2019.
- v) The Company’s net loss decreased in the three months ended March 31, 2019 as compared to the preceding quarter. The decrease is due to the Company incurring in legal expenses for \$4,363 and transfer and filing fees for \$2,327 during the three months ended March 31, 2019 in comparison to \$10,156 and \$13,635 during the three months ended December 31, 2018, respectively.
- vi) The Company’s net loss increased in the three months ended December 31, 2018 as compared to the preceding quarter. The Company incurred advertising promotion fees of \$88,136 and increased office and general expenses of \$36,383. Revenues increased by \$20,581 due to increases in packaging fees earned.

- vii) The Company's net loss decreased in the three months ended September 30, 2018 as compared to the preceding quarter. The Company did not incur any share-based payments and had a decrease of \$27,479 in professional fees. Revenues increased by \$10,945 due to increases in packaging fees.
- viii) The Company's net loss increased in the three months ended June 30, 2018 as compared to the preceding quarter. The Company incurred increased professional fees of \$48,703 and incurred product development expenses of \$11,295.
- ix) The Company's net loss increased in the three months ended March 31, 2018 as compared to the preceding quarter. The Company incurred a larger foreign exchange loss increase by \$9,078 and increases in office and general expenses of \$10,206.

Loss and comprehensive loss for the three months ended March 31, 2020 was \$105,005 (2019 - \$188,248). The overall decrease in loss of \$83,243 was due to an increase in revenue of \$232,320, and other income of \$39,919, offset by an increase in operating expenses of \$106,706 and an increase in cost of sales of \$88,116.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020 the Company had a working capital of \$784,826 (December 31, 2019 - \$842,122) and cash of \$218,021 (December 31, 2018 - \$378,756).

The accompanying financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at March 31, 2020, the Company is not able to finance day to day activities through operations and has incurred losses since inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares.

Operating activities

Net cash used in operating activities for the three months ended March 31, 2020 was \$165,235 (2019 – \$124,198). The decrease in cash from operating activities mostly relates to the losses incurred during the three months ended March 31, 2020 for \$110,831 (2019 - \$188,248) offset by non-cash adjustments and changes in working capital items for \$54,404 (2019 – \$64,050), The non-cash adjustments are comprised of share based payments of \$45,130, unpaid interest for \$4,986, a change in fair value of derivative liability of \$11,871 and by an increase in changes in working capital for inventory purchases by \$227,304.

Investing activities

For the three months ended March 31, 2020, there were no investing activities under taken by the Company.

Financing activities

Net cash generated by financing activities for the three months ended March 31, 2020 was \$4,500 for proceeds received from the exercise of warrants.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements during the three months ended March 31, 2020.

RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

Logan Anderson, Chief Financial Officer

Terry Howlett, Chief Executive Officer

Doreen McMorran, Chief Operating Officer and Director

Ian Howard, Director

Joan Chypyha, Director

David Ryan, Head of Investor Relations and Director

The remuneration of directors and key management personnel for the period ended is as follows:

	March 31, 2020		March 31, 2019	
Management fees	\$	94,231	\$	81,290
Director fees		2,000		600
	\$	96,231	\$	81,890

Related party payables

As at March 31, 2020, due to related parties of \$21,971 (December 31, 2019 - 19,478) consists of accrued interest, management and directors' fees. As at March 31, 2020, trade and other payables consists of \$6,271 (December 31, 2019 - \$16,092) in management fees and expense reimbursements owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

The Company entered into the following related party transactions during the three months ended March 31, 2020:

- a) During the three months ended March 31, 2020, the Company paid \$3,000 in consulting fees to a Company, Wynten Management Corp., owned by the CFO's spouse. Amounts payable as at March 31, 2020 were \$nil (December 31, 2019 - \$nil)

DISCLOSURE OF OUTSTANDING SECURITIES DATA

8,387,501 common shares (the "Escrowed Securities") are held by and are subject to the terms of an escrow agreement dated April 10, 2018 and the holders of the Escrowed Securities. The shares are subject to Escrow with the following release dates.

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

As at June 1, 2020, the total number of outstanding common shares, warrants and stock options are 23,294,631, 4,637,490 and 1,850,000, respectively.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

FINANCIAL INSTRUMENTS

The Company has classified its short-term investments, trade and other receivables, accounts payable and other liabilities, due to related parties and convertible notes as financial assets and 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.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are in Note 2 of the condensed consolidated interim financial statements for the three months ended March 31, 2020.

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 2 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020.

Future accounting standards issued but not yet in effect

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed consolidated interim financial statements.

Pronouncements that may have a significant impact to the Company have been disclosed in Note 2 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020.

Other 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.

SUBSEQUENT EVENTS

On May 27, 2020, the Company closed a private placement of 5,040,000 units at a price of \$0.42 per unit for gross proceeds of \$2,116,800. Net \$1,968,624 after payment of commissions totaling \$148,176. The Company issued a total of 352,800 brokers warrants exercisable to purchase one common share at \$0.42 per share for 18 months from closing to registered investment dealers in connection with the offering.

Each unit consists of one common share of the Company and one half of one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of \$0.60 per share for a period of 18 months from closing of the private placement.

On April 10, 2020, a total of 1,150,000 stock options with an exercise price of \$0.30 expired.

On April 13, 2020, the Company granted 1,100,000 stock options to members of key management. These options have an exercise price of \$0.41 per share and expire on April 13, 2022.

ADDITIONAL INFORMATION

Additional information and the documents filed with the Canadian securities regulatory authorities are available at the Company's profile on <http://www.sedar.com> and on the Company's website <http://ovationscience.com/>