

FORM 2A

LISTING STATEMENT

OVATION SCIENCE INC

2018



1. Table of Contents

1.1 Include a table of contents with the following headings:

1.	Table of Contents
2.	Corporate Structure
3.	General Development of the Business
4.	Narrative Description of the Business.....
5.	Selected Consolidated Financial Information
6.	Management's Discussion and Analysis.....
	Annual MD&A
	Interim MD&A
7.	Market for Securities.....
8.	Consolidated Capitalization
9.	Options to Purchase Securities
10.	Description of the Securities
11.	Escrowed Securities
12.	Principal Shareholders
13.	Directors and Officers.....
14.	Capitalization
15.	Executive Compensation
16.	Indebtedness of Directors and Executive Officers
17.	Risk Factors.....
18.	Promoters
19.	Legal Proceedings.....
20.	Interest of Management and Others in Material Transactions
21.	Auditors, Transfer Agents and Registrars.....
22.	Material Contracts
23.	Interest of Experts
24.	Other Material Facts
25.	Financial Statements
	APPENDIX A: MINERAL PROJECTS.....
	APPENDIX B: OIL AND GAS PROJECTS.....
	APPENDIX C: DESCRIPTION OF CERTAIN SECURITIES

2. Corporate Structure

2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

The Company's head office is located at Suite 1140- 625 Howe St, Vancouver, BC, V6C 2T5 and its registered office is located at Suite 704, 595 Howe Street, Vancouver B.C. V6C 2T5.

The Company currently does not have any subsidiaries.

2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of the Issuer.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on July 18, 2017 with the name Ovation Science Inc.

2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state

N/A- no subsidiaries

- (a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer; N/A
- (b) the place of incorporation or continuance; N/A
- (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer. N/A

2.4 If the Issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

N/A- not requalifying

2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

N/A- Issuer incorporated in British Columbia

3. General Development of the Business

3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

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. During the year ended June 30, 2018, the Company had two sublicensees, Canopy, which holds the exclusive sublicense for certain cannabis based products in Canada and in the United States, excluding the dispensary market. The Company's second sublicensee is Lighthouse, which holds the exclusive license for the United States for licensed dispensaries. 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.

The Company was incorporated on July 18, 2017 and as such does not have two full years of operating activity. The following table summarizes operation's for the period and year ended 2017 and 2018.

For the Periods ended	Year ended, Dec 31,2018	Period ended Dec 31, 2017
Revenue	\$ 96,408	\$ 12,545
Gross Margin	\$ 82,491	\$ -
Operating Expenses	\$ 495,205	63,637
Loss from operations	\$ (412,714)	\$ (51,092)
Other Items	\$ (95,690)	\$ 10,449
Loss and Comprehensive loss	\$ (508,404)	\$ (61,541)

3.2 Disclose:

- (1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus; and
N/A
- (b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus.

See 3.1 above and Form 2A Filed 13, November 2018

- (2) Under paragraph (1) include particulars of
- (a) the nature of the assets acquired or disposed of or to be acquired or disposed of;
 - (b) the actual or proposed date of each significant acquisition or significant disposition;
 - (c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;
 - (d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;
 - (e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;
 - (f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and
 - (g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

See 3.1 above and Form 2A Filed 13, November 2018

- 3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

The Company is working closely with its sublicensees to build national and international brands. For countries not yet licensed, the Company will target experienced brand developers that are well financed and have the bandwidth to successfully market the Company products to the end-user, however it should be noted that Canopy has invested in many countries where cannabis is already

approved and anticipates a rapid expansion into these territories with the Company's products.

Products will be developed for its sublicensees that meet the demands of the end-users. Canadians are among the highest users of cannabis in the world. Health Canada reported in February 2017 that almost 130,000 Canadians were registered to purchase medical cannabis, up 32% from September 2016.

There are a number of different products that a cannabis user can purchase at a dispensary; the most common being marijuana flower / oil to smoke or vape. Two of the fastest growing categories however are infused products including topicals and edibles. These two categories are purchased by both medical and recreational customers.

There is significant competition for CBD and THC products with already established national brands. Potential changes to government regulations in Canada, the US, and globally could have a positive or negative impact. Topical products are gaining acceptance.

The present and future activities of the Company may be influenced to some degree by factors such as the availability of capital and governmental regulations. The influence of such factors cannot always be predicted.

4 Narrative Description of the Business

4.1 General

(1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:

(a) state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

The business objectives the Company expects to achieve are to: establish a Canadian polymer and laboratory facility, expand its sublicensing and product sales efforts globally, and marketing the Company and Invisicare® products.

The cost of covering administrative costs for the first the next 12 months is estimated at \$340,000. The Company intends to set up a

polymer and laboratory facility in Canada in the next 12 months and it is estimated to cost \$100,000 to \$150,000. The Company believes that these estimated costs will be sufficient as the Company has been in discussions with a sublicensee to establish its polymer and laboratory facility within one of the sublicensee's facilities. The polymer is intended to be inventoried within the polymer and laboratory facility. The Company expects its sublicensing and marketing to be ongoing with no specific timeframe. The Company intends to generally market its technology and products through advertising and attending trade shows with the goal of obtaining new sublicensees.

The Company will also spend some funds on corporate awareness activities.

The Company anticipates its marketing and advertising plans will focus on recruiting additional sublicensees and increasing awareness of the Ovation brand and benefits of Invisicare® in its products to increase sales of the Company's products by sublicensees.

Marketing activities will include attendance and or sponsorship at North American and international trade shows and conferences, advertising to build brand identity, website development and social media engagement, and developing marketing materials. Through its marketing plans, the Company hopes to achieve the following milestones within the next twelve (12) months: (1) increase North American sublicensees by two; (2) add to international sublicensees; and (3) achieve increases in sales by its existing sublicensees.

The Company expects to incur approximately \$340,000 in general and administrative costs on an annual basis to cover the expenses of operating as a public company over the next 12 months. A breakdown of the estimated general and administrative costs for that period is as follows:

	Annual Amount (\$)
Audit and Accounting Expenses	10,000
Legal Expenses	50,000
Management Fees	198,000
Director Fees	6,000

Regulatory Filing Fees	16,000
Office Expenses	20,000
Transfer Agent	10,000
Travel Expense	30,000
Total	<u><u>340,000</u></u>

- (b) describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

	<u>Estimated Amount (\$)</u>
Polymer and laboratory facility development in Canada	150,000
Marketing of the Company and its products	700,000
Total	<u><u>850,000</u></u>

- (c) disclose the total funds available to the Issuer and the following breakdown of those funds:
- (i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and
December 31, 2018 \$1,582,627
 - (ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and
\$732,627
- (d) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for

which the funds available described under the preceding paragraph will be used by the Issuer.

See 4.1(1)b above

- (2) For principal products or services describe:
- a) the methods of their distribution and their principal markets;
The issuers product is distributed by its licensees
 - b) as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from:
 - (i) sales or transfers to joint ventures in which your company is a participant or to entities in which your company has an investment accounted for by the equity method, None
 - (ii) sales to customers, other than those referred to in clause (i), outside the consolidated entity, None
 - (iii) sales or transfers to controlling shareholders; None
 - (iv) sales or transfers to investees. None
 - c) if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage, N/A
 - (i) the timing and stage of research and development programs,
 - (ii) the major components of the proposed programs, including an estimate of anticipated costs,
 - (iii) whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and
 - (iv) the additional steps required to reach commercial production and an estimate of costs and timing.
- (3) Concerning production and sales, disclose:

- a) the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;

Current production is by a third party until the Company constructs its own facility.

- b) the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;

None

- c) specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;

The Company has an inhouse Chemist.

- d) the sources, pricing and availability of raw materials, component parts or finished products;

All components are readily available and competitive.

- e) the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;

Unlike other companies, the Company uses drug protocols when developing its products. Franz cell diffusion analysis is used to determine transdermal penetration and an accelerated stability process to determine shelf life and to ensure active ingredients are validated throughout the process.

Invisicare® is covered by US and Canadian patents and international patents that protect all of its cannabis formulations from duplication by other parties. The patents are granted in the USA, Canada, EU (UK, Germany, France, and Switzerland), Australia, China, Hong Kong, S. Korea and India. The patent protection covers composition, manufacturing and use.

Patents Granted:

LOCATION	PATENT NUMBER	COVERAGE
United States	9,149,490	Acne treatment composition and methods for using.
United States	8,318,818	Topical composition, topical composition precursor, and methods for manufacturing and using.
United States	7,674,471	Topical composition, topical composition precursor, and methods for manufacturing and using.
United States	6,756,059	Topical composition, topical composition precursor, and methods for manufacturing and using.
United States	8,481,058	Topical composition, topical composition precursor, and methods for manufacturing and using.

FORM 2A – LISTING STATEMENT

January 2015

Page 11

LOCATION	PATENT NUMBER	COVERAGE
United States	8,299,122	Method for stabilizing retinoic acid, retinoic acid containing composition, and method of using a retinoic acid containing composition.
United States	8,128,913	Sunscreen composition with enhanced UV-A absorber stability and methods.
United States	6,582,683	Dermal barrier composition.
Australia	2002355964	Topical composition, topical composition precursor, and methods for manufacturing and using.
Canada	2457124	Topical composition, topical composition precursor, and methods for manufacturing and using.
China	02816324	Topical composition, topical composition precursor, and methods for manufacturing and using.
Switzerland	1425044	Topical composition, topical composition precursor, and methods for manufacturing and using.
Germany	60242220.5	Topical composition, topical composition precursor, and methods for manufacturing and using.
European Patent Convention	1425044	Topical composition, topical composition precursor, and methods for manufacturing and using.
France	1425044	Topical composition, topical composition precursor, and methods for manufacturing and using.
Great Britain	1425044	Topical composition, topical composition precursor, and methods for manufacturing and using.
Hong Kong	HK1066971	Topical composition, topical composition precursor, and methods for manufacturing and using.
India	208399	Topical composition, topical composition precursor, and methods for manufacturing and using.
South Korea	1009428590000	Topical composition, topical composition precursor, and methods for manufacturing and using.

Direct competition to the Company includes Dixie, Mary's Medicinals, Apothecanna, and celebrity product line Whoopi & Maya. One of competitive advantages the Company has is that its products contain a significantly higher amount of THC and CBD than their competitors. Mary's Medicinals transdermal cream and patches are in direct competition with the Company's transdermal products as not only do they offer transdermal delivery but they have also developed their products with more THC and CBD than their competitors.

- f) the extent to which the business of the segment is cyclical or seasonal;

Not cyclical or seasonal

- g) a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Listing Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;

The Company relies on its current Licensees for sales which we have limited control over.

- h) the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;

None

- i) the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant;

The Company has no employees. The Company's executive officers are independent contractors of the Company. The Company also employs chemists on an independent contractor basis.

- j) any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations,

The Company has a US licensee which maybe problematic due to the convoluted and numerous rules and laws within the US.

- k) a description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements for goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends;

The Company depends upon the two following agreements at this time. The Company is working on expanding this base.

Canopy License Agreement

Company has a license with Canopy Growth Corporation (Canopy License Agreement). Canopy has been granted exclusive rights to manufacture, distribute, sell, market and promote two of the Company's product lines: (1) Invisicare® products containing hemp seed oil-exclusively for Canada and USA, and (2) Invisicare® products containing cannabinoids from hemp or marijuana exclusively for Canada. In addition, Canopy has the right of first refusal for exclusivity in all other countries excluding China for hemp seed oil products and the right of first refusal for exclusivity in all other countries excluding China and the USA for cannabinoid products (however it has the right to license a non-exclusive cannabis line outside of licensed dispensaries in the USA).

Lighthouse License Agreement

On November 10, 2017, the Company entered into the Lighthouse License Agreement. Lighthouse is a Nevada- based cannabis marketing company.

Under the Lighthouse License Agreement, the Company has granted Lighthouse the exclusive right to utilize the Company's trademarks, formulations, patents and product specifications for preparation, packaging, promotion and sale of the following topical and transdermal products:

- Dispensary Products: From marijuana including not limited to CBD and/or THC and sold exclusively in state licensed recreational or medical marijuana dispensaries;
- Non-dispensary Products: Products formulated with non-THC cannabinoids from hemp or marijuana which are non-exclusive for sale outside of state licensed recreational or medical marijuana dispensaries.

See "Business of the Company" for more details relating to the Lighthouse License Agreement.

- l) a description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

None

- (4) Describe the competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.

There is significant competition for CBD and THC products with already established national brands. Potential changes to government regulations in Canada, the US, and globally could have a positive or negative impact. Topical products are gaining acceptance but there can be no assurance on what market share that the Company will obtain.

The present and future activities of the Company may be influenced to some degree by factors such as the availability of capital and governmental regulations. The influence of such factors cannot always be predicted.

- (5) With respect to lending operations of an Issuer's business, describe the investment policies and lending and investment restrictions.

N/A

- (6) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any

of its subsidiaries, within the three most recently completed financial years or the current financial year.

None

- (7) Disclose the nature and results of any material restructuring transaction of the Issuer within the three most recently completed financial years or completed during or proposed for the current financial year.

The Company completed an IPO in November 2018 (See Company 2A filed November 13, 2020)

- (8) If the Issuer has implemented social or environmental policies that are fundamental to the Issuer's operations, such as policies regarding the Issuer's relationship with the environment or with the communities in which the Issuer does business, or human rights policies, describe them and the steps the Issuer has taken to implement them.

N/A

Companies with Asset-backed Securities Outstanding

4.2 In respect of any outstanding asset-backed securities, disclose the following information:

- (1) Payment Factors - A description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities.

N/A

- (2) Underlying Pool of Assets - For the three most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, information on the pool of financial assets servicing the asset-backed securities relating to

- (a) the composition of the pool as of the end of each financial year or partial period;

N/A

- (b) income and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

N/A

- (c) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

N/A

- (d) servicing and other administrative fees;

N/A

- (e) any significant variances experienced in the matters referred to in paragraphs (a), (b), (c), or (d).

- (3) Investment Parameters - The investment parameters applicable to investments of any cash flow surpluses.

None

- (4) Payment History - The amount of payments made during the three most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of your company outstanding.

N/A

- (5) Acceleration Event - The occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities.

N/A

- (6) Principal Obligors - The identity of any principal obligors for the outstanding asset-backed securities of your company, the percentage of the pool of financial assets servicing the asset-backed securities represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K, Form 10-KSB or Form 20F in the United States.

N/A

- 4.3 For Issuers with a mineral project, disclose and insert here the information required by Appendix A for each property material to the Issuer.

N/A

4.4 For Issuers with Oil and Gas Operations disclose and insert here the information required by Appendix B (in tabular form, if appropriate).

N/A

5. Selected Consolidated Financial Information

5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

- (a) net sales or total revenues;
- (b) income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook;
- (c) net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook;
- (d) total assets;
- (e) total long-term financial liabilities as defined in the Handbook;
- (f) cash dividends declared per share for each class of share; and
- (g) such other information as would enhance an investor's understanding of the Issuer's financial condition and results of operations and would highlight other trends in financial condition and results of operations.

December 31,		2018		2017
Total assets	\$	2,721,764	\$	899,317
Total non-current financial liabilities	\$	-	\$	-
Revenues	\$	96,408	\$	12,545
Loss and comprehensive loss	\$	(506,265)	\$	(61,541)
Loss per share – Basic and diluted	\$	(0.07)	\$	(0.03)

Weighted average number of common shares outstanding		7,732,928		2,454,745
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Please refer to Management's Discussion and Analysis included in the Listing Statement for a full discussion of the data.

5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1.

	Dec. 31, 2018 \$	Sept. 30, 2018 \$	Jun. 30, 2018 \$	Mar. 31, 2018 \$
Three months ended,				
Total Revenue	49,505	28,924	17,979	-
Net Loss	(194,133)	(80,074)	(140,749)	(91,309)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.01)	(0.01)

	Dec. 31, 2017 \$	Sept. 30, 2017 \$	Jun. 30, 2017 \$	Mar. 31, 2017 \$
Three months ended,				
Total Revenue	12,545	-	-	-
Net Loss	(61,541)	(382)	-	-
Basic and diluted net loss per share	(0.03)	(0.00)	-	-

Please refer to Management's Discussion and Analysis included in the Listing Statement for a full discussion of the data.

5.3 Dividends – disclose:

- (a) any restriction that could prevent the Issuer from paying dividends; and
- (b) the Issuer's dividend policy and, if a decision has been made to change the dividend policy, the intended change in dividend policy.

The Company has never declared, nor paid, any dividend since its incorporation and does not foresee paying any dividend in the near future since all available funds will be used to conduct exploration activities. Any future payment of dividends will depend on the financing requirements and financial condition of the Company and other factors which the Board, in its sole discretion, may consider appropriate and in the best interests of the Company.

5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if:

- (a) the Issuer's primary financial statements have been prepared using foreign GAAP; and
- (b) if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

N/A

6. Management's Discussion and Analysis

Annual MD&A See Management's Discussion and Analysis, included in item 25 and attached.

7. Market for Securities

7.1 Identify the exchange(s) and quotation and trade reporting system(s) on which the Issuer's securities are listed and posted for trading or quoted.

The Company's common shares are listed and posted for trading on the Canadian Securities Exchange under the symbol "OVAT"

8. Consolidated Capitalization

8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement.

The Company Completed an IPO of 8,050,000 which is reflected in the table below. This table should be read in conjunction with the annual financial

statements of the Company (including the notes thereto) which are attached to this listing statement.

Share Capital			
	Number		Amount
Balance, July 18, 2017 (inception)	-	\$	-
Shares issued for cash	15,103,121		626,952
Loss for the period	-		-
Balance at December 31, 2017	15,103,121	\$	626,952
Equity portion of convertible note	-	\$	-
Units issued for cash	8,050,000		2,072,663
Share issuance costs	-		(469,167)
Share-based payments	-		-
Loss for the year	-		-
Balance at December 31, 2018	23,153,121	\$	2,230,448

9. Options to Purchase Securities

- 9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by:
- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;
 - (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;
 - (c) all other employees and past employees of the Issuer as a group, without naming them;
 - (d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;

- (e) all consultants of the Issuer as a group, without naming them; and
- (f) any other person or company, including the underwriter, naming each person or company.

The Directors of the Company adopted a stock option plan on April 10, 2018 (the "Stock Option Plan"). The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the 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 Stock Option Plan will be administered by the Company's Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but after listing on the Exchange will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option 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 Stock Option 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) 120 days from date of termination other than for cause, or a shorter period if decided by the Board of Directors at time of granting; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Name	Number of Options	Option Exercise Price	Option Expiry Date
Terry Howlett	150,000	\$0.30	April 10, 2020
Logan Anderson	250,000	\$0.30	April 10, 2020
Doreen McMorran	150,000	\$0.30	April 10, 2020
Ian Howard	50,000	\$0.30	April 10, 2020
Joan Chypyha	50,000	\$0.30	April 10, 2020
David Ryan	350,000	\$0.30	April 10, 2020
James Roszell	100,000	\$0.30	April 10, 2020
David Wood	50,000	\$0.30	April 10, 2020

10. Description of the Securities

10.1 General - State the description or the designation of each class of equity securities and describe all material attributes and characteristics, including:

- a) dividend rights;
- b) voting rights;
- c) rights upon dissolution or winding-up;
- d) pre-emptive rights;
- e) conversion or exchange rights;
- f) redemption, retraction, purchase for cancellation or surrender provisions,
- g) sinking or purchase fund provisions;
- h) provisions permitting or restricting the issuance of additional securities and any other material restrictions; and
- i) provisions requiring a securityholder to contribute additional capital.

Authorized share capital

Unlimited number of common shares without par value with 23,153,121 issued.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board of Directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common

Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Unlimited number of preferred shares without par value, with none issued.

The holders of the preferred shares are not entitled to receive notice of and not entitled to vote at all meetings of the shareholders of the Company other than at meeting of preferred shareholders. The preferred shares may include one or more series of shares. The registered holders of the preferred shares are entitled to receive dividends if and when declared by the Board of Directors out of the funds or assets of the Company properly applicable to the payment of dividends. The Board of Directors of the Company may at any time declare and authorize the payment of such dividends exclusively to the registered holders of the preferred shares without declaring any corresponding dividends to the registered holders of the Common Shares. In the event of the liquidation, dissolution or winding up of the Company or other distribution of the assets of the Company among its members for the purpose of winding up the affairs of the Company, whether voluntary or involuntary, the registered holders of the preferred shares shall be entitled to receive the amount paid up with respect to each preferred share together with an amount equal to all declared and unpaid dividends on such shares in priority of the Common Shares. After payment to the registered holders of the preferred shares of the amount payable to them as provided for above, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Company. The preferred shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

- 10.2 Debt securities - If debt securities are being listed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt, including:
- (a) provisions for interest rate, maturity and premium, if any;
 - (b) conversion or exchange rights;
 - (c) redemption, retraction, purchase for cancellation or surrender provisions,
 - (d) sinking or purchase fund provisions;
 - (e) the nature and priority of any security for the debt securities, briefly identifying the principal properties subject to lien or charge;

- (f) provisions permitting or restricting the issuance of additional securities, the incurring of additional indebtedness and other material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing the debt securities;
- (g) the name of the trustee under any indenture relating to the Issuer and
- (h) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.

As a consideration for the acquisition of the Skinvisible License Agreement, the Company issued a promissory note to Skinvisible for a principal amount of \$294,812 (US\$250,000). The note is denominated in U.S. dollars, non-interest bearing, unsecured and 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. As the promissory note is non-interest bearing, the initial fair value was estimated as \$296,348 (US\$236,228) using a market discount rate of 12% and the original maturity date of March 31, 2018. The promissory note is amortized over the original term using the effective interest rate method. The total accretion expense for the year ended December 31, 2018 was \$17,101 (US\$13,772). As at December 31, 2018, the note was repaid in full.

On August 14, 2018, the Company issued a promissory note to an arm's length party for a principal amount of (US\$100,000). The note is denominated in U.S. dollars, bears interest at 10% per annum, is unsecured and due October 14, 2019. The initial fair value of the promissory note was \$130,731 (US\$97,837) which was determined using an estimated discount rate of 12% and maturity date of October 14, 2019. The total accretion expense for the year ended December 31, 2018 was \$1,025. The note has been discounted to the market value according to IFRS 9.

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 are unsecured, bear interest at 10% per annum and are 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.

- 10.4 Other securities - If securities other than equity securities or debt securities are being listed, describe fully the material attributes and characteristics of those securities.

N/A

- 10.5 Modification of terms:

(a) describe provisions about the modification, amendment or variation of any rights attached to the securities being listed;

N/A

(b) if the rights of holders of securities may be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the governing statute relating to the securities, explain briefly.

N/A

- 10.6 Other attributes:

(a) if the rights attaching to the securities being listed are materially limited or qualified by the rights of any other class of securities, or if any other class of securities ranks ahead of or equally with the securities being listed, include information about the other securities that will enable investors to understand the rights attaching to the securities being listed; and

(b) if securities of the class being listed may be partially redeemed or repurchased, state the manner of selecting the securities to be redeemed or repurchased.

N/A

- 10.7 Prior Sales - State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

Since inception on July 18, 2017, the Company has completed the following distributions of its securities:

- (a) On July 18, 2017, the Company issued one Common Share at a price of \$0.005 per Common Share, which Common Share will be escrowed in accordance with the terms of the Escrow Agreement.
- (b) On September 26, 2017, the Company issued 5,000,000 Common Shares at a price of \$0.005 per Common Share for total proceeds of \$25,000. These Common Shares will be escrowed in accordance with the terms of the Escrow Agreement. These shares were issued to the CEO and COO of the Company.
- (c) On October 6, 2017, the Company issued 4,837,000 Common Shares at a price of \$0.02 per Common Share for total proceeds of \$96,740. 3,387,500 of these Common Shares will be escrowed in accordance with the terms of the Escrow Agreement and the balance of 1,449,500 will be pooled in accordance with the terms of the \$0.02 Pooling Agreement.
- (d) On December 31, 2017, the Company issued 5,266,120 Common Shares at a price of \$0.10 for total proceeds of \$526,612. These Common Shares will be pooled in accordance with the terms of the \$0.10 Pooling Agreement.
- (e) On November 15, 2018, the Company closed a public offering consisting of 8,050,000 units at \$0.30 per unit for gross proceeds of \$2,415,000. Each unit consists of one common share of the Company and one half warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.45 per share for a period of two years. \$718,157 was allocated to the private placement warrants, which were valued using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.30, expected life: two years, expected volatility: 134.44%, dividend yield: 0%, and risk-free interest rate: 2.21%. In connection with the private placement, the Company incurred \$333,359 in cash transaction costs and \$114,905 in transaction costs related to the issuance of 644,000 broker warrants. The broker warrants entitle the holder to purchase one common share of the Company at a price of \$0.45 per share for a period of two years and were valued using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.30, expected life: two years, expected volatility: 134%, dividend yield: 0%, and risk-free interest rate: 2.21%.

10.8 Stock Exchange Price:

- a) if shares of the same class as the shares to be listed were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs;

- b) if shares of the same class as the shares to be listed were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs; and
- c) information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

PERIOD	HIGH	LOW	VOLUME
Nov-18	0.54	0.29	887,187
Dec-18	0.37	0.255	449,108
Jan-19	0.39	0.295	708,567
Feb-19	0.44	0.335	1,188,546
Mar-19	0.5	0.37	1,497,121
Apr-19	0.63	0.4	1,118,296

11. Escrowed Securities

- 11.1 State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

The following securities of the Company (the “Escrowed Securities”) are held by, and are subject to the terms of an escrow agreement dated April 10, 2018, among the Company, National Issuer Services Ltd., as escrow agent, and the holders of the Escrowed Securities, being Terry Howlett, Doreen McMorrان, Logan Anderson, Joan Chypyha, and Ian Howard (the “Escrow Agreement”):

Designation of Class	Number of Securities	Number of shares remaining in escrow	Percentage of Issued Shares
Common Shares	8,387,501	7,548,751	36.22%

As the Company anticipates being an “emerging issuer” as defined in NP 46-201, the following automatic timed releases will apply to the Common Shares held by its principals who are subject to escrow:

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

12. Principal Shareholders

- 12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:
- (a) Name;
 - (b) The number or amount of securities owned of the class to be listed;
 - (c) Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only; and
 - (d) The percentages of each class of securities known by the Issuer to be owned.
- (2) If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.
- (3) If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the

designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.

- (4) If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.
- (5) In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.

Name	Number and Class of Shares Owned	Number and Class of Shares Owned After Offering	Type of Ownership	Percentage of Common Shares Owned ⁽¹⁾
Terry Howlett	3,818,750	Common Shares	Direct	13.27% ⁽¹⁾
Doreen McMorran	3,818,750	Common Shares	Direct	13.27% ⁽¹⁾

- (1) On a fully-diluted basis, assuming all of the 1,150,000 stock options granted, 644,000 Agent's Warrants, 4,025,000 Warrants, exercise of all the 1,150,000 granted Options and conversion of all convertible debt securities at a rate of 1 USD equal to 1.3063 CAD the percentage of Common Shares owned after giving effect to the maximum offering ; based on 29,907,554 Common Shares outstanding, Terry Howlett and Doreen McMorran will each own 13.27%.
Please also refer to the Form 2A filed November 11, 2018.

13 Directors and Officers

- 13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.
- 13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

- 13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.
- 13.4 Disclose the board committees of the Issuer and identify the members of each committee.
- 13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.
- 13.6 Disclose if a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:
- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;
 - (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;
 - (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
 - (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.
- 13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
 - (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
- 13.8 Despite section 13.7, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.
- 13.9 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.
- 13.10 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.
- 13.11 Management — In addition to the above provide the following information for each member of management:
- (a) state the individual's name, age, position and responsibilities with the Issuer and relevant educational background;
 - (b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer;
 - (c) state whether the individual is an employee or independent contractor of the Issuer;
 - (d) state the individual's principal occupations or employment during the five years prior to the date of the Listing Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:
 - (i) its name and principal business,
 - (ii) if applicable, that the organization was an affiliate of the Issuer,
-

- (iii) positions held by the individual, and
- (iv) whether it is still carrying on business, if known to the individual;
- (e) describe the individual's experience in the Issuer's industry; and
- (f) state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.

See below,

Name, Municipality of Residence and Age	Principal Occupations during past five years	Position with the Company	Director or Officer Since	Securities Held⁽²⁾
Terry Howlett,70, Henderson, Nevada	President CEO and Director of Skinvisible, Inc.from May 1999-February 2011 and from March 2011 to date. President and CEO of Skinvisible Pharmaceuticals Inc. from March 1999 to date.	Chief Executive Officer	October 2017	4, 3,818,750 Common Shares
		Director	October 2017	4, 150,000 Options
Logan B Anderson ⁽¹⁾ ,65 North Vancouver, B.C.	CFO of Aloro Mining Corp. ("Aloro") since June 2004, Director of Aloro since June 2004; Director and President of Manado Gold Corp. since August 2010 and CEO since June 2011; President and Director of International Battery Metals Ltd. since May 2017; Director and CFO of Scotch Creek Ventures Inc. since January 2017; President of Amteck Management Inc. (and its predecessor Amteck Financial Services Company) a private consulting company since 1993.	Chief Financial Officer and Secretary, Director	October 2017	4, 250,001 Common Shares
			July 18, 2017	250,000 Options
Doreen McMorran,55, Henderson, Nevada	Vice President of Business Development for Skinvisible Pharmaceuticals, Inc. since April 2008.	Chief Operating Officer, Director	October 2017	4, 3,818,750 Common Shares
			October 2017	4, 150,000 Options
Ian Howard ⁽¹⁾ ,79, North Vancouver, BC	CEO and owner of Leverage Sponsorship Co. and is the COO and Director of SkinCareGuide.	Director	October 2017	4, 250,000 Common Shares
				50,000 Options

Joan Chypyha ⁽¹⁾ ,51, Richmond Hill, ON	Chief Business- Development Officer at Rhei Pharmaceuticals Ltd; Vice President of Corporate Development and General Manager of Barrier Therapeutics Canada Inc.; President of Alto Pharmaceuticals Ltd, and most recently the former President of Cipher Pharmaceuticals (Canada) (TSX: CPH).	Director	February 2, 2018	250,000 Common Shares
				50,000 Options
David Ryan, 51, Langley, B.C.	Self-employed consultant. Director of GlobeX Data Ltd. since March 2017; President, Secretary and Director of Midnight Star Ventures Inc. since April 2013. A former Director, President, Secretary and Vice President Finance of Yaterra Ventures Corp. Director and CEO of Scotch Creek Ventures Inc. since January 2017; Director and VP Corporate Communications of Manado Gold Corp. since August 2010 and Chief Financial Officer since 2016.	Investor Relations Officer, Director	October 4, 2017	350,000 Options
			October 4, 2017	
Total Securities				8,387,501 Common Shares
				1,000,000 Options

The following is a brief description of the background of the Directors and executive officers of the Company.

Terry Howlett - *Chief Executive Officer, Director and Promoter*

Mr. Howlett founded Skinvisible, Inc. in 1999. With over 35 years of entrepreneurial, business management and market initialization experience, he drives and directs the Company's development and technology vision. He is experienced at guiding emerging and publicly traded start-up companies through the stages of capital formation, strategic planning and business growth; specializing in venture capital financing.

Mr. Howlett will devote approximately 75% of his time to the Company or such greater amount of time as is necessary. Mr. Howlett has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Howlett is an independent contractor of the Company.

Logan B. Anderson – *Chief Financial Officer, Secretary, Director and Promoter*

Mr. Anderson provides considerable financial and management expertise to Ovation Science Inc. He holds the designation of ACA with the Chartered Accountants (Australia and New Zealand). He began his career as an associate chartered accountant in New Zealand and then Canada. This was followed by his position as controller of a management services company which was responsible for the management of a number of private and publicly traded companies. Since 1993, Mr. Anderson has served as President of Amteck Management Inc., a private financial consulting services company servicing both private and public companies. Mr. Anderson is currently President / Director and on the audit committee of International Battery Metals Inc., President, CEO and Director, of Manado Gold Corp, the CFO, Secretary and Director of Aloro Mining Corp., and also CFO and Director of Scotch Creek Ventures.

Mr. Anderson will be responsible for the accounting activities of the Company. Mr. Anderson will devote approximately 20% of his time to the Company or such greater amount of time as is necessary. Mr. Anderson has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Anderson is an independent contractor of the Company.

Doreen McMorran – *Chief Operating Officer, Director and Promoter*

Ms. McMorran has over 25 years of experience in the medical and pharmaceutical industry, specifically in the areas of strategic planning, sales and marketing of dermatology products. Prior to joining Skinvisible in 2008 as Vice President of Business Development, she spent 6 years marketing and selling to international dermatology and skincare focused companies like Procter and Gamble, Johnson & Johnson, Stiefel, Galderma, and Novartis, as well as providing medical education both traditional and online for physicians and consumers about dermatology conditions, products and treatments. Ms. McMorran, holds a Bachelor of Commerce (Honors) degree from the University of Manitoba. Additionally she has held senior management level positions with a number of healthcare companies, focusing on business development, sales, marketing and operations.

Ms. McMorran will devote approximately 75% of her time to the Company or such greater amount of time as is necessary. Ms. McMorran has not entered into a non-competition or non-disclosure agreement with the Company. Ms. McMorran is an independent contractor of the Company.

Ian Howard - *Director*

Mr. Howard has over 40 years of extensive experience in marketing, government and health care and over 25 years of business experience with companies internationally including being the former Executive Assistant to two Cabinet Ministers and Senior VP of the National Lottery in Canada. He has worked on most major sporting and public projects in Canada in addition to Europe, Asia and the USA including the 1994 Commonwealth Games, Victoria, 1996 World Conference on AIDS, Vancouver, 1998 Commonwealth Games, Kuala Lumpur, 1998 World Conference on AIDS, Geneva, 2005 World Congress on Melanoma, Vancouver, 2010 Olympic Bid planning and execution. Currently Mr. Howard is the CEO and owner of Leverage Sponsorship Co. and is the COO and Director of SkinCareGuide, an international dermatology medical education company with numerous dermatology publications, websites including Skin Therapy Letter®.

Mr. Howard will devote approximately 5% of his time to the Company or such greater amount of time as is necessary. Mr. Howard has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Howard is an independent contractor of the Company.

Joan Chypyha - Director

Ms. Chypyha has more than 25 years of experience in the pharmaceutical industry holding various senior management positions with an emphasis on marketing, sales and business development. In her career, Ms. Chypyha spent 16 years at Hoffmann-La Roche in progressively senior marketing positions; Chief Business-Development Officer at Rhei Pharmaceuticals Ltd.; Vice President of Corporate Development and General Manager of Barrier Therapeutics Canada Inc.; President of Alto Pharmaceuticals Ltd, and most recently the former President of Cipher Pharmaceuticals (Canada) (TSX: CPH). Joan earned a BSc from University of Toronto and a MBA from Queens University.

Ms. Chypyha will devote approximately 5% of her time to the Company or such greater amount of time as is necessary. Ms. Chypyha has not entered into a non-competition or non-disclosure agreement with the Company. Ms. Chypyha is an independent contractor of the Company.

David Ryan - Director

Mr. Ryan has extensive experience in investment and public markets. For the past 20 years, he has been part of in bringing multiple initial public offerings to market. He has helped raise both equity and debt financings for numerous public companies in both primary and secondary financings as well as served on the board of public companies and in various roles from president to director.

Mr. Ryan has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Ryan is an independent contractor of the Company.

The Directors are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are duly elected or appointed in accordance with the Company's Articles or until such director's earlier death, resignation or removal.

The following persons are members of the Company's audit committee:

Name	Independent/Not Independent	Financially Literate
Logan Anderson	Not Independent	Yes
Ian Howard	Independent	Yes
Joan Chypyha	Independent	Yes

Logan Anderson: Holds the designation of ACA with the Chartered Accountants (Australia and New Zealand). Over 35 years serving as director and CFO of a number of public companies.

Ian Howard: Over 40 years extensive experience in business including CEO and owner of Leverage Sponsorship Co. and is the COO and Director of SkinCareGuide.

Joan Chypyha: Former President of Cipher Pharmaceuticals (Canada) (TSX: CPH) and holds a BSc from University of Toronto and a MBA from Queens University.

The Board of Directors is currently comprised of six members. The rules of the Exchange do not have independent director requirements. An "independent" director is a director who has no direct or indirect material relationship with the Company. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a director's independent judgment. Ian Howard and Joan Chypyha are independent directors of the Company, as aside from Common Shares held by them they have no ongoing interest or relationship with the Company other than serving as directors.

The Board of Directors believes good corporate governance is an integral component to the success of the Company and to meet responsibilities to shareholders. Generally, the Board of Directors has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board of Directors in which the director has an interest have been sufficient to ensure that the Board of Directors operates independently of management and in the best interests of the Company.

The Board of Directors is also responsible for applying governance principles and practices, and tracking development in corporate governance, and adapting "best practices" to suit the needs of the Company. Certain of the Directors of the Company may also be directors and officers of other companies, and conflicts of interest may arise

between their duties. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as applicable under the BCA.

The Board of Directors has not formed a nominating committee or similar committee to assist the Board of Directors with the nomination of directors for the Company. The Board of Directors considers itself too small to warrant creation of such a committee; and each of the Directors has contacts he can draw upon to identify new members of the Board of Directors as needed from time to time.

The Board of Directors will continually assess its size, structure and composition, taking into consideration its current strengths, skills and experience, proposed retirements and the requirements and strategic direction of the Company. As required, directors will recommend suitable candidates for consideration as members of the Board of Directors.

14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	23,153,121	29,907,554	100	100
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	8,387,501	9,487,501	36.23	31.72
Total Public Float (A-B)	14,765,620	20,420,053	63.77	68.28

Freely-Tradeable Float

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	12,780,415	12,780,415	55.20	42.73
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Total Tradeable Float (A-C)	10,372,706	17,127,139	44.80	57.27
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Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	<u>0</u>	<u>0</u>
100 – 499 securities	<u>0</u>	<u>0</u>
500 – 999 securities	<u>0</u>	<u>0</u>
1,000 – 1,999 securities	<u>0</u>	<u>0</u>
2,000 – 2,999 securities	<u>0</u>	<u>0</u>
3,000 – 3,999 securities	<u>0</u>	<u>0</u>
4,000 – 4,999 securities	<u>0</u>	<u>0</u>
5,000 or more securities	<u>57</u>	<u>4,571,621</u>

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	57	4,571,621
Unable to confirm	21	10,244,000

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	5	8,387,501
	<u>5</u>	<u>8,387,501</u>

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Stock options, one common share at \$0.30, expire 10 April 2020	1,150,000	1,150,000
Warrants, one common share @ \$0.45, Expire 14 November 2020	4,669,000	4,669,000

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2. None

15. Executive Compensation

- 15.1 Attach a Statement of Executive Compensation from Form 51-102F6 or any successor instrument and describe any intention to make any material changes to that compensation.

The following table sets forth information about compensation paid to, or earned by, the Company's Named Executive Officers and Directors during the period from Inception to December 31, 2017 and the fiscal year ended December 31, 2018.

Name and Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Option Based Awards (\$)	Non Equity Incentive Plan Compensation (\$)		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long Term Incentive Plans (\$)		
Terry Howlett CEO, President and director	2018	72,000	0	2,942	0	0	0	74,942
	2017	18,000	0	0	0	0	0	18,000
Logan Anderson CFO, Secretary and director	2018	42,000	0	4,900	0	0	0	46,900
	2017	11,500	0	0	9	0	0	11,500
Doreen McMorrان COO, director	2018	48,000	0	2,942	0	0	0	50,942
	2017	12,000	0	0	0	0	0	12,000
Ian Howard Director	2018	1,000	0	980	0	0	0	1,980
	2017	0	0	0	0	0	0	0
Joan Chypyha Director	2018	1,000	0	980	0	0	0	1,980
	2017	0	0	0	0	0	0	0
David Ryan Investor Relations Officer and Director	2018	36,000	0	6,800	0	0	0	42,800
	2017	9,000	0	0	0	0	0	9,000

There is no intention to make material changes.

The following table sets forth all outstanding share based and option based award to the Named Executive Officers and Directors as at the fiscal year ended December 31, 2018.

Name	Option Based Awards				Share Based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Terry Howlett CEO, President and director	150,000	\$0.30	April 10, 2020	0	0	0
Logan Anderson CFO, Secretary and director	250,000	\$0.30	April 10, 2020	0	0	0
Doreen McMorran COO, and director	150,000	\$0.30	April 10, 2020	0	0	0
Ian Howard Director	50,000	\$0.30	April 10, 2020	0	0	0
Joan Chypyha Director	50,000	\$0.30	April 10, 2020	0	0	0
David Ryan	350,000	\$0.30	April 10, 2020	0	0	0

Stock Option Plan

The Directors of the Company adopted a stock option plan on April 10, 2018 (the “Stock Option Plan”). The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the 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 Stock Option Plan will be administered by the Company’s Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such the directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but after listing on the Exchange will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option 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 Stock Option 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. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

16. Indebtedness of Directors and Executive Officers

16.1 Aggregate Indebtedness
None

17. Risk Factors

17.1 Disclose risk factors relating to the Issuer and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be likely to influence an investor's decision to purchase securities of the Issuer.

Although management believes that the above risks fairly and comprehensibly illustrate all material risks facing the Company, the risks noted above do not necessarily comprise all those potentially faced by the Company as it is impossible to foresee all possible risks.

Negative Cash Flow from Operating Activities

The Company has had negative cash flow from operating activities since inception. Significant capital investment will be required to achieve the Company's existing plans. There is no assurance that the Company's business will generate earnings, operate profitably or provide a return on investment in the near future. Accordingly, the Company may be required to obtain additional financing in order to meet its future cash commitments.

Speculative Nature of Investment Risk

An investment in the Common Shares of the Company carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings, limited cash reserves, a limited

operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and early commercialization stage. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

Dilution

The financial risk of the Company's future activities will be borne to a significant degree by purchasers of the Common Shares. If the Company issues Common Shares from its treasury for financing purposes, control of the Company may change and purchasers may suffer additional dilution.

Limited Market for Securities

Even though the shares are listed and trade on CSE there is no assurance that an active public market for the Common Shares will be sustained. The holding of Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Liquidity and Future Financing Risk

The Company is in their development stage and has not generated a significant amount of revenue. The Company is likely to operate at a loss until business becomes established and the Company may require additional financing in order to fund future operations and expansion plans, including developing new products, enhancing existing products, enhancing operating infrastructure and acquiring further licenses. The Company's ability to secure required financing to sustain operations will depend upon prevailing capital market conditions, as well as business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuing Common Shares in authorized capital, control may change, and shareholders may suffer additional dilution.

History of Operating Losses

The Company has a history of operating losses and may not sustain profitability. The Company cannot guarantee investors that it will become profitable, and even if the Company achieves profitability, given the competitive and evolving nature of industry in it operates, the Company may not be able to sustain or increase profitability and its failure to do so could adversely affect its business, including its ability to raise additional funds.

Going-Concern Risk

The Company's financial statements have been prepared on a going concern basis under which the entity is considered to be able to realize its assets and liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability.

Current Market Volatility

The securities markets in Canada and the United States have recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company. The value of the Common Shares distributed hereunder will be affected by such volatility.

If the Company's products and formulations are not deemed desirable and suitable for purchase and its sublicensees cannot establish a customer base, the Company may not be able to generate sufficient revenues, which would result in a failure of the business and a loss of any investment one makes in the Company.

The acceptance of the Company's products and formulations is critically important to its success. The Company cannot be certain that the products and formulations offered by its sublicensees will be appealing and as a result there may not be demand for these products and formulations and the Company's polymer sales, Packaging Fees and royalties could be limited and may never realize significant revenues. In addition, there are no assurances that if in the future the Company alters or changes the products and formulations its sublicensees offer that the demand will develop for the future products and formulations and this could adversely affect its business and possible revenues.

If the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

If the demands for the formulations the Company offers slows, then its business would be materially affected.

Demand for products and formulations, which the Company intends to sell, depend on many factors, including:

- the competitive environment in the cannabis products sector may force the Company to reduce prices below its desired pricing level or increase promotional spending;
- the Company's ability to maintain efficient, timely and cost-effective production and delivery of the products and services; and
- the Company's ability to identify and respond successfully to emerging trends in the cannabis product industry.

For the long-term demand for the products and formulations the Company's plans to offer may be affected by:

- the ability to negotiate additional sub-licensing agreements;
- the ability to establish, maintain and eventually grow market share in a competitive environment;
- the Company's ability to deliver its products in the markets it intends to services, changes in government regulations, currency fluctuations, natural disasters, pandemics and other factors beyond the Company's control may increase the cost of items it purchases, create communication issues or render products delivery difficult which could have a material adverse effect on its sales and profitability; and
- restrictions on access to markets and supplies.

Because the Company is new in the marketplace, it may not be able to compete effectively and increase market share

The Company's current and potential competitors may have longer operating histories, significantly greater resources and name recognition, and a larger base of customers than the Company. The Company's competitors may also be able to adopt more aggressive pricing policies and devote greater resources to the development, marketing and sale of their products and services. To be competitive, the Company must continue to invest significant resources in sales and marketing. The Company may not have sufficient resources to make these investments or to develop the technological advances necessary to be competitive, which in turn will cause the Company's business to suffer and restrict its profitability potential.

Like all retailers, distributors and manufacturers of topical products, the Company faces an inherent risk of exposure to product liability claims in the event that the use of the products that the Company sells or formulates results in injury.

The Company may be subject to various product liability claims, including claims that the products it sells or its sublicensees formulates contain contaminants, are improperly labeled or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. In addition, the Company may be forced to defend lawsuits. The Company cannot predict whether product liability claims will be brought against it in the future or the effect of any resulting adverse publicity on the business. Moreover, the Company may not have adequate resources in the event of a successful claim against it. The successful assertion of a product liability claim against it could result in potentially significant monetary damages. In addition, interactions of the products with other similar products, prescription medicines and over-the-counter drugs have not been fully explored.

The Company may also be exposed to claims relating to product advertising or product quality. People may purchase the Company's products expecting certain results. If they do not perceive expected results to occur, certain individuals or groups may seek monetary retribution.

The Company does not currently have insurance and its ability to obtain insurance may be limited due to the fact its sublicensees sell products containing marijuana.

If the Company's products become contaminated, its business could be seriously harmed.

The Company and its sublicensees have adopted various quality, environmental, health and safety standards. However, products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in its operations or those of its sublicensees or suppliers. Such a failure or contamination could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated even from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect the Company's business and financial performance.

The Company's business may be adversely affected by unfavourable publicity within the skin care markets.

Management believes that the skin care market and personal care markets are significantly affected by national media attention. As with any retail provider, future scientific research or publicity may not be favorable to the industry or to any particular product and may not be consistent with earlier favorable research

or publicity. Because of the Company's dependence on consumers' perceptions, adverse publicity associated with illness or other adverse effects resulting from the use of its products or any similar products distributed by other companies and future reports of research that are perceived as less favorable or that question earlier research, could have a material adverse effect on its business, financial condition and results of operations. The Company is highly dependent upon consumers' perceptions of the safety and quality of the products as well as similar products distributed by other companies. Thus, the mere publication of reports asserting that skin care or personal care products may be harmful or questioning their efficacy could have a material adverse effect on its business, financial condition and results of operations, regardless of whether such reports are scientifically supported or whether the claimed harmful effects would be present at the dosages recommended for such products.

As the Company intends to conduct international business transactions, it will be exposed to local business risks in different countries, which could have a material adverse effect on the Company's financial condition or results of operations.

The Company intends to license its products internationally. The Company's international operations will be subject to risks inherent in doing business in foreign countries, including, but not necessarily limited to:

- new and different legal and regulatory requirements in local jurisdictions;
- potentially adverse tax consequences, including the imposition of or an increase in tax, including withholding tax, with respect to specific transactions, and other taxes on remittances and other payments by subsidiaries;
- risk of nationalization of private enterprises by foreign governments;
- legal restrictions on doing business in or with certain nations, certain parties and/or certain products; and
- local economic, political and social conditions, including the possibility of hyperinflationary conditions and political instability.

The Company may not be successful in developing and implementing policies and strategies to address the foregoing factors in a timely and effective manner in the locations where it will do business. Consequently, the occurrence of one or more of the foregoing factors could have a material adverse effect on its base operations and upon its financial condition and results of operations.

The Company will be required to comply with certain laws and regulations of each country in which it conducts business, including laws and regulations

currently in place or which may be enacted related to Internet services available to the residents of each country from online sites located elsewhere.

Because of the nature of the Company's business, it may be subject to government regulations or laws that increase its costs of operations or decrease its ability to generate income.

Any failure by the Company, or by any third party that may manufacture or market its product formulations, to comply with the law, including statutes and regulations administered by Health Canada or the FDA or other U.S. or foreign regulatory authorities, could result in, among other things, warning letters, fines and other civil penalties, suspension of regulatory approvals and the resulting requirement that the Company or its sublicensees suspend sales of its products, refusal to approve pending applications or supplements to approved applications, export or import restrictions, interruption of production, operating restrictions, closure of the facilities used by it or third parties to manufacture its product candidates, injunctions or criminal prosecution. Any of the foregoing actions could have a material adverse effect on the Company's business.

The Company's commercial success depends significantly on its ability to develop and commercialize its portfolio without infringing the intellectual property rights of third parties.

The Company's commercial success will depend, in part, on operating its business without infringing the patents or proprietary rights of third parties. Third parties that believe the Company is infringing on their rights could bring actions against it claiming damages and seeking to enjoin the development, marketing and distribution of its products. If the Company becomes involved in any litigation, it could consume a substantial portion of its resources, regardless of the outcome of the litigation. If any of these actions are successful, the Company could be required to pay damages and/or to obtain a license to continue to develop or market its products, in which case it may be required to pay substantial royalties. However, any such license may not be available on terms acceptable to the Company or at all. Ultimately, the Company could be prevented from commercializing a product or forced to cease some aspect of its business operations because of patent infringement claims, which would harm its business.

The implementation of the Company's business plan relies on its ability to manage growth. If the Company is not able to manage the growth, its business plan may not be successfully implemented.

The Company expects to expand its operations by increasing its sales and marketing efforts, research and development activities, and escalating its services. The anticipated growth could place a significant strain on its management, and operational and financial resources. Effective management of the anticipated growth shall require expanding its management and financial

controls, hiring additional appropriate personnel as required, and developing additional expertise by existing management personnel. However, there can be no assurances that these or other measures it may implement shall effectively increase its capabilities to manage such anticipated growth or to do so in a timely and cost-effective manner. Moreover, management of growth is especially challenging for a company with a short revenue generating history and limited financial resources, and the failure to effectively manage growth could have a material adverse effect on its operations.

The Company's success depends on continuing to hire and retain qualified personnel, including its directors and officers and technical personnel. If the Company is not successful in attracting and retaining these personnel, its business will suffer.

The Company's success depends substantially on the performance of its management team and key personnel. Due to the specialized technical nature of its business, the Company is particularly dependent on its technical personnel. The Company's future success will depend on its ability to attract, integrate, motivate and retain qualified technical, sales, operations, and managerial personnel, as well as its ability to successfully implement a plan for management succession. Competition for qualified personnel in its business areas is intense, and the Company may not be able to continue to attract and retain key personnel. In addition, if the Company loses the services of any of its management team or key personnel and is not able to find suitable replacements in a timely manner, its business could be disrupted and the Company may incur increased operating expenses.

The Company's ability to attract new sublicensees and customers and expand into new lucrative markets is highly dependent on its ability to continue to invest in research and development resources.

The Company plans to invest in laboratory facilities and equipment in order to increase, expand or update its research and development capabilities. Changes in its technology or development opportunities beyond currently available laboratory capabilities shall require further investment. However, there can be no assurances that the Company shall generate sufficient funds from operations to finance any required investment or that other sources of funding shall be available. Additionally, there can be no guarantees that any future expansion shall not negatively affect earnings.

If the Company is unable to attract new sublicensees and customers, or if its existing sublicensees and customers do not purchase additional products, the growth of its business and cash flows will be adversely affected.

To increase the Company's revenues and cash flows, it must regularly add customers and license additional products to its existing sublicensees. If the

Company is unable to sell its products to customers that have been referred to it, unable to generate sufficient sales leads through its marketing programs, or if its existing or new sublicensees and customers do not perceive its products to be of sufficiently high value and quality, the Company may not be able to increase sales and its operating results would be adversely affected. In addition, if the Company fails to sell new products to existing sublicensees and customers or new sublicensees and customers, its operating results will suffer, and its revenue growth, cash flows and profitability may be materially and adversely affected.

Key management personnel may leave the Company, which could adversely affect its ability to continue operations.

The Company is entirely dependent on the efforts of its management because of the time and effort that they devote. They are in charge of overseeing all development strategies, supervising any/all future personnel, and the implementation of the Company's business plan. Their loss, or other key personnel in the future, could have a material adverse effect on its business, financial condition and results of operations.

The laws and regulations regarding cannabis (marijuana) are undergoing transition, on June 20, 2018 the Cannabis Act was passed by the federal government of Canada.

The Cannabis Act (Canada) which governs recreational cannabis, was passed by the federal government on June 20, 2018 and was implemented on October 17, 2018. The Company's sublicenses are relying on recreational cannabis, and changes in regulations to recreational cannabis could adversely affect the roll out of sublicensees products which would adversely impact the Company financially.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause material adverse effects business, financial condition and results of operations of the Company. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies,

including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this Prospectus.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act (Canada), to regulate the production, distribution and sale of cannabis for unqualified adult use. Several recommendations from the Task Force reflected in the Cannabis Act (Canada) including, but not limited to, permitting home cultivation, potentially easing barriers to entry into a Canadian recreational marijuana market and restrictions on advertising and branding, could materially and adversely affect the future business, financial condition and results of operations of the Company. The recommendations considered by the Government of Canada for the new framework for recreational marijuana could significantly adversely affect the future business, financial condition and results of operations of the Company. On June 20, 2018, the Cannabis Act (Canada) was passed by the federal government of Canada, on June 21, 2018 the Cannabis Act received royal assent and was implemented October 17, 2018.

While cannabis is legal in many US state jurisdictions, it continues to be a controlled substance under the United States federal Controlled Substances Act. Investors are cautioned that in the United States, cannabis is largely regulated at the state level.

To the Company's knowledge, there are to date a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including Florida, Massachusetts and Arizona. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and marijuana remains illegal under federal laws in the United States.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position,

operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

If state and/or federal legislation changes or regulatory agencies amend their practices or interpretive policies, or expended its resources enforcing existing state and/or federal laws, such action(s) could have a materially adverse effect on; (a) Sublicensees ability to obtain lawfully sourced raw materials; and, (b) the manufacturing, marketing, distribution and sale of the Company and sublicensees products in one or multiple jurisdictions, up to and including a complete interruption of its business. Further, additional government regulation in the industrial hemp industry could cause potential customers and users to be reluctant to purchase the Company's and sublicensees products, which would be detrimental to the Company's business. The Company cannot predict the nature of any future U.S. federal, state and/or laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on its business.

Due to cannabis being a controlled substance under the United States federal Controlled Substances Act, news media has reported that some Canadians who are investors or have business relations in the cannabis industry are facing problems at United States border crossings. These problems include being refused entry into the United States and being given lifetime bans from entering the United States. The business association with cannabis is a border issue due to cannabis being designated a controlled substance under federal United States law and border crossings being governed by the United States federal government. The Company intends to reduce the risk of its personnel having issues at the border by conducting its meetings via telephone conference or within Canada. In addition, the Company intends to develop a facility in Canada to service Canadian and non - U.S. sublicensees, which will reduce the need for border crossings. The Company's CEO holds dual citizenship in Canada and the United States, which reduces the risk of the CEO being unable to enter the United States. In the event that a Company representative is refused entry and/or receives a ban to entry to the United States, the Company may find it difficult to conduct business and may have to replace the individual.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

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. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors.

Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Rohrabacher-Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice up and through the 2018 appropriations deadline of September 30, 2018. See “United States Enforcement Proceedings”. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company’s business, revenues, operating results and financial condition as well as the Company’s reputation, even if such proceedings were concluded successfully in favour of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company’s products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company’s products and could have a material adverse effect on the results of

operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S. and is new to Canada.

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks,

uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Changes to US State Laws Pertaining to Industrial Hemp

The US federal Controlled Substances Act, ("CSA") classifies "marihuana" as a Schedule I controlled substance and makes "marihuana" use and possession illegal on a national level. The United States Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize "marihuana," even for medical purposes, and thus federal law criminalizing the use of "marihuana" pre-empts state laws that legalize its use. As of the date of this Prospectus, approximately thirty states authorized industrial hemp programs pursuant to the Agricultural Act of 2014 (the "Farm Bill"). Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states it has business interests in. Any one of these factors could slow or halt use of industrial hemp, which would negatively impact the Company's business up to possibly causing it to discontinue operations as a whole.

Uncertainty Caused by Potential Changes to Legal Regulations

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the cannabis plant and the scope of operation of Farm Bill-compliant hemp programs relative to the CSA, the Farm Bill and the emerging regulation of cannabinoids. These different opinions include but are not limited to the regulation of cannabinoids by Health Canada and the US Drug Enforcement Administration and or the Food and Drug Administration and the extent to which manufacturers of products containing imported raw materials and/or Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these

uncertainties continue, such may have an adverse effect upon the introduction of the Company's and sublicensees products in different markets.

Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Regulatory Approval and Permits

The Company and sublicensees may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are licensed, although we do not currently anticipate that such approvals will be necessary. There can be no assurance that they will be able to obtain or maintain any necessary licenses, permits or approvals, and in particular, should the DEA succeed in the pending litigation on the Final Rule, suppliers of CBD hemp oil products could be required to obtain a CSA permit, which would likely not be a feasible option for the Company's retail products. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on the Company's business, financial condition and results of operations.

Substantial Number of Authorized but Unissued Shares

The Company has an unlimited number of Common Shares that may be issued by the Board of Directors without further action or approval of the Company's shareholders. While the Board of Directors is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Increased Costs of Being a Publicly Traded Company

Being a listed Company on the CSE, the Company will incur significant legal, accounting and filing fees. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information all of which will significantly increase legal and financial compliance costs.

- 17.2 If there is a risk that securityholders of the Issuer may become liable to make an additional contribution beyond the price of the security, disclose that risk.

None

- 17.3 Describe any risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the securities being listed and that are not otherwise described under section 17.1 or 17.2.

See 17.1

18. Promoters

- 18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer, state:

- (a) the person or company's name;
- (b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;

- (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer in return; and
- (d) for an asset acquired within the two years before the date of the Listing Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter:
 - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,
 - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and
 - (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

Terry Howlett, the Company's Chief Executive Officer and President took the initiative in the primary organization of the Company and accordingly is a promoter of the Company. Mr. Howlett owns 3,818,750 Common Shares of the Company, which is 16.44% of the Common Shares outstanding.

Doreen McMorran, the Company's Chief Operating Officer, and Director took the initiative in the primary organization of the Company and accordingly is a promoter of the Company. Ms. McMorran owns 3,818,750 Common Shares of the Company, which is 16.44% of the Common Shares outstanding.

Logan Anderson, the Company's CFO and Secretary took the initiative in the primary organization of the Company and accordingly is a promoter of the Company. Mr. Anderson owns 250,001 Common Shares of the Company which is 1% of the Common shares outstanding.

- 18.2 (1) If a promoter referred to in section 18.1 is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer, or chief financial officer of any person or company that: N/A to all below.
- a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer; or

- b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer,

state the fact and describe the basis on which the order was made and whether the order is still in effect.

- (2) For the purposes of section 18.2 (1), “order” means:
 - (a) a cease trade order;
 - (b) an order similar to a cease trade order; or
 - (c) an order that denied the relevant person or company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.
- (3) If a promoter referred to in section 18.2 (1):
 - (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
 - (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter, state the fact.
- (4) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter referred to in section 18.2(1) has been subject to:
 - (a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement agreement with a provincial and territorial securities regulatory authority; or

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- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.
- (5) Despite section 18.2(4), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be considered important to a reasonable investor in making an investment decision.

N/A to all.

19. Legal Proceedings

19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

There are no legal proceedings known against the Company, nor has there been any since the Company was incorporated.

19.2 Regulatory actions - Describe any:

- (a) penalties or sanctions imposed against the Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;
- (b) other penalties or sanctions imposed by a court or regulatory body against the Issuer necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; and
- (c) settlement agreements the Issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

None. Also see 19.1 above.

20. Interest of Management and Others in Material Transactions

20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:

- (a) any director or executive officer of the Issuer;
- (b) a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of your outstanding voting securities; and
- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

NONE to all.

21. Auditors, Transfer Agents and Registrars

21.1 State the name and address of the auditor of the Issuer.

DMCL Chartered Professional Accountants
1140 W Pender St.
Suite 1500 – 1700
Vancouver BC V6E 4G1

21.2 For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.

National Securities Administrators Inc.
Suite 702 – 777 Hornby Street
Vancouver BC V6Z 1S4

22. Material Contracts

22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer. The only material contracts entered into by the Company in the last two years other than contracts in the ordinary course of business are as follows,

1. Invisicare Agreement; (detail below)
2. Canopy License Agreement; (detail below)
3. Lighthouse License Agreement; (detail below)
4. Escrow Agreement;

5. \$0.02 Pooling Agreement;
6. \$0.10 Pooling Agreement;
7. First Promissory Note Extension Agreement;
8. Second Promissory Note Extension Agreement, dated June 19, 2018; and
9. Third Promissory Note Extension Agreement, dated July 12, 2018.

Invisicare Licensing and Assignment Agreement

On September 29, 2017, the Company entered into a licensing and assignment agreement with Skinvisible (the "Invisicare Agreement"). Under the Invisicare Agreement, the Company acquired the exclusive worldwide right to manufacture, distribute, market, sell, sublicense and promote products formulated with Invisicare® and containing cannabis products, including the right to use the subject matter of any Skinvisible patents and trademarks covering such products or the Polymer Delivery System. The product formulations may include Invisicare® polymer formulations and cannabis (which includes marijuana, and hemp, including but not limited to cannabinoids, hemp seed oil and synthetic derivatives of cannabis).

The consideration under the Invisicare Agreement was the payment by the Company to Skinvisible of US \$500,000 as follows:

- US \$250,000 paid within thirty (30) days of executing the Agreements (which sum has been paid);
- issuance of a promissory note (the "Skinvisible Promissory Note") for US \$250,000, payable on the earlier of completion of the Company's initial public offering or March 31, 2018. The payment date was amended to the earlier of the completion of the Company's initial public offering or June 30, 2018 in consideration of additional advances by the Company under the note (the "First Promissory Note Extension Agreement"). Subsequently, the payment date was amended to the earlier of the completion of the Company's initial public offering or September 15, 2018 (the "Second Promissory Note Extension Agreement");
- On January 1, 2018 the Company paid US \$50,000, and on March 5, 2018 the Company paid US \$40,000 of the principal of the Skinvisible Promissory Note;
- In July of 2018, the Company paid US \$130,000 of the principal of the Skinvisible Promissory Note. The balance of the note as of July 31, 2018 was US \$30,000. On July 12, 2018, the payment date was amended to the earlier of completion of the Company's public offering or September 30, 2018 (the "Third Promissory Note Extension Agreement"); and
- In August of 2018, the Company paid the remaining balance on the Skinvisible Promissory Note.

The Company has the right to manufacture products covered by the Invisicare Agreement provided that the Company makes the product in accordance with Skinvisible's standards and that the Company applies the Invisicare® trademark in a prominent fashion on all packaging. The Company also has the right to make any modifications or improvements on such product without Skinvisible's prior written permission.

The Invisicare Agreement is effective from September 29, 2017 and has no termination date, however the agreement may be terminated under certain conditions, such as mutual consent of the parties or if either party materially fails to perform its obligations under the Invisicare Agreement.

Canopy License Agreement

Pursuant to the Invisicare Agreement, the Company was assigned a license agreement with Canopy dated September 15, 2017 (the "Canopy License Agreement"). Canopy is a Canadian based world-leading cannabis company with multiple brands and state-of-the-art product facilities including over half a million square feet of cannabis production capacity. (Source: <https://www.canopygrowth.com/>). Canopy has been granted exclusive rights to manufacture, distribute, sell, market and promote two of the Company's product lines: (1) Invisicare® products containing hemp seed oil- exclusively for Canada and USA, and (2) Invisicare® products containing cannabinoids from hemp or marijuana exclusively for Canada. In addition, Canopy has the right of first refusal for exclusivity in all other countries excluding China for hemp seed oil products and the right of first refusal for exclusivity in all other countries excluding China and the USA for cannabinoid products (however it has the right to license a non-exclusive cannabis line outside of licensed dispensaries in the USA). The exclusive rights and rights of first refusals are subject to certain terms set out in the Canopy License Agreement.

Under the Canopy License Agreement, the Company is required to provide formulas, product specifications, and manufacturing know-how and polymer to enable Canopy to make the products. The Company is required to provide research and development for products (subject to payment of development fees), and permit Canopy to use Invisicare® trademark for the purpose of advertising, marketing and distributing products.

Under the terms of the Canopy License Agreement, Canopy is required to pay development fees and a royalty payment based on a percentage of net revenue of products sold by Canopy and its affiliates. In addition, Canopy has the first right of refusal for any agreements the Company negotiates for the product lines outside of Canada and the USA. Canopy is required to launch a minimum number of products within each country it licenses. Canopy has the right to manufacture products covered by the Canopy License Agreement, subject to several conditions, including but not limited to: (1) the products must be made in accordance with the Company's formulas, (2) Canopy must exclusively source the polymer ingredient for products from the Company, (3) Canopy must apply Invisicare® trademark in a prominent fashion on all packaging, labels, tags, advertising, and promotional materials, including electronic mediums, associated with the Products and appropriately indicated on promotional materials that the trademarks are under license, (4) Canopy must pay development fees and all other fees as required by the

Canopy License Agreement, and (5) Canopy must mark all products with appropriate patent numbers. Canopy is responsible, at its expense, to obtain all approvals necessary for manufacturing and sale and any regulatory approvals for testing of the products.

The Canopy License Agreement is effective from September 15, 2017 and has no termination date, however the agreement may be terminated under certain conditions, including but not limited to mutual consent of the parties or if either party materially fails to perform its obligations under the Canopy License Agreement.

Lighthouse License Agreement

On November 10, 2017, the Company entered into a license agreement with Lighthouse (the "Lighthouse License Agreement").

Under the Lighthouse License Agreement, the Company granted Lighthouse the exclusive right to utilize the Company's trademarks, formulations, patents and product specifications for preparation, packaging, promotion and sale of the following topical and transdermal products:

- Dispensary Products: From marijuana including not limited to CBD and/or THC and sold exclusively in state licensed recreational or medical marijuana dispensaries;
- Non-dispensary Products: Products formulated with non-THC cannabinoids from hemp or marijuana which are non-exclusive for sale outside of state licensed recreational or medical marijuana dispensaries.

The above products exclude synthetic cannabinoids or cannabinoids engineered from any other source other than the hemp or marijuana plant, products containing hemp seed oil and products requiring FDA prescription drug approval.

Lighthouse was also granted the exclusive right to manufacture, distribute, sell, market and promote the Dispensary Products within the United States including the right to use the subject matter of the patents which cover such products.

Lighthouse is required to provide the Company with development supplies and space and the Company is required to produce a minimum number of products using cannabinoids and formulated with Invisicare®. Lighthouse will launch Dispensary Products and Non-Dispensary Products within 6 months of development completion. Lighthouse is required to provide quarterly minimum Packaging Fee payments to the Company for products sold and Lighthouse must pay a Packaging Fee per product upon purchase of polymer from the Company. At its expense, Lighthouse will also obtain all approvals necessary for the manufacturing and sale and any regulatory approvals and testing of products. With limited exceptions, Lighthouse will refrain from engaging in the marketing and promotion of other topical or transdermal cannabis products. Lighthouse must reasonably prepare, package, distribute and sell such quantities of the Company's products to satisfy the demand. Lighthouse has the right to manufacture the products provided that they do so in

accordance with the Company's formulations and product specifications. Lighthouse must exclusively source the polymer from the Company and the Invisicare® trademark must be placed in a prominent fashion on all packaging, labels, tags, advertising, and promotional materials, including electronic mediums, associated with the products, and appropriate indications on the aforementioned promotional materials that the trademarks are under license from the Company. Lighthouse must mark product packaging with appropriate patent numbers.

The Company is required to conduct research and development, permit Lighthouse to use Invisicare® and the Company's trademarks for the purpose of advertising, marketing and distributing the products, and disclose to Lighthouse the formulations, product specifications, and manufacturing know-how in sufficient detail to enable Lighthouse to make the products.

The Lighthouse License Agreement is effective from November 10, 2017 and has no termination date, however the agreement may be terminated under certain conditions, such as mutual consent of the parties or if either party materially fails to perform its obligations or if Lighthouse does not meet the quarter minimum payments under the agreement.

22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.

N/A

23 Interest of Experts

23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in section 23.1 of any securities of the Issuer or any Related Person of the Issuer.

23.3 For the purpose of section 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.

23.4 If a person, or a director, officer or employee of a person or company referred to in section 23.1 is or is expected to be elected, appointed or employed as a

director, officer or employee of the Issuer or of any associate or affiliate of the Issuer, disclose the fact or expectation.

The audited financial statements included in this Form 2A have been subject to an audit by Dale Matheson Carr-Hilton Labonte LLP (“DMCL”), and their audit report is included herein. DMCL is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

The opinion under the section “Eligibility for Investment” provided for the Company’s prospectus has been provided by Koffman Kalef LLP. Koffman Kalef LLP holds no interest in the Company.

24. Other Material Facts

- 24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

There are no other material facts relating to the Company other than disclose herein.

25. Financial Statements

- 25.1 Provide the following audited financial statement for the Issuer:

- (a) copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the Issuer were subject to such law; and
- (b) a copy of financial statements for any completed interim period of the current fiscal year.

Attached.

25.2 For Issuers re-qualifying for listing following a fundamental change provide

- (a) the information required in sections 5.1 to 5.3 for the target;
- (b) financial statement for the target prepared in accordance with the requirements of National Instrument 41-101 *General Prospectus Requirements* as if the target were the Issuer;
- (c) pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:
 - (i) the last full fiscal year of the Issuer, and
 - (ii) any completed interim period of the current fiscal year.

Annual Financial Statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2018 are attached.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver

As of this 30th day of, April 2019.

"Terry Howlett"

Terry Howlett
CEO/Director/Promoter

"Logan Anderson"

Logan Anderson
Chief Financial Officer/Promoter

"Doreen McMorran"

Doreen McMorran
Promoter/COO/Director

"David Ryan"

David Ryan
Director

OVATION SCIENCE INC.

Financial Statements

For the years ended December 31, 2018 and 2017

Expressed in Canadian dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ovation Science Inc.

Opinion

We have audited the financial statements of Ovation Science Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company is not able to finance day to day activities through operations and incurs losses. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David J. Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2019

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

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

OVATION SCIENCE INC.
 Statements of Financial Position
 (Expressed in Canadian dollars)

	Note	As at December 31, 2018	As at December 31, 2017
ASSETS			
Current assets			
Cash		\$ 468,969	\$ 277,956
Short-term investments	3	1,503,025	-
Trade and other receivables	4	52,196	14,549
Prepaid expenses	5	68,750	-
Inventory	6	25,528	-
		2,118,468	292,505
License	7	606,812	606,812
Total assets		\$ 2,725,280	\$ 899,317
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	8	\$ 52,484	\$ 28,920
Due to related parties	13	144,782	-
Promissory notes	9	-	304,986
Convertible notes	10	279,730	-
Derivative liability	10	58,845	-
Total liabilities		535,841	333,906
Shareholders' equity			
Share capital	11	1,900,518	626,952
Reserves	12	858,866	-
Deficit		(569,945)	(61,541)
Total liabilities and shareholders' equity		\$ 2,725,280	\$ 899,317

Nature of business and going concern (Note 1)

These financial statements were approved by the Board of Directors on April 30, 2019:

“Logan Anderson” Director “Terry Howlett” Director

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

OVATION SCIENCE INC.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year ended December 31, 2018	Period from incorporation on July 18, 2017 to December 31, 2017
Revenue			
Polymer sales		\$ 33,027	\$ -
Royalty fees		63,381	12,545
		96,408	12,545
Cost of sales	6	(13,917)	-
Gross margin		82,491	12,545
Operating expenses			
Management and director fees	13	200,000	49,500
Advertising and promotion	5	59,620	
Office and general		94,623	5,111
Professional fees		54,527	9,026
Product development		63,876	-
Share-based payments	12, 13	22,559	-
		495,205	63,637
Loss from operations		(412,714)	(51,092)
Other income (expenses)			
Interest expense	9,10	(35,785)	(8,639)
Accretion expense	10	(7,275)	-
Interest income	3	3,025	-
Loss in fair value of derivative liability	10	(45,154)	-
Foreign exchange loss		(10,501)	(1,810)
Loss and comprehensive loss		\$ (508,404)	\$ (61,541)
Loss per share – basic and diluted		\$ (0.03)	\$ (0.03)
Basic and diluted weighted average number of common shares outstanding			
		16,117,642	2,454,745

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

OVATION SCIENCE INC.Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital							
	Number	Amount		Reserves		Deficit		Total
Balance at July 18, 2017 (inception)	-	\$ -	\$ -	-	\$ -	-	\$ -	-
Shares issued for cash	15,103,121	626,952		-		-		626,952
Loss for the year	-	-		-		(61,541)		(61,541)
Balance at December 31, 2017	15,103,121	626,952		-		(61,541)		565,411
Equity portion of convertible note	-	-		3,245		-		3,245
Units issued for cash	8,050,000	1,696,843		718,157		-		2,415,000
Share issuance costs	-	(423,277)		114,905		-		(308,372)
Share-based payments	-	-		22,559		-		22,559
Loss for the year	-	-		-		(508,404)		(508,404)
Balance at December 31, 2018	23,153,121	\$ 1,900,518	\$	858,866	\$	(569,945)	\$	2,189,439

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

OVATION SCIENCE INC.
 Statements of Cash Flows
 (Expressed in Canadian dollars)

	Year ended December 31, 2018	Period from incorporation on July 18, 2017 to December 31, 2017
OPERATING ACTIVITIES		
Loss for the period	\$ (508,404)	\$ (61,541)
Adjustments for non-cash items:		
Accretion expense	7,275	-
Interest expense	33,724	8,639
Share based payments	22,559	-
Interest income	(3,025)	-
Change in fair value of derivative liability	45,154	-
Changes in working capital items:		
Trade and other receivables	(37,647)	(14,549)
Inventory	(25,528)	-
Prepaid expense	(68,750)	-
Accounts payable and accrued liabilities	151,724	7,520
Cash flows used in operating activities	(382,918)	(59,931)
INVESTING ACTIVITIES		
Short-term investment	(1,500,000)	-
Purchase of license	-	(316,928)
Cash flows used in investing activities	(1,500,000)	(316,928)
FINANCING ACTIVITIES		
Repayment of promissory notes	(430,947)	-
Proceeds from promissory notes	105,124	-
Proceeds from convertible notes	280,870	-
Proceeds from issuance of shares	2,106,628	648,352
Cash flows provided by financing activities	2,061,675	648,352
Effect of foreign exchange	12,256	6,463
Increase in cash	191,013	277,956
Cash, beginning	277,956	-
Cash, ending	\$ 468,969	\$ 277,956

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

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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 1085, 555 Burrard Street, Vancouver, BC, V7X 1M8, and its registered office is Suite 704, 595 Howe Street, Vancouver BC V6C 2T5.

These 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 December 31, 2018, the Company is not able to finance day to day activities through operations and incurs losses. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on April 30, 2019

Basis of measurement

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

Significant estimates and judgments

Significant estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s 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.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of accounts receivable, useful lives of intangible assets, fair value measurements for financial instruments, fair value measurements for share-based payments and the recoverability and measurement of deferred tax liability.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- a) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- b) The assessment of the Company's functional currency; and
- c) The classification of financial instruments.

Short-term investments

Short-term investments consists of fixed term deposits with a maturity of more than three months and less than 1 year at the time of issuance.

Financial instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its short-term investments, trade and other receivables, accounts payable and other liabilities, due to related parties, promissory notes 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 consolidated statements of loss and comprehensive loss.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

Foreign currency translation

The functional currency of the Company is determined using the currency of the primary economic environment in which the Company operates. The functional and presentation currency, as determined by management, of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Inventory

Inventory consists of raw materials and finished goods for polymer materials. Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of sales

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, as well as provisions for reserves related to excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

Convertible notes

The components of the compound financial instrument (convertible note) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible notes will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments are initially recorded to reserves. Subsequently, consideration paid for the shares on the exercise of share-based payments are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, interest rate and dividend yield and making assumptions about them.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

Loss per share

Basic loss per share is calculated by dividing the statement of loss and comprehensive loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the statement of loss

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and comprehensive loss and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants outstanding. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangible assets

Intangible assets consist of License acquired externally in order manufacture, distribute, sell, market, sub-license and promote Skinvisible products (the "License") (Note 7). Intangible assets acquired are initially recognized at fair value based on an allocation of the purchase price. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in use are amortized on a straight-line basis over their estimated useful life. The expected life of the License is determined to be indefinite. The amortization method estimated useful life and residual values are reviewed each financial year end or more frequently if required and are adjusted as appropriate. Intangible assets under development and not ready for use are not amortized.

Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under two revenue categories being, product sales and license fees. Product sales revenue consists of sales and packaging fees and is accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract. License fee

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenue consists of development fees, royalty fees and any other fees associated with the License (Note 7). Development and royalty fees are paid based on a percentage of net revenue of products sold by licensees and their affiliates. These sales-based fees are recognized at the later of when the sale occurs and satisfaction of the performance obligation.

Impairment

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

New standard adopted in the year IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2017.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The five step model to be applied to all contracts with customers under IFRS 15 is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The recognition and measurement of the sale of products in all contracts under IFRS 15 was consistent with the previous revenue recognition practice and therefore there were not any transitional adjustment upon adoption of this standard.

New standard adopted in the year IFRS 9 Financial Instruments

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements and did not result in a transitional adjustment. The adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

New standard issued but not yet effective IFRS 16 Leases

In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company plans to adopt this standard on January 1, 2019 and is currently evaluating its impact on the financial statements.

3. SHORT-TERM INVESTMENTS

As at December 31, 2018, short-term investments consist of a guaranteed investment certificate ("GIC") of \$1,500,000 and accrued interest receivable of \$3,025. The GIC bears interest at 2.05% per annum and matures on November 22, 2019.

4. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	\$ 39,916	\$ 12,545
GST receivable	12,280	2,004
	\$ 52,196	\$ 14,549

5. PREPAID EXPENSES

As at December 31, 2018, prepaid expenses consists of \$68,750 as part of an advertising and promotion services agreement entered on October 16, 2018. The term of the agreement is for 1 year. As at December 31, 2018, \$25,515 has been expensed to recognize services provided from October to December 31, 2018.

6. INVENTORY

	December 31, 2018	December 31, 2017
Finished goods	\$ 25,187	\$ -
Raw materials	341	-
	\$ 25,528	\$ -

As at December 31, 2018, the Company incurred \$13,917 (2017 - \$nil) in costs of sales.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

7. LICENSE

On September 29, 2017, the Company entered into a License and Assignment Agreement (the “Assignment Agreement”) with Skinvisible, whereby Skinvisible granted the Company, the exclusive worldwide right to manufacture, distribute, sell, market, sub-license and promote the Skinvisible products including the right to use the subject matter of any Skinvisible patents and trademarks which cover the various products or polymer. The agreement shall remain in effect, except for sub-licensees appointed by the Company. Skinvisible is a major shareholder of the Company.

The consideration for the Assignment Agreement is US\$500,000 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 (Note 9).

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 Company’s trademarks, formulations, patents, product specification and the proprietary and patented Invisicare delivery system technology for use with cannabis. The agreement shall remain in effect with no termination date, 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.

	License
Balance, July 18, 2017 (inception)	\$ -
Additions	606,812
Balance, December 31, 2017 and 2018	\$ 606,812

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Accounts payable	\$ 15,010	\$ 20,420
Accrued liabilities	37,474	8,500
	\$ 52,484	\$ 28,920

9. PROMISSORY NOTES

As a consideration for the Assignment Agreement, the Company issued a promissory note to Skinvisible for US\$250,000. The note is non-interest bearing, unsecured and 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. As the promissory note is non-interest bearing, the initial fair value was estimated as \$296,348 (US\$236,228) using a market discount rate of 12% and the original maturity date of March 31, 2018. The promissory note was amortized over the original term using the effective interest rate method. As at December 31, 2018, the note was repaid in full. As at December 31, 2018 interest expense related to the Skinvisible promissory note recorded was \$17,712.

On July 5, 2018, the Company issued promissory notes to key management personnel for a total principal amount of US\$80,000 (CAD\$105,124). The notes are denominated in U.S. dollars, bear interest at 10% per annum, are unsecured and are due on September 5, 2019. The Company recorded \$5,352 on interest expense related to the promissory notes. As at December 31, 2018, the notes were repaid in full. As at December 31, 2018, \$5,280 was recorded in interest expense related to the promissory note issued to management and key personnel.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

9. PROMISSORY NOTES (continued)

The following table summarized the continuity of the liability components of the Company's promissory notes:

	December 31, 2018	December 31, 2017
Opening	\$ 304,986	\$ -
Proceeds from issuance of promissory notes	105,124	296,347
Exchange loss	3,735	-
Repayments	(430,947)	-
Interest expense	22,382	8,639
Interest accrued	(5,280)	-
Ending	\$ -	\$ 304,986

10. 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 are unsecured, bear interest at 10% per annum and are 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.

The following table summarizes the continuity of the liability components of the Company's convertible notes issued on June 28, 2018 and June 29, 2018:

As at December 31, 2017	\$ -
Proceeds from issuance of convertible notes	150,000
Amount allocated to conversion feature – equity	(3,245)
Accretion	1,725
As at December 31, 2018	\$ 148,480

As at December 31, 2018 \$7,616 was recorded in interest expense and \$1,725 in accretion expense related to both convertible notes.

On August 14, 2018, the Company issued a convertible promissory note to an arm's length party for a principal amount of CAD\$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. Interest expense of \$3,726 and accretion expense of \$5,550 was recorded. 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.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

10. CONVERTIBLE NOTES (continued)

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

As at December 31, 2017	\$	-
Proceeds from issuance of convertible note		130,870
Amount allocated to conversion feature – loan discount		(10,825)
Accretion		5,550
Exchange loss on convertible note		5,655
As at December 31, 2018	\$	131,250

Derivative Liability

The conversion option on the convertible note denominated in US 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

The fair value of the derivative liability was estimated using the Black-Scholes Option Pricing model using the following assumptions:

	December 31, 2018
Expected life	0.79
Volatility	127%
Risk free interest rate	1.85%
Dividend yield rate	0.00%

11. SHARE CAPITAL**Authorized share capital**

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Common shares

On July 18, 2017, the Company issued one Common Share at a price of \$0.005 per share.

On September 26, 2017, the Company issued 5,000,000 common shares at a price of \$0.005 per share for proceeds of \$25,000.

On October 6, 2017, the Company issued 4,837,000 common shares at a price of \$0.02 per share for cash proceeds of \$96,740. 2,195,000 of these shares were issued to directors and companies controlled by directors.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

On December 31, 2017, the Company issued 5,266,120 common shares at a price of \$0.10 per share for cash proceeds of \$526,612. In connection with the above share issuances the Company incurred a total of \$21,400 in share issuance costs.

On November 15, 2018, the Company closed a private placement consisting of 8,050,000 units at \$0.30 per unit for gross proceeds of \$2,415,000. Each unit consists of one common share of the Company and one half warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.45 per share for a period of two years. \$718,157 was allocated to the private placement warrants, which were valued using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.30, expected life: two years, expected volatility: 134.44%, dividend yield: 0%, and risk-free interest rate: 2.21%. In connection with the private placement, the Company incurred \$333,359 in cash transaction costs and \$114,905 in transaction costs related to the issuance of 644,000 broker warrants. The broker warrants entitle the holder to purchase one common share of the Company at a price of \$0.45 per share for a period of two years and were valued using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.30, expected life: two years, expected volatility: 134%, dividend yield: 0%, and risk-free interest rate: 2.21%.

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 anticipates being 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 December 31, 2018 7,548,751 remained in escrow.

12. RESERVES

Stock option plan

The Directors of the Company adopted a stock option plan on April 10, 2018 (the "Stock Option Plan"). The Stock Option Plan provides that, subject to the requirements of the 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 Stock Option 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 Stock Option 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.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

12. RESERVES (continued)**Stock options**

On April 10, 2018, the Company granted 1,150,000 stock options to directors, officers and employees of the Company. The options entitle the holders to acquire common shares of the Company at \$0.30 per share and expire on April 10, 2020. In the year ended December 31, 2018, the Company recorded share-based payment expense of \$22,559, for these options. The stock options were valued using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.10, expected life: one year, expected volatility: 123%, dividend yield: 0%, and risk-free interest rate: 1.81%.

A summary of stock option activity for the year ending December 31, 2018 is as follows:

	Options	Weighted average exercise price
Outstanding, January 1, 2018	-	\$ -
Granted	1,150,000	0.30
Outstanding, December 31, 2018	1,150,000	\$ 0.30
Exercisable, December 31, 2018	1,150,000	\$ 0.30

As at December 31, 2018, the following stock options were outstanding:

Numbers of options	Exercise price	Expiry Date
1,150,000	\$ 0.30	April 10, 2020
1,150,000		

At December 31, 2018, the weighted-average remaining contractual life of options outstanding is 1.28 years.

Warrants

The following table summarizes the changes in warrants outstanding during the periods presented:

	Warrants	Weighted average exercise price
Outstanding, January 1, 2018	-	\$ -
Granted	4,669,000	0.45
Outstanding, December 31, 2018	4,669,000	\$ 0.45
Exercisable, December 31, 2018	4,669,000	\$ 0.45

As at December 31, 2018, the following warrants were outstanding:

Numbers of warrants	Exercise price	Expiry Date
4,669,000	\$ 0.45	November 15, 2020
4,669,000		

As at December 31, 2018, the weighted-average remaining contractual life of warrants outstanding is 1.88 years

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

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:

	Year ended December 31, 2018	Period from incorporation on July 18, 2017 to December 31, 2017
Management fees	\$ 150,000	\$ 49,500
Director fees	50,000	-
Share-based payments	19,618	-
	\$ 219,618	\$ 49,500

Related party balances

On July 5, 2018, the Company issued promissory notes to key management personnel for a total principal amount of US\$80,000 (Note 9). As at December 31, 2018, the notes were repaid in full. During the year ended December 31, 2018, the Company recorded \$5,280 in interest expense in relation to these promissory notes which is included in due to related parties at December 31, 2018.

As at December 31, 2018, due to related parties of \$144,782 (2017 - \$nil) consists of accrued interest and management fees due to related parties. These amounts are non-interest bearing, unsecured and due on demand.

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 promissory notes, 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. FINANCIAL INSTRUMENTS

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

- a) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at December 31, 2018, the Company is not exposed to any significant interest rate risk.

OVATION SCIENCE INC.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS (continued)

- b) Credit risk: Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk exposure is primarily related to its liquid financial assets including cash, short-term investments and accounts receivable. The Company limits exposure to credit risk on liquid financial assets by maintaining its cash and short-term investments with high credit-quality financial institutions and by actively managing and monitoring its receivables. The Company's cash and short-term investments are held with a major Canadian-based financial institution. Receivables consist of trade receivables from customers and goods and services tax due from the government of Canada.
- c) Liquidity risk: Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As at December 31, 2018, the Company had cash of \$468,969 to settle current liabilities of \$535,841.
- d) Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2018, the Company has cash of CAD\$8,541 and convertible promissory note of CAD\$131,250 which are denominated in United States dollars. Based on current exposures as at December 31, 2018 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately CAD\$12,789 in the Company's statements of loss and comprehensive loss.
- e) Fair value: Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:
- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
 - Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
 - Level 3 – Inputs that are not based on observable market data.

The carrying value of Company's financial assets and liabilities as at December 31, 2018 approximate their fair value due to their short term nature.

16. INCOME TAXES

	Year ended December 31, 2018	Period from incorporation on July 18, 2017 to December 31, 2017
Net loss for the period	\$ (508,404)	\$ (61,541)
Statutory income tax rate	27%	26%
Income tax benefit computed at the statutory tax rate	(137,269)	(16,001)
Non-deductible expenditures	8,838	(3,318)
Share issue costs	(83,260)	-
Unrecognized benefit from income tax losses	211,691	19,319
Income tax recovery	\$ -	\$ -

As at December 31, 2018, the Company has approximately \$596,000 in non-capital losses. These losses expire between 2037 and 2038.



OVATION SCIENCE INC.

Management Discussion & Analysis

For the year ended December 31, 2018 and 2017

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 April 30, 2019 and should be read in conjunction with the audited financial statements for the year ended December 31, 2018, 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. During the year ended June 30, 2018, the Company had two sublicensees, Canopy, which holds the exclusive sublicense for certain cannabis based products in Canada and in the United States, excluding the dispensary market. The Company's second sublicensee is Lighthouse, which holds the exclusive license for the United States for licensed dispensaries. 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. On April 16, 2019 the Company and Canopy Growth Partners have mutually elected to terminate their license agreement, eliminating the restrictions preventing the Company from dealing with other licensed producers in Canada.

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.

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).

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.

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.

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.

OVERALL PERFORMANCE

During the year ended December 31, 2018:

As at December 31, 2018, the Company had \$468,969 (2017 - \$277,956) in cash. For the year ended December 31, 2018, the Company generated revenue of \$96,408 (2017 - \$12,545); and a gross profit of \$82,491 (2017 - \$12,545).

On April 10, 2018, the Company granted 1,150,000 stock options to directors, officers and employees of the Company. The options entitle the holders to acquire common shares of the Company at \$0.30 per share and expire on April 10, 2020. In the year ended December 31, 2018, the Company recorded share-based payment expense of \$22,559 for these options. The stock options were valued using the Black Scholes pricing model using the following assumptions: share price: \$0.10, expected life: one year, expected volatility: 100%, dividend yield: 0%, and risk-free interest rate: 1.81%.

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 are unsecured, bear interest at 10% per annum and are 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 holders are 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.

On August 14, 2018, the Company issued a promissory note to an arm's length party for a principal amount of CAD\$130,870 US\$100,000. The note is denominated in U.S. dollars, bears interest at 10% per annum, is unsecured and due October 14, 2019.

On November 15, 2018, the Company closed a private placement consisting of 8,050,000 units at \$0.30 per unit for gross proceeds of \$2,415,000. Each unit consisted of one common share of the Company and one half non-transferable share purchase warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.45 per share for a period of two years. \$718,157 was allocated to the private placement warrants, which were valued using the Black Scholes pricing model using the following assumptions: share price: \$0.10, expected life: two years, expected volatility: 134.44%, dividend yield: 0%, and risk-free interest rate: 2.21%. In connection with the private placement, the Company incurred \$333,359 in cash transaction costs and \$114,905 in transaction costs related to the issuance of 644,000 broker warrants. The broker warrants entitle the holder to purchase one common share of the Company at a price of \$0.45 per share for a period of two years and were valued using the Black Scholes pricing model using the following assumptions: share price: \$0.10, expected life: two years, expected volatility: 134%, dividend yield: 0%, and risk-free interest rate: 2.21%.

On November 23, 2018 the Company purchased a guaranteed investment certificate in the amount of \$1,500,000, with a one-year maturity, bearing interest at 2.05% per annum. As at December 31, 2018, the Company earned \$3,025 in interest income.

During the year ended December 31, 2017:

The Company incorporated on July 18, 2017.

On July 18, 2017, the Company issued one Common Share at a price of \$0.005 per share.

On September 26, 2017, the Company issued 5,000,000 common shares at a price of \$0.005 per share for proceeds of \$25,000.

As a consideration for an assignment agreement with Skinvisible on September 29, 2017, the Company issued a promissory note to Skinvisible for a principal amount of US\$250,000. The note is denominated in U.S. dollars, non-interest bearing, unsecured and 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. As the promissory note is non-interest bearing, the initial fair value was estimated as \$296,348 (US\$236,228) using a market discount rate of 12% and the original maturity date of March 31, 2018. The promissory note is amortized over the original term using the effective interest rate method. As at December 31, 2018, the note was repaid in full.

On October 6, 2017, the Company issued 4,837,000 common shares at a price of \$0.02 per share for cash proceeds of \$96,740. 2,195,000 of these shares were issued to directors and companies controlled by directors.

On December 31, 2017, the Company issued 5,266,120 common shares at a price of \$0.10 per share for cash proceeds of \$526,612. In connection with the above share issuances the Company incurred a total of \$21,400 in share issuance costs.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2018 and 2017 and should be read in conjunction with the Company's financial statements and related notes thereto for such periods.

The year-end financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are expressed in Canadian dollars.

December 31,		2018		2017
Total assets	\$	2,725,280	\$	899,317
Total non-current financial liabilities	\$	-	\$	-
Revenues	\$	96,408	\$	12,545
Loss and comprehensive loss	\$	(508,404)	\$	(61,541)
Loss per share – Basic and diluted	\$	(0.03)	\$	(0.03)
Weighted average number of common shares outstanding		16,117,642		2,454,745

Total assets as of December 31, 2018 were \$2,725,280 (2017 - \$899,317). The increase of \$1,825,963 during 2018 is primarily a result of the private placement of 8,050,000 units on November 15, 2018 for gross proceeds of \$2,415,000.

Revenues were \$96,408 for the year ended December 31, 2018 compared to revenues of \$12,545 for the year ended December 31, 2017. The Company primarily derived its revenue from its relationship with Lighthouse Strategies, LLC.

Loss and comprehensive loss for the year ended December 31, 2018 was \$508,404 (2017 - \$61,541). The overall increase of \$446,863 was due to a full year of operations. The Company was incorporated in July 18, 2017, as such it was expected that operating expenses would increase during 2018, as it is the first year of full operations.

DISCUSSION OF OPERATIONS

The following table summarizes the results of operations for the years ended December 31, 2018 and December 31, 2017:

Revenues	\$	96,408	\$	12,545
Gross margin	\$	82,491	\$	-
Operating expenses	\$	495,205	\$	63,637
Loss from operations		(412,714)		(51,092)
Other items:		(95,690)		10,449
Loss and comprehensive loss	\$	(508,404)	\$	(61,541)

The Company was incorporated in July 18, 2017, as such it was expected that operating expenses would increase during 2018, as it is the first year of full operations.

Operating expenses

Management and director fees increased by \$150,500 to \$200,000 from \$49,500 after a full year of operations.

The Company incurred advertising and promotions expense of \$59,620 for the year ended December 31, 2018 due to the Company increasing operations.

An increase in office and general expenses of \$89,512 from a full year of operations, an increased product development of \$63,876.

An increase in professional fees due to legal expenses incurred for \$8,502 (2017- \$526); the professional work done was related to the preparation of the corporate documents needed to close the private placement during the last quarter. Lastly, accounting fees incurred through the year were \$38,525 (2017- \$8,500)

The addition of product development expenses incurred during December 31, 2018 relates to the creation of a new product category for the cannabis market: recreational transdermal creams that will be available for sale during 2019.

Lastly the Company granted stock options to directors and officers. The options were fair valued using a Black Scholes model and the Company recorded an expense of \$22,559 (2017-\$nil) in share-based payments.

Other income (expenses)

The Company incurred \$35,785 (2017-\$8,639) of interest expense as a result of promissory notes and convertible notes issued in the year. The Company also incurred \$7,275 in accretion expenses related to the amortization of the fair value component of the debt. The Company also recorded a net expense of \$45,154 related to the change in fair value of derivative liability which arose from the issuance of convertible debt in a foreign currency (US dollars).

SUMMARY OF QUARTERLY RESULTS

Three months ended,	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018
	\$	\$	\$	\$
Total Revenue	49,505	28,924	17,979	-
Net Loss	(196,272)	(80,074)	(140,749)	(91,309)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Three months ended,	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
	\$	\$	\$	\$
Total Revenue	12,545	-	-	-
Net Loss	(61,541)	(382)	-	-
Basic and diluted net loss per share	(0.03)	(0.00)	-	-

- i) The Company incurred a larger loss in the three months ended December 31, 2018 as compared to the previous 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.
- ii) The Company's net loss decreased in the three months ended September 30, 2018 compared to the prior 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.
- iii) The Company incurred a larger loss in the three months ended June 30, 2018 as compared to the previous quarter. The Company incurred increased professional fees of \$48,703 and incurred product development expenses of \$11,295.
- iv) The Company incurred in increased loss during the three months ended March 31, 2018, compared to the three months ended December 31, 2017. The Company incurred a larger foreign exchange loss increase by \$9,078 and increases in office and general expenses of \$10,206.
- v) The Company began operations in the three months ended December 31, 2017. The net loss increased by \$61,159 and included management fees of \$49,500 and professional fees of \$9,026.
- vi) From the period of Incorporation July 18, 2017 to September 30, 2017, incorporation occurred, but operations had yet to commence.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018 Skinvisible Promissory Note had been fully paid off.

As at December 31, 2018 the Company had a working capital of \$1,582,627 (December 31, 2017 - deficiency of \$41,401) and cash of \$468,969 (December 31, 2017 - \$277,956).

Operating activities

For the year ended December 31, 2018, operating activities used cash of \$382,918. Cash flow from operations consisted primarily of loss for the period of \$508,404, adjusted for non-cash items and changes in working capital items. Operating losses were offset by \$105,687 in non-cash adjustments.

Investing activities

For the year ended December 31, 2018, cash used in investing activities was \$1,500,000. This amount consisted entirely of the purchase of a guaranteed investment certificate which bears interest at 2.05% per annum and matures on November 22, 2019.

Financing activities

Cash flows from financing activities for the period were \$2,061,675. The cash flows consisted primarily of a private placement in the year consisting of 8,050,000 units at \$0.30 per unit for gross proceeds of \$2,415,000. In connection with the private placement, the Company incurred \$333,359 in cash transaction costs. During the year, the Company also issued convertible notes for \$150,000, promissory notes for US\$100,000 and related party promissory notes of US\$80,000. These increases in cash were partially offset by repayments of the Skinvisible promissory note issued upon the completion of the assignment agreement, and the related party promissory notes, which were all fully repaid in the year.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements during the period ended December 31, 2018.

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 for the year ended as follows:

	December 31, 2018	December 31, 2017
Management fees	\$ 150,000	\$ 49,500
Director fees	50,000	-
Share-based payments	19,618	-
	\$ 219,618	\$ 49,500

Related party payables

On July 5, 2018, the Company issued promissory notes to key management personnel for a total principal amount of US\$80,000 (Note 9). As at December 31, 2018, the notes were repaid in full. During the year ended December 31, 2018, the Company recorded \$5,280 in interest expense in relation to these promissory notes which is included in due to related parties at December 31, 2018.

As at December 31, 2018, due to related parties of \$143,848 (2017 - \$nil) consists of accrued interest and management fees due to related parties. These amounts are non-interest bearing, unsecured and due on demand.

DISCLOSURE OF OUTSTANDING SECURITY DATA

As at December 31, 2018

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2018, the Company had 23,153,121 common shares issued and outstanding.

On April 10, 2018 the Company issued 1,150,000 stock options to directors, officers and consultants of the Company with an exercise price of \$0.30 per share. The stock options have a contractual life of two years, expiring on April 10, 2020.

On November 15, 2018 the Company issued 4,669,000 in warrants to the participants of the brokered private placement with an exercise price of \$0.45 per share. The warrants have a contractual life of two years, expiring on November 15, 2020.

The total fully diluted as at December 31, 2018 is 28,972,121.

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 December 31, 2018 7,548,751 remained in escrow.

As at April 29, 2019

There have no been changes from the year ended December 31, 2018.

PROPOSED TRANSACTIONS

The Company did 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, promissory notes 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 consolidated 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 3 of the audited financial statements for the year ended December 31, 2018.

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 2 of the Company's audited financial statements for the year ended December 31, 2018.

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 financial statements.

Pronouncements that may have a significant impact to the Company have been disclosed in Note 2 of the Company's audited financial statements for the year ended December 31, 2018.

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.

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/>